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## VOL. 5

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# HEARINGS

BEFORE THE

# COMMITTEE ON FINANCE

## UNITED STATES SENATE

ON THE PROPOSED

# TARIFF ACT OF 1921

(H. R. 7456)

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IN EIGHT VOLUMES

## VOLUME I

AMERICAN VALUATION
DYES EMBARGO

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*Revised and Indexed*

WASHINGTON
GOVERNMENT PRINTING OFFICE
1922

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## COMMITTEE ON FINANCE.

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REED SMOOT, Utah.
ROBERT M. LA FOLLETTE, Wisconsin.
WILLIAM P. DILLINGHAM, Vermont.
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PETER G. GERRY, Rhode Island.
JAMES A. REED, Missouri.
DAVID I. WALSH, Massachusetts.

LEIGHTON C. TAYLOR, *Clerk.*
W. B. STEWART, *Assistant Clerk.*

# PREFACE.

Tariff hearings were begun on July 25, 1921, pursuant to the following notice:

UNITED STATES SENATE,
COMMITTEE ON FINANCE,
*July 22, 1921.*

The Committee on Finance will hold public hearings relative to the tariff at Washington, D. C., beginning Monday, July 25, 1921.

It is the purpose of the committee to hear first the proponents and opponents of the American valuation plan.

The committee expects first to hear members of the Tariff Commission and certain special agents of the New York customs office with respect to this plan upon Monday and Tuesday next.

The committee expects to close the hearings upon the American valuation plan by Thursday next and then to take up the several schedules in order.

Notices will be sent to all applicants for hearings as early as possible, advising them when they can be heard.

In order to avoid duplication of arguments and suggestions it is requested that persons desiring to present the same character of information relative to any tariff item agree upon one representative to present their views.

The hearings will be conducted in room 312 of the Senate Office Building. Sessions will be held each day from 10.30 a. m. to 12 noon and from 2.30 p. m. to 5 p. m.

It is desired that witnesses endeavor to prepare their statements in such form that their presentation will not require more than 30 minutes.

Persons wishing to be heard should, if possible, apply to the clerk of the committee, prior to the date set for the hearings, for an assignment of time. In making such application the following information should be given: Name, business address, temporary address in Washington, business or occupation, the person, firm, corporation, or association represented, and the item and paragraph of the tariff bill (H. R. 7456) concerning which testimony will be given.

All briefs and other papers filed with the committee should have indorsed on them the item and paragraph of the tariff bill (H. R. 7456) to which they relate, and the name and address of the person submitting them, his business or occupation, the name of the person, firm, corporation, or association whom he represents.

BOIES PENROSE, *Chairman.*

The hearings were continued to and including August 31, 1921. Because of the unsettled and continually changing world conditions and the great length of time required to complete the tariff bill, it was decided to put the internal-revenue legislation ahead of the tariff bill. The tariff hearings were, therefore, postponed, and resumed November 3, 1921, and completed January 9, 1922.

The stenographic minutes of each day's proceedings were first printed in preliminary form in 58 parts. Copies were sent to each witness with the request that he make necessary corrections for clearness in his statement and return the revised copy to the clerk. Such corrections have been observed in preparing the revised edition of the hearings. In this edition the chronological order of the statements has been disregarded (except that of American Valuation and Dyes Embargo, Vol. I) and the oral testimony and the papers filed on each subject have been grouped and arranged, as nearly as practicable, according to the paragraphs of the tariff bill as it passed the House.

The revised hearings were first indexed and printed in separate volumes, each containing only the testimony relative to a particular schedule. Three additional volumes were also printed, one containing the testimony relative to the American valuation plan, one the testimony relative to the dyes embargo, and the other that relative to the special and administrative provisions of the tariff bill and testimony relative to certain paragraphs that was taken too late for incorporation in the proper volume.

The hearings are here consolidated in 8 volumes (each indexed by name and subject), including a general index, arranged as follows:

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# AMERICAN VALUATION.

## Monday, July 25, 1921.

UNITED STATES SENATE,
COMMITTEE ON FINANCE.

The committee met, pursuant to call of the chairman, in room 312, Senate Office Building, at 10.30 o'clock a. m., Hon. Boies Penrose presiding.

Present: Senators Penrose (chairman), McCumber, Smoot, La Follette, McLean, Simmons, Gerry, Reed, and Walsh.

Present also: Hon. Thomas Walker Page, chairman United States Tariff Commission, and John E. Walker, Esq., chief of the legislative drafting service of the Senate.

The CHAIRMAN. The committee will come to order. The committee is now about to proceed to take up the consideration of the permanent tariff bill, which came to the Senate on Friday of last week, and the chairman, after consultation with the members of the committee, immediately issued a call for this morning.

After informal consultation with such members of the committee as were available, the Chair adopted the schedule of tariff hearings, which I will ask to have inserted in the minutes for the information of witnesses and the public.

(The schedule referred to is as follows:)

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COMMITTEE ON FINANCE,
*July 22, 1921.*

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All briefs and other papers filed with the committee should have indorsed on them the item and paragraph of the tariff bill (H. R. 7456) to which they relate, and the name and address of the person submitting them, his business or occupation, the name of the person, firm, corporation, or association whom he represents.

BOIES PENROSE, *Chairman.*

The CHAIRMAN. Owing to the fact that the valuation is the basis of all competition, it was thought best to begin with the consideration of the valuation provision of the bill, and on that subject it was deemed well to request the presence of the members of the Tariff Commission and certain customs officials connected with the administration of the customs of the port of New York.

If the chairman of the Tariff Commission is present, the Chair would call on him.

## STATEMENT OF HON. THOMAS WALKER PAGE, CHAIRMAN UNITED STATES TARIFF COMMISSION.

The CHAIRMAN. Kindly state your full name to the stenographer for the purpose of the record.

Commissioner PAGE. Thomas Walker Page.

The CHAIRMAN. How long have you been chairman of the Tariff Commission?

Commissioner PAGE. I have been chairman, Senator, of the Tariff Commission for about two and a half years; I do not recollect the exact date of my appointment.

The CHAIRMAN. The committee desires information and advice in a concise and brief form on this question of valuation. It is needless for me to call your attention to the fact that the members of the committee, and I particularly as chairman of the committee, are in receipt of a very great number of letters for and against the method of valuation adopted in the House bill, and before arriving at a conclusion, and understanding that the bill as it now stands is largely the result of your conferences with members of the committee, the committee would be glad to hear briefly your views on the matter.

Senator SMOOT. May I ask you whether the views you are going to express now are the views of the full tariff board, or is there a division of sentiment among the members of that board?

Commissioner PAGE. Senator, I do not propose to express opinions as to the desirability of the American valuation, certainly not as representing the Tariff Commission. The commission has never taken any collective expression of opinion as to whether this is a good measure or not. There are members of the commission who cordially approve of it; there are other members of the commission who, to judge from remarks and incidental expressions, I venture to say, would certainly reserve their opinion as to whether it is desirable or not. We have not looked upon it as one of the duties of the Tariff Commission to make up its mind, certainly not to give expression to any consensus of opinion as coming from the commission, to either this committee or the Committee on Ways and Means, as to whether at the present time the adoption of this measure is desirable or not.

The Tariff Commission has attempted throughout its career to confine itself to facts as far as possible, and to present to Congress only those facts that the Tariff Commission believes to be correctly ascertained.

The CHAIRMAN. You desire to accentuate to the committee, as I understand it, that you are appearing individually before this committee, not for the Tariff Commission as a body; is that it?

Commissioner PAGE. Mr. Chairman, I am here at the request of the committee to reply to any questions that the committee may see fit to ask me.

The CHAIRMAN. That is the better way of putting it.

Commissioner PAGE. And we have no expression of opinion by the commission to give to you.

I may say that there are certain members of the commission that are cordially in favor of this measure. The two new members that have been added to the commission within the last two months have long been advocates of the system of American valuation. They have spoken for it and have written for it for years before they became members of the Tariff Commission.

The CHAIRMAN. You refer to Mr. Burgess and who else?

Commissioner PAGE. And Mr. Marvin. Those gentlemen, long before they became members of the Tariff Commission, were in favor of this measure and they expressed themselves accordingly.

The CHAIRMAN. How are the other members?

Commissioner PAGE. The other members have not given any formal or official expression of opinion.

If you wish to know the opinions merely of the members of the Tariff Commission, of course, as individuals we are perfectly willing to express those opinions. But I can not commit the Tariff Commission one way or the other as to its advocacy or its opposition to the American valuation. I have not looked upon it as being a part of the duty of the Tariff Commission to express opinions or to give views to either House of Congress on a matter of this kind.

The CHAIRMAN. You are right.

Commissioner PAGE. We are not a body authorized by law to give advice or to suggest policies, but merely to furnish information where information is obtainable.

We have, as you gentlemen doubtless know, already made a report on the subject of American valuation, in which we have assembled such information as was at that time available. The truth is that information in regard to this matter is obtainable in meager quantities, for the reason that it is a comparatively new proposition not only for this country but for other countries. It is true that there are some countries that for years have had a practice of appraising goods for duty at their landed value or supposed selling value in the country to which they were imported. Such a country, for example, is Holland, the Netherlands, where goods are appraised for duty, as I remember, at the value of those goods in Holland. But in Holland the duties are low; the Dutch tariff is for the most part a revenue tariff; it is not a protective tariff in the sense that we use the word "protective," and they can afford to be much more liberal in their appraisements and in their interpretations of the purposes of their tariff than could a country like ours where the tariff is a much more important measure in regulating our trade with foreign countries.

In some other countries, likewise, they have a nominal system of home valuation, but it is frequently accompanied by a system of proclaimed values. That might be illustrated by the well-known export duty on hides from India. The Government puts the duty at 15 per

cent on hides for export, but the Government proclaims what the value of the hides that are exported is per pound. That really reduces this ad valorem duty practically to a specific duty.

Senator REED. But does it lower the duty?

Commissioner PAGE. They can proclaim, of course, any value that they like for hides. In general they attempt in this proclamation to reach a sort of crude approximation to what the hides would be likely to sell for in India at the time.

So likewise in certain South American countries, where they have a combined system of proclaimed values and specific duties and sometimes genuine ad valorem duties, the proclaimed value in a general way they attempt to make crudely approximate to what the selling price of the goods would be.

Senator REED. What has been the custom here, then, as to accepting those proclaimed values as the value upon which tariffs should be levied in this country?

Commissioner PAGE. We have never tried that, Senator, and we have therefore no experience and no customs connected with it.

Senator REED. Do you know what is done actually in the collection of tariffs on these articles?

Commissioner PAGE. You mean in the South American countries?

Senator REED. No; in our own country when the goods are imported here.

Commissioner PAGE. I am speaking of the duties imposed by those countries on goods they import, not on goods we import from them, but on goods they import.

Senator REED. Are these facts that you are referring to set forth in your report?

Commissioner PAGE. They are set forth in our report.

Senator REED. What report is that?

Commissioner PAGE. That is the report of the United States Tariff Commission on American valuation.

The CHAIRMAN. I have got it here and have sent for other copies, Senator?

Senator REED. That was printed in 1921?

Commissioner PAGE. It was printed March 26, 1921. Our own experience, Mr. Chairman, in regard to home valuation was too brief and too remote to be significant at the present time. You gentlemen will remember that in the tariff that went into operation, as I remember it, in 1842, there was a provision for home valuation, but the regulations under which that method of appraisement was to be attempted appear to have been so confusing, so conflicting, and so complicated that the provision was repealed after two months. It was altogether unsatisfactory.

I repeat that that experience was too brief and too remote to serve us as any indication of the possibility or the expediency of such a measure at the present time.

One of the usual objections that have been made to the Tariff Commission to the plan for American valuation is its great uncertainty. The difficulty of appraising the market value of imported goods is greatly exaggerated by some, and in my judgment it is not given sufficient importance by others. It is as easy, in my opinion, to appraise the great bulk of staple commodities that come to this country at their American market value as it is to appraise them at

their foreign value; in fact, the experience of many generations has indicated that we can, so far as the great bulk of our trade is concerned that is covered by ad valorem duties, get the foreign value with satisfactory approximacy at least. But the specialties and the novelties and the new designs and the new goods it is difficult to appraise abroad, and it is just those things that it would be difficult to appraise so far as American value is concerned.

Senator REED. The same difficulty exists in both cases, then?

Commissioner PAGE. The difficulty is of equal degree; not the same difficulty, but an equally great difficulty. The difficulties that we now experience in getting foreign values would be repeated in different form in getting the American value of the same sort of things when they come to this country.

On the whole, it is maintained by the customs officials, and it is generally, I believe, maintained by all who look upon the protective policy of this country as having been successful in the past, that we have been successful in the appraisement of foreign values so far as the great purpose of the American protective policy is concerned.

Senator SMOOT. You do not mean by that that there has been no undervaluation?

Commissioner PAGE. Far from it, Senator Smoot; there has been undervaluation; the degree of it is unknown and the amount of it is unknown. We frequently have detected cases of it. So far as the amount of undervaluation may be compared with the amount of goods that are appraised at their real value, it is impossible to say just how much undervaluation there has been. But on the whole it appears not to have affected the purpose for which the protective tariff was designed.

Senator SIMMONS. Mr. Page, will you tell me, if you know, to what extent we have accepted the valuation placed on imports into this country by the exporter?

Commissioner PAGE. It is impossible to answer that question, Senator Simmons. I will say that—so far as the great staples of commerce are concerned, those that constitute the overwhelming bulk of our trade—values have, except in periods like that through which we have recently passed, been fairly stable and been known all over the world.

Senator SIMMONS. The rule has been, then, that we have accepted for the purpose of imposing our duties the foreign values, or the valuation placed upon the goods by the exporter?

Commissioner PAGE. Not unchecked.

Senator SIMMONS. Not unchecked, of course. But with reference to that, is not this true: The foreign exporter recognizes the fact that if he places an undervaluation he is liable to be checked up?

Commissioner PAGE. Yes.

Senator SIMMONS. And that in that process he may have to pay upon a higher valuation than the real foreign value, and therefore does not that check operate upon him to secure a fair and reasonable valuation upon the basis of the foreign market?

Commissioner PAGE. Undoubtedly it does, so far as the greater part of our trade is concerned. At the same time there have been cases where men have attempted to evade the law by undervaluation and in some cases they have been detected.

Senator SIMMONS. Undoubtedly that is so.

Commissioner PAGE. But it is possible that they have not all been detected.

Senator SIMMONS. Undoubtedly they have not all been detected, but has not that been the exception?

Commissioner PAGE. Of course, no one can speak accurately with regard to a matter of that kind where you are dealing with the amount of evasion. If the evasion has been successful, of course, we do not know about it. But in my opinion, Senator—it is only an opinion, however—there has been relatively little of that done; that is, I believe that the amount of undervaluation has been, as compared with the amount of goods that have paid full duty on full value, very small.

Senator REED. That is what I thought.

Commissioner PAGE. It has been variously estimated from a fraction of 1 per cent to as high as 10 per cent. I have seen some estimates that put the amount of undervaluation at more than 10 per cent, but it is all a matter of estimate, and the estimates usually vary with the nature and sometimes with the business of the man who makes the estimates.

Senator WALSH. That bears out the Senator's inquiry?

Commissioner PAGE. If I interpret the Senator's question correctly, yes.

Senator SMOOT. But generally there are certain lines of goods that undervaluation has always been claimed, and no doubt a great deal of the importations has been on a basis of undervaluation.

Commissioner PAGE. It is commonly believed, Senator Smoot, that undervaluation has been more in some lines of goods than in other lines of goods.

Senator REED. Do you think, taking it on the average, that 1 per cent or one-half of 1 per cent is the best estimate that can be made?

Commissioner PAGE. I could hardly say that, Senator; and I would hesitate to commit myself to an opinion as to what the degree or the ratio of undervaluation to full valuation would be. I merely state that these estimates have varied between the fraction of 1 per cent and, as high as I can remember, 10 per cent. I do not think that I have ever seen an estimate that puts the amount of undervaluation at more than 10 per cent. I have no opinion that is worth expressing on that, because it is a matter about which information can not be obtained.

Senator REED. Of course.

Commissioner PAGE. If information could be obtained, there would be no undervaluation whatsoever. There have been notorious cases of attempted undervaluation, and in some of these cases the Government has successfully brought suit and has visited the offenders with the penalties provided by law. There have been other cases where the Government has brought suit and has not won; the importer or the accused person has been able to show that the Government was mistaken in its suspicions. As a rule, the Government is rather careful before bringing suit for undervaluation to make sure that it has a case. So that it is quite possible that cases of undervaluation get by without the knowledge of the Government officials.

Senator REED. And that might occur under the American valuation?

Commissioner PAGE. I will say this, Mr. Chairman, that any tax of any kind that is based on value is based on an unstable and an insecure basis.

The CHAIRMAN. It is the same rule as applies to real estate or anything else, low in some cases and high in others?

Commissioner PAGE. Perhaps in the case of commodities that appear in trade it is even more unstable, for the reason that those values fluctuate much more rapidly than does the value of real estate. It is notorious that in giving the value of his property for taxation, the average taxpayer is tempted to put the value as low as possible.

The supreme court of a certain one of our Western States on one occasion, in connection with a witness who was being heard in another case, when his veracity was attacked on the ground that he had made a false declaration of his property for taxation, maintained that perjury in regard to the assessment of property for taxation does not necessarily impair the credibility of a witness under oath in other matters. [Laughter.]

That being the case with regard to the American valuation of property in this country for domestic taxes, it might be thought to apply to the credibility of men who make assertions or who sign invoices with regard to the value of commercial commodities that they bring in.

The CHAIRMAN. Is it not true that the undervaluation is most common in articles of higher value and largely noncompetitive commodities?

Commissioner PAGE. Not necessarily, Senator. I think, perhaps undervaluation would be rather more likely to succeed in the cases of goods that are noncompetitive, for the reason that there would be little inducement on the part of any interest in this country to detect such an undervaluation. But many articles of high value have a more stable value than some articles whose intrinsic value is lower; that is, the uncertainty and the fluctuations in value do not occur in proportion to the amount of value of the article involved.

Senator REED. I do not want to interrupt you, but I would like to ask this question, whether it is not true that goods imported from foreign countries are ordinarily bought in what may be called the open market in the foreign country; that is a fact, is it not?

Commissioner PAGE. In regard to the great staples of commerce, naturally and necessarily that is true.

Senator REED. In regard to anything a man purchases outside of something that is not ordinarily dealt in, a man goes over to a country or has his agents there buy goods, and, of course, he buys them as cheaply as he can. But in a way and in a very practical way that price must be related to the common price prevailing at that time in that country. Would not that be true?

Commissioner PAGE. In general, that would naturally be the commercial practice.

Senator REED. So that, in general, when this man imports the goods into the country and is required to state the price that he paid in the foreign country, you have a fairly good index to what the value was in the foreign country?

Commissioner PAGE. I think that our appraisers, Senator, have acquired an astuteness and a body of information with regard to foreign values that enable them in nearly all cases to appraise imported

goods at their actual foreign value. The commodities which are in doubt so far as the foreign value is concerned are commodities whose American value would probably likewise be in doubt. Take, for instance, oriental rugs. They are usually not what you have indicated, but they are picked up here and there in various places abroad, and they are bought frequently as individual pieces from individual sellers, and a special bargain is made with regard to each one. That is merely a bargain between the buyer and seller. No one knows except those two, in many cases, what has been paid for the rug. When that rug is invoiced to the United States, the man who is sending it over puts on it probably as low a value as he thinks he can get away with in the appraisal by the appraisers. The appraisers, when that rug arrives, would appraise it at what, in their judgment, that rug would be worth in the country from which it came. In a case of that kind you can scarcely say that the appraiser has knowledge that is infallible, and, of course, it is obvious that he can not have accurate and infallible knowledge with regard to those things. But in a general way he would know what a Bokhara rug was worth in Constantinople, if it were of certain size and in certain condition; and he would know what a Baluchistan or any of those other oriental rugs were worth in the markets where they are commonly dealt in in the Near East; and in that way he makes his appraisal.

Senator REED. And he would also have the benefit, in a particular shipment of rugs that came in, of comparing the price or value which the importer placed upon that batch of rugs with the price that had been placed by a large number of other importers, so that if the value was very much out of line he could at once detect it.

Commissioner PAGE. He would be apt to detect any very great divergence in the value of any certain importation from other previous importations.

Senator REED. Let us take this question of oriental rugs. I do not want to dwell on it, but I think I can illustrate the point. Suppose you were going to take the American valuation on these rugs. In trying to arrive at the American valuation, the American prices upon those rugs varies with practically every dealer, does it not?

Commissioner PAGE. The price is apt to vary still more widely with every purchaser.

Senator REED. So that we would not have as good valuation in that instance, if we took the American valuation, as we would if we took the foreign valuation, where the purchase price paid would be taken into account and where all other shipments from abroad, compelled to go through the hands of the same men, would be used for the purpose of comparison.

Commissioner PAGE. Of course, the case of oriental rugs, Senator, is an extreme and very exceptional case.

Senator REED. That is the reason I am calling attention to it.

Commissioner PAGE. It simply illustrates the general trend of commerce.

Senator REED. I am speaking of it, because you chose it.

Commissioner PAGE. Yes, sir.

Senator REED. I think it is one of the extreme cases.

Commissioner PAGE. There is no comparable American product. This bill provides that duty shall be assessed on the value of comparable and competitive American products. We have many

products which compete with oriental rugs. Oriental rugs compete with almost every floor covering, directly or indirectly, but in a certain sense they are not comparable, any more than a work of art brought from abroad would be comparable with any that have a wholesale value in this country.

Senator REED. That brings me, then, to another question. If we are to fix a value upon imported goods, taking into consideration the price charged for American goods of similar character, it follows, does it not, that if the American goods are pushed up in price then on the valuation of the foreign goods there is a corresponding push up in price?

Commissioner PAGE. Naturally, for dutiable purposes.

Senator REED. And if there was a combination capable of controlling the American prices, or a monopoly controlling American prices, then every time that combination or monopoly saw fit to advance the price of a product it would thereby advance the price of these competitive products coming from abroad?

Commissioner PAGE. That is quite obvious, Senator, just as the converse of it is equally obvious, namely, that the incentive to lower prices on the part of domestic producers would, as some have maintained, be reduced by reason of the fact that the lower they make their prices the more they subject themselves to foreign competition.

Senator REED. I agree, of course, that there are two sides; but have you ever heard of a combination in America to reduce prices?

Commissioner PAGE. I have heard of many combinations of purchasers looking toward the reduction of prices.

Senator SIMMONS. The prices of things they have to buy?

Commissioner PAGE. Yes, sir.

Senator SIMMONS. But you never heard of a combination to reduce prices of things that combination produces, have you?

Commissioner PAGE. I have never heard of that.

Senator SMOOT. During the war there has been very little undervaluation, not nearly as many cases as before the war?

Commissioner PAGE. That is very probably true, Senator, but we are almost entirely in the dark when we talk about the amount of undervaluation.

Senator SMOOT. I did not say the amount, I said the number of cases.

Further, now that there is such a wide discrepancy in the exchanges of countries, do you not think there will be a tendency in the future more than in the past to undervalue goods coming from abroad into this country?

Commissioner PAGE. I am inclined to think not, Senator, for the reason that the desperate needs of the people of those countries abroad will compel them to sell their export goods at as high a price as it is possible for them to get. Of course, their first need is to sell—to sell at almost any price—but instead of undervaluing and instead of dumping and instead of trying to sell at a low price, I think there will be every effort made to sell at as high a price as possible; and I think that for the psychological effect, in part, there will be an attempt made by these countries with a low exchange to show that their trade with foreign countries is increasing and that the values are going up.

Senator McLEAN. They would want to get them through the customhouse at as low a price as possible?

Commissioner PAGE. Naturally, and always have.

Senator McLEAN. After they have succeeded in paying the duty, there would be no disposition to keep the price down, but there would be an incentive to lower the value for dutiable purposes?

Commissioner PAGE. I think so.

Senator REED. You know, do you not, Mr. Page, that in some of the countries of Europe the government itself, either directly or through some agency, has fixed the export price far in advance of the local selling price?

Commissioner PAGE. Do you know of any country except Germany in which that attempt has been made?

Senator REED. I have only heard of the instance of Germany. I was asking you, because I thought you could clear it up.

Commissioner PAGE. That is the only country I know of where an attempt has been made to do that, and the success of the attempt in Germany appears to be very doubtful. There have been measures proposed and nominally adopted, but the administration of those measures appears to have been attended with great irregularity and uncertainty. To what extent, therefore, they have been effective is unknown.

Senator SMOOT. Before the war the practice was to sell cheaper for exportation than in their own country.

Commissioner PAGE. Naturally.

Senator McLEAN. I should like to have Mr. Page give his opinion as to the advisability of this American valuation plan as a whole.

The CHAIRMAN. I think if we could get down to a concrete statement it would be much better than this running discussion.

Senator SIMMONS. I think we ought to have a concrete statement, but I think we ought to have full liberty here to investigate all phases of the matter.

The CHAIRMAN. There is no doubt of that. It is a very important question, the most important in the bill, and there ought to be the fullest opportunity for investigation. The Chair does not desire to interfere, and has no power to interfere if he wanted to.

Senator McCUMBER. I would like to ask Mr. Page one question along this line.

Recognizing the fact that the cost of production in the United States for the last few years has been excessively high, I would like to have your judgment as to whether an American valuation would not in all probability tend to maintain the high cost of production in the United States?

Senator REED. You mean to say "high prices," do you not?

Senator McCUMBER. No; I mean the high cost of production. In other words, if we make our ad valorem duty upon the American valuation, would not that valuation continue high and would not those who produce in the manufacturing lines follow about the rule of the cost-plus system in making contracts and keep the prices up without any attempt to lower them?

Senator REED. That is what I tried to point out, the difference between the price and the cost of production.

Senator McCUMBER. I want to get something concrete on it, because it is a matter that bothers me, I confess.

Commissioner PAGE. Senator, it is almost impossible to base legislation upon the cost of production, either in this country or abroad. There is scarcely any will-o'-the-wisp that is more evasive and more difficult to reach than what we have in mind when we speak of cost of production. An effort to get the cost of production, even in this country, results usually in so many arbitrary allotments of expenditures, in so many purely estimated results, that it is almost impossible, except in the case of certain special products, to get the cost of production with certainty. Naturally, that difficulty is even greater when we speak of the cost of production abroad. To get in actual dollars and cents what it costs to produce a commodity in a foreign country is almost impossible, except by accident.

Senator MCCUMBER. We know in a general way that the cost of materials that go into manufactured products has greatly increased.

Commissioner PAGE. Yes, sir.

Senator MCCUMBER. We also know that the cost of labor has increased.

Commissioner PAGE. Yes, sir.

Senator MCCUMBER. We also know that, at least up to the present time, the efficiency of labor has decreased, compared with what it was before the war.

Commissioner PAGE. Yes, sir.

Senator MCCUMBER. And the natural consequence is to vastly increase the cost of production, and that means a very much higher price for each commodity.

Commissioner PAGE. Yes, sir.

Senator MCCUMBER. Would not the effect of this American valuation tend to maintain that very high cost of production, carrying with it a higher price of commodities?

Commissioner PAGE. Your question, as I understand it, is similar in nature to the question from the other end of the table a moment ago, with regard to the removal of the incentive to lower costs. When you lower costs or lower values, you are opening the way to a keener and more active competition from foreign countries. Does that answer your question, Senator?

Senator MCCUMBER. If the tendency would be to keep the prices up, in your opinion. I am trying to get your opinion.

Commissioner PAGE. The inducements to lower prices would be lessened. I believe that in most cases domestic competition would be sufficient to induce producers to sell their products for as low a price as they can, with a reasonable margin of profit. In nearly all of our staple products that would be true. It is domestic competition with most of our producers which will keep our prices down. In some cases the fear of foreign competition naturally will have an additional influence.

Senator MCCUMBER. But with this ad valorem and the American valuation, there would be far less incentive on the part of manufacturers to lower the cost of production, would there not?

Commissioner PAGE. I do not think there would be less incentive to lower the cost of production. I think every producer would constantly strive as far as is within his power to lower his cost of production. There would be less inducement for him to lower the price at which he sells his product. He would lower his cost of pro-

duction always and inevitably, in order that the difference between his cost and selling price may be widened.

Senator McCUMBER. If he does not have to lower his selling price, would there not be less incentive for him to lower the cost of production?

Commissioner PAGE. Perhaps we might say there would be less compulsion upon him to lower his cost, but the incentive would remain.

Senator SMOOT. On a falling market, not only in foreign countries, but in America as well, a thing like that could not happen, could it?

Commissioner PAGE. Not very well, Senator.

Senator SMOOT. It would be impossible.

Senator REED. Well, just to clear it up, while there might not be the incentive to lower the cost of production, because that is already taken care of by the desire of the man to produce goods as cheaply as he can and make as much profit as he can, it is nevertheless true that the system suggested would have a tendency to remove the incentive or necessity for lowering the price.

Commissioner PAGE. Yes, Senator Reed.

The CHAIRMAN. Now, Mr. Page, will you proceed with any further statement you desire to make to the committee?

Senator SIMMONS. Mr. Page, before you leave that, I want to ask you just one question. Does this American valuation, or does not this American valuation plan involve a tax upon a tax?

Commissioner PAGE. To the extent that the American valuation is presumed to be the value abroad, plus the duty?

Senator SIMMONS. Yes.

Commissioner PAGE. Not necessarily, Senator, when you make the American value the value of goods that are already produced in the United States, the value at which they are disposed of at wholesale. That value is supposed to contain no duty in it.

Senator SIMMONS. In ascertaining the value of American products would you not have to necessarily include in that any value that had been added to that product, to the price of that product, so increasing the price of that product, by reason of the fact that a duty is imposed upon the foreign product?

Commissioner PAGE. You are asking a question, Senator, that a reading of the pending bill does not enable me to answer; that is, you are asking how the appraisers are going to ascertain that American value.

Senator SIMMONS. Let me put it more clearly. Suppose a new duty is placed upon some product produced in America to a large extent?

Commissioner PAGE. Yes, sir.

Senator SIMMONS. The American manufacturer, by reason of the fact that that duty upon his foreign competitor has been increased, would naturally increase the price of his product?

Commissioner PAGE. Provided that it was foreign competition, rather than domestic competition, that kept it down.

Senator SIMMONS. That is what the tariff is said to be for, to protect against foreign competition.

Commissioner PAGE. In many cases that is exactly what would happen.

Senator SIMMONS. That means, if it means anything, that the price in America has been brought down in the absence of a duty to the price abroad. If the American article needs protection against a foreign article, it means the foreign competition has pulled the American price down to the level of the foreign price. Now, suppose you put a duty upon the foreign article, would not the American producer take advantage of that and increase his price accordingly, and when the next consignment of foreign goods comes the American price would be enhanced by reason of the duty, and the foreign article would be also raised up to the same level, for the purpose of valuation?

Commissioner PAGE. Yes, sir; that is one of the arguments.

Senator SIMMONS. Is not that a tax upon a tax?

Commissioner PAGE. That was one of the arguments that was used against the American valuation in the middle of the nineteenth century.

Senator SIMMONS. It has been used against it in this century, has it not?

Commissioner PAGE. Naturally, and obviously, and necessarily, Senator, that would be the case.

Senator SMOOT. You do not mean to say if there was a duty on a piece of cotton cloth of 20 per cent to find the cost of the American manufacturer of making that same cloth for American valuation that 20 per cent is added to the cost of that article? You do not mean to say this bill provides that, do you?

Commissioner PAGE. We are not speaking of costs, as I understand it.

Senator SMOOT. That is what the Senator was talking about.

Senator SIMMONS. I was not talking about cost at all; I was talking about price.

Senator SMOOT. Nobody ever denied duty is added to the foreign price.

Senator SIMMONS. The effect of the duty is to raise the American price.

Commissioner PAGE. As I understand Senator Smoot's question, it might be illustrated in this way——

Senator SIMMONS. The American value raises the value upon which a tax has to be paid and to that extent it is a tax upon a tax.

Senator SMOOT. Not a tax upon American goods. If there is a tax upon a tax, it is imposed upon foreign goods.

Commissioner PAGE. Let me see if I can not get that a little clearer by an illustration, Senator.

Senator SIMMONS. It is not a tax upon the cost. What it is, is a tax upon the valuation of foreign goods based upon the selling price of American goods.

Senator SMOOT. The wholesale price.

Senator SIMMONS. Goods of like character or comparably so.

Commissioner PAGE. Let us take an illustration and see if we can not understand more precisely what the Senator's question is.

There is a certain variety of cotton cloth—you referred to that a moment ago—made in this country, known as Venetian, which you are probably acquainted with. It is also made in England. A report of the Tariff Commission about two years ago showed that the price of that American cotton cloth had fallen fairly close to the price in America of that English Venetian that was imported over here.

Senator SIMMONS. That means the price plus the duty?

Commissioner PAGE. That means the price, plus the duty. That Venetian pays a certain rate of duty under the Underwood law. I assume that under this pending act the duty would be raised; that that English cotton Venetian would be sold in this country at a higher price than it was sold before the passage of this act, because of a higher rate of duty. The natural tendency of American manufacturers would be to likewise raise their price, because they no longer have the fear of competition from the English product at the price at which it came over before. Therefore, by reason of the increase in duty on that American valuation, it would increase the price of comparable and competitive American products. In that sense, I take it, Senator Simmons means we are paying a tax upon a tax.

Senator SIMMONS. That is it exactly.

Senator SMOOT. I agree with you in that statement. Your statement is correct, but during the war times there was very little competition. Now competition comes in, and we are going to claim and the American manufacturers are going to claim, and I think the American people are going to believe, that the competition will be great and will require more duty than there is in the Underwood bill, particularly with the exchanges against it as they are. I think there is no doubt about that.

Senator SIMMONS. Now, you say that raising the tariff upon an article upon which there is sharp competition between American and foreign producers would necessarily and in all probability result in the increase in the price in America to the extent of the duty, or approximately the extent of the duty.

Commissioner PAGE. Unless, as Senator Smoot suggested, domestic competition influenced the price.

Senator SIMMONS. You can answer that after I get through.

Commissioner PAGE. Pardon me.

Senator SIMMONS. The effect of that you say would be, of course, to increase the valuation placed upon the foreign product for taxation. Now, suppose that is increased in this way, but the foreign products still continue to come in, and the American who desires to meet that competition raises his price, arbitrarily, we will say. That arbitrary raise has to be added to the foreign valuation, and that can go on at the will of the American producer until he has reached the embargo point, can it not?

Commissioner PAGE. Theoretically, at least, Senator; yes, sir.

Senator SIMMONS. Well, you say "theoretically." You mean by that if the producers in this country can come together and have an understanding? That is what you mean by "theoretically"?

Commissioner PAGE. Not quite, because in making these increases they necessarily would be smaller each one than the one before, and would diminish rather rapidly until they became so very small as to be negligible. There is a limit to that which common sense would fix, of the amount by which the duty would increase the American value. If, for example, the duty on Venetian were raised, we will say, 10 cents a yard, then the American value would increase under our supposed case about 10 cents a yard. Then there would be an additional duty on that American valuation, if it is an ad valorem duty, equivalent to 10 cents in the first place, but there would not be the full amount put on in the first place, because the cloth instead of

selling for 50 cents sells for 60 cents, which is an increase, but only an increase of 20 per cent.

Senator SIMMONS. He can increase the domestic price until he has produced a situation that will prevent further competition. He can undoubtedly, by pursuing that process, continue gradually to increase the duty imposed upon that competitive article.

Senator SMOOT. If Congress does it.

Commissioner PAGE. Yes, sir.

Senator SIMMONS. In this country, any article that is monopolized, or any article the price of which is fixed by a monopoly, as in the case of gasoline, it is an easy matter for that industry to act in concert in the matter of fixing prices, and it would be an easy matter for them to raise the price constantly until they have increased the valuation of the competitive article to a point that the tax would be prohibitive.

Commissioner PAGE. I think not so far as that, Senator.

Senator SIMMONS. It would come to a point where it would be excessive, would it not?

Commissioner PAGE. With a much heavier tax than Congress originally intended.

Senator SIMMONS. And by that process you put in the hands of the producers of this country the opportunity and the privilege of increasing their tax at will.

Senator REED. Increasing their own protection.

Senator SIMMONS. Increasing their own protection.

Senator SMOOT. If they did not have any competition.

Commissioner PAGE. Yes; up to a certain point, Senator, that is true.

Senator SIMMONS. I would like to know up to what point.

Commissioner PAGE. That could not be told.

Senator SIMMONS. This is the first time in the history of this country it has been proposed to place in the hands of the American manufacturer the arbitrary and unrestrained privilege of increasing his protection against competition.

Commissioner PAGE. Yes, sir; practically.

Senator SIMMONS. Through the law; not through unlawful action on his part, but by lawful action on his part. Is not that so?

The CHAIRMAN. It has reached the point where people would not buy his product.

Senator REED. I want to treat this question, Mr. Page, in a little simpler way if I can.

Let us assume that the tariff upon an article is 50 per cent at present on the foreign valuation. Let us take an article that is worth $100 here, but worth $70 abroad, and that a tariff of 50 per cent, based on the foreign valuation, is added. That article, then, would cost here—$70 being the foreign price and $35 being the tariff—a total of $105. It would be sold, then, in competition with an article which had originally been $100 in this country, the citizen of the United States having the advantage because of this 50 per cent tariff. That is correct, is it not, that far?

Commissioner PAGE. It is.

Senator REED. Suppose that instead of taking a foreign valuation and allowing the tariff to stand exactly where it was, we levy 50 per

cent upon the American valuation. Then the tariff would be $50, would it not, instead of $35?

Commissioner PAGE. Certainly.

Senator REED. And that added to the foreign value would give you $120 as the value that the foreign goods would have to command in order to pay the tariff and in order to realize the foreign price?

Commissioner PAGE. Yes, sir.

Senator REED. So that by the simple device of changing the valuation from the foreign valuation to the American valuation in many instances, without changing the rate of tariff at all, the tariff would become so high as to become substantially prohibitive?

Commissioner PAGE. Inevitably if you change the basis from a lower to a higher without changing the rate you necessarily raise the amount.

Senator REED. And whenever you do change from a foreign valuation to the American valuation on all those articles that are in common and general use—I am omitting now the specialties that were referred to a while ago—you do, by one stroke of the pen, enormously advance the tariff rates in effect?

Commissioner PAGE. Unless you change the rate when you take a higher basis of valuation, you necessarily raise the tariff.

Senator REED. Yes.

Senator SIMMONS. In the case that Senator Reed just gave you raise the tariff $15?

Commissioner PAGE. If it is contemplated that the change from a low basis to a high basis retains the same rates, it is too obvious to require comment that you raise the tariff.

Senator SMOOT. There is no doubt about that.

Senator REED. Then, unless there is good reason which has not yet been shown to abandon the foreign valuation, would it not be a franker thing for us to change the rates, to advance the rates, and do it frankly, and let the American people know that we are advancing the rates?

Senator SMOOT. The American people will know it, because nobody has denied it.

The Senator from North Carolina insists that the manufacturer himself can raise those rates, and you said, yes, he could, arbitrarily. He can not raise them any more than the rate fixed by Congress—that is, the amount of duty. That is all he can raise it. Is not that true?

Commissioner PAGE. It is true that he can not raise it higher than Congress permits. As the Senator from North Carolina added, he now proceeds by law to increase the amount that is payable on foreign imports by raising the price of his own products in this country.

Senator SMOOT. That is the amount of duty that is granted upon his goods by Congress.

Commissioner PAGE. I understood the Senator to safeguard his statement by saying that he was now proceeding by law to increase the rate of duty to be paid.

Senator SIMMONS. By permission of law.

Commissioner PAGE. By raising his own prices.

Senator SIMMONS. The right and the opportunity that the law gives him.

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The CHAIRMAN. He has the opportunity, according to your theory, to raise the rate?

Senator McLEAN. That is what we expect in this country.

Commissioner PAGE. I rather think, Senator, that my opinion on that point is clear both to you and to the Senator from North Carolina, as far as that goes.

Senator SMOOT. Your latter statement is clear to me, and of course nobody is denying that; but when the Senator from North Carolina says that the manufacturer can, at his own sweet will, arbitrarily raise the price as high as he wants to——

Senator SIMMONS. I meant, of course, and the witness understood me to mean, that the manufacturer, for the purpose of increasing the tax on the foreign article, raises the price of his product, and that the result would be an increase in taxes imposed by this Government upon the competitive article.

Senator SMOOT. He might not be able to sell the article.

Senator SIMMONS. That would remain stationary, of course, but I had reference to the amount of taxation that would have to be paid upon a foreign article as the result of this arbitrary increase by the American producer of the price of the domestic product.

Senator McLEAN. By that same process of reasoning, if you adopt a foreign valuation your foreign producers can combine and arbitrarily lower the value of their exports.

Senator SMOOT. The same as they did before the war.

Senator McLEAN. If it works here it will work there. It seems to me it is an exaggerated view to take.

Commissioner PAGE. Mr. Chairman, if I may be permitted to say so, there are a large number of considerations of minor importance in connection with this matter of American valuation. On the whole it appears to me that the determination as to its expediency lies between balancing one great argument in its favor and one great argument against it.

The great argument in its favor is found in the fact that foreign exchanges are very variable as between this country and other countries, and they fluctuate with great violence. The exchange between England and America is one thing; the exchange between America and Germany is another thing. The same article coming to this country from England, therefore, would pay on a foreign value a much higher duty than the same article if it came to this country from Germany.

There appears to be no valid reason why we should tax imports rom England higher than we tax imports from Germany, unless you wish to give consideration to this very important fact, that there is no hope that in the future at any time will the exchanges right themselves unless we make some allowance for purchase in those countries where the exchanges are now low. The country, in other words, that has the lowest exchange will need the greatest consideration, if we wish to renew our commerce with that country and if we wish to establish any stable rate of exchange at any time in the future between the United States and the rest of the world. You can do that only through the instrumentality of commerce.

American valuation would give at least a temporary remedy for this difference in the exchange rates between the United States and

these different foreign countries. It would, however, be only a mitigation, and a temporary mitigation, of the trouble. The exchanges can never be stabilized until commerce itself is stabilized; and what the world is suffering for now more than for anything else is some stabilization in production and prices and trade.

That is the great argument in favor of American valuation, that is, that it will remedy, to some extent, at any rate, this difficulty in foreign exchanges.

Senator McCUMBER. Irrespective of the exchange, take an article that Japan can produce, say, for 20 cents, Italy can produce for 30 cents, and France can produce for 50 cents, without reference to the exchange. Even under a stabilized exchange would it not be better, if it were possible, that we should charge the same against the goods of each one of these countries?

Commissioner PAGE. Senator McCumber, I think that is true; and for that reason I think that a system of specific duties always works better than any possible system of ad valorem duties where a system of specific duties is possible.

Senator McCUMBER. I think we all agree to that.

Commissioner PAGE. It is true that in that case you are penalizing a country for certain advantages which it may have in production, if you tax it as highly as you would tax a country that does not have those advantages.

It is likewise true that you are penalizing the American consumer if you compel him to purchase under the same tax his goods in a country of high production as in a country of low production.

There are those two considerations that of course the statesman must not leave out of account in considering the tariff; but those are considerations that I am sure all the members of this committee have in mind.

Senator McCUMBER. He could still buy the Japanese article instead of purchasing the French article, and buy it very much more cheaply, but he would have to pay the same duty.

Commissioner PAGE. He would have to pay the same duty.

Senator McCUMBER. If we had an American valuation. It seems to me that is the strong argument in its favor.

Commissioner PAGE. That is the strongest of all arguments.

I think attention was called to that fact by Secretary Hoover in his testimony before the committee on Ways and Means. If I remember his testimony correctly, he said that the situation as to exchanges, in his judgment, was the only argument that could justify this proposed change of basis for the valuation of imports.

Senator REED. I either misapprehended the purport of Senator McCumber's question, or it seems to me that your answer was just opposite to what you might have intended it to be. I want to clear it up, because we desire to have it clear in the record.

There are different costs of production in foreign countries, and if we levy a tariff based upon American valuation, it is true, then, that all of those goods coming to this country would bear the same duty at our gates?

Commissioner PAGE. Yes, Senator.

Senator REED. But that would not prevent the purchaser in the United States from buying in the cheap country in preference to the dearer country, would it?

Commissioner PAGE. It would reduce the incentive somewhat, because it would reduce the profit that he must make by buying in the cheaper country when his tax is increased on that purchase.

Senator REED. But it would still drive him all the closer to the cheapest market, because while he would not make as much, he would still reduce his price that much. That is true, is it not?

Commissioner PAGE. Yes, sir.

Senator REED. Is not this true? Let us assume, for illustration, in order to make it plainer if I can, that an article is produced for 10 cents in Japan, 20 cents in Germany, 30 cents in France and 40 cents in England and 50 cents here. The tariff upon that article from all of those countries is the same; that is to say, it is made, we will say, a 50 per cent tariff on the American valuation. In that case the Japanese, producing for 10 cents, will deliver here at 35 cents. The Englishman producing at 40 cents and paying a tariff of 25 cents on the American valuation could not sell here at all. But you still have the same advantage to the cheap producing country, and your tariff might shut out of that valuation England and France and might admit Japan or possibly Germany.

Senator MCCUMBER. You would not say it was the same advantage. You would still have an advantage in favor of the cheap country, but the American valuation would make the same tax that the Japanese manufacturer would have to pay——

Senator REED. No, Senator; you are thinking about one thing and I am thinking about another. A tariff laid upon the American valuation might be entirely prohibitive as against the countries of high-cost production and might not shut out the countries of low-cost production.

That is a phase of it that I think is worthy of consideration.

Senator SIMMONS. Yes. Take the case of the peanut. Say that it cost a dollar a bushel to produce peanuts in this country. They sell in this country for much more. I take it from what Senator McCumber said and according to the statement a little while ago, probably it would cost but 25 cents to produce them here.

The CHAIRMAN. I can not hear you, Senator.

Senator SIMMONS. I can not help it. I am talking in an ordinary tone of voice. I will try to raise it.

The margin between the cost here and there is so great that any duty that would exclude the Japanese product would have to be an excessive duty; and that is true as to the product of any country in Europe that has a high wage scale and production cost.

Commissioner PAGE. Necessarily that is true, Senator.

Senator SIMMONS. The point I was endeavoring to make was that this American valuation would not very materially change the situation.

Commissioner PAGE. The American valuation, Senator, would put the same duty upon goods whether they came from a country of high-cost or of low-cost production. Whether it excludes the goods from the country of high-cost production altogether depends upon the rate. It does not depend upon the basis of valuation, but upon the rate.

Senator SIMMONS. And to reach the case like Japan, that we were just talking about, the rate would have to be an excessive rate?

Commissioner PAGE. The rate would have to be a high rate if it is to keep out goods from a country of that kind.

Senator SMOOT. But the difference would not be as great under an American valuation as under the law existing to-day?

Commissioner PAGE. In that respect, Senator Smoot, the American valuation plan would work much the same as a specific duty.

I have mentioned, Mr. Chairman, what in my judgment is the great argument in favor of American valuation, the one which I think requires more careful consideration than any other. With your permission I will now mention what, in my judgment, is the greatest argument against American valuation.

The CHAIRMAN. Go ahead.

Senator SIMMONS. Before you go to the greatest argument against it, let me ask you this: You said a little while ago that on account of the fluctuations in the rates of exchange in different countries this problem was a very difficult one to deal with upon the present basis of valuation. But that difficulty would be removed by adopting an American basis of valuation?

Commissioner PAGE. It would not be altogether removed, Senator; it would be ameliorated.

Senator SIMMONS. Very greatly ameliorated. I am going to ask you this by way of inquiry: Would not that objective be reached by ascertaining the cost of the product, a given product which is imported into this country, the cost of that product in the market of highest value, and making that the standard value for the imposition of duties?

Commissioner PAGE. By that do you mean the cost of production?

Senator SIMMONS. An article is sold in Germany at one price by reason of this fluctuation in exchange. In England at another price, and in France at another price. If you were to ascertain the highest price obtaining in any of these three countries and apply that price as the valuation to be placed upon the article bought from any country and imported into this country from any country—in other words, we will say that a certain article is being imported from three countries—Great Britain, France, and Germany. It sells for 25 cents, we will say, in Germany; 50 cents in France; and 75 cents in Great Britain. If you were to adopt the highest selling price in any of those countries, namely, Great Britain, and fix that as the valuation upon which the tax is to be levied, would you not avoid this difficulty that you have spoken of growing out of the fluctuation in exchange in these countries that have been ravaged by war?

Commissioner PAGE. No, Senator; I think not, for the reason that the country where the price is highest——

Senator SIMMONS. I am not suggesting anything; I am just making the inquiry.

Commissioner PAGE. It will vary. Sometimes the price will be higher in England, sometimes it will be higher in Germany, and sometimes it will be higher in France.

Senator SIMMONS. But you could always ascertain in which country it is highest and adopt that as the standard of value for imports of that article?

Commissioner PAGE. If the price made is highest from some country from which we have no appreciable imports——

Senator SMOOT. We simply go one step further and take the American valuation.

Commissioner PAGE. It seems to me it would inject into the matter utter confusion.

Senator SIMMONS. I am asking if it would not avoid that difficulty.

Commissioner PAGE. No; I think not, Senator.

Senator REED. Let me ask you one question before you go into the broad statement of the other side of this case.

I confess, I will say by way of preliminary to my question, that I do not understand this exchange puzzle. We are told constantly that by reason of the rate of exchange there is a difference in the value. The fact is, is it not, that the reason that English money is more nearly on a level with the money of the United States than with the money of any other country is because their money is sound? Their ability to pay is more secure? That is the reason, is it not?

Commissioner PAGE. That is a part of the reason and the chief part. Another reason is that there is between England and the United States more trade than there is between the United States and these other countries. Therefore payments are made more nearly on an equality.

Senator REED. The fact is that the German mark has been depreciated by the issuance of vast quantities of paper money.

Commissioner PAGE. Senator, what is frequently referred to as the rate of exchange by the press and by men on the street consists of two elements at the present time. One is the genuine difference in exchange; the other is the depreciation of these foreign currencies. When we speak of the exchange between this country and Germany we usually mean the number of German marks that can be bought for an American dollar. You buy a great number of German marks for an American dollar at the present time in this country, for two reasons——

Senator REED. And in Germany.

Commissioner PAGE. And in Germany—for two reasons. One is because the German mark is a paper mark; the other is because the trade between this country and Germany has been so one-sided, so far as we have had any, that the Germans are far more in need of American money to settle accounts over here than we are in need of German money to settle accounts over there. That is the true exchange. So that what is frequently referred to as exchange is not really true exchange, but it is a matter of depreciation of the foreign money.

Senator REED. Exactly. Now, just one further question about that.

The fact about the matter is that if Germany's marks were all gold marks, then the rate of exchange would simply represent the cost of insurance and transportation to send that gold to this country, and that would be a very small thing, would it not?

Commissioner PAGE. Yes.

Senator REED. The real reason for this wide gap between the value of American dollars and German marks is found in the German printing press?

Commissioner PAGE. That is the chief reason, so long as the Germans have no gold to export. Even though their currency were on a gold basis in Germany, if they have not the gold to export, the exchange might still be, as it is commonly expressed, greatly against Germany. The exchange can be equalized either by the transfer of gold, or it can be equalized by the transport of commodities.

Senator REED. The German mark having gone down for the reason we have spoken of, the result is that prices have advanced as measured by the mark in Germany—very greatly advanced?

Commissioner PAGE. They have.

Senator REED. Would not this whole question be answered if you took the value of the goods in these various countries measured by that instead of by an American valuation of the goods? I mean by that, transmute values in marks into dollars. If, for instance, a mark is only worth 6 cents in our money to-day and a franc is worth 8 or 9 cents, and if you were to take the foreign market as the basis for your figuring and ascertain what the foreign price was, if it was paid for in money that was reduced to the equivalent of dollars, then the whole problem would be solved, would it not?

Commissioner PAGE. Except for the fact that the value of those foreign currencies has been subject to rather frequent fluctuations.

Senator REED. The American market is not stable either, is it?

Commissioner PAGE. No, sir.

Senator REED. Mr. Chairman, I suppose we will have to go to the Senate now.

Senator SIMMONS. I just want to ask one question, because I am afraid I did not make myself quite clear awhile ago.

You have stated that in your judgment the strong argument, the impelling argument, if there is one in favor of the American valuation, is the exchange situation.

Commissioner PAGE. Yes, Senator.

Senator SIMMONS. It is perfectly competent for this Government to proclaim a value upon foreign imports, is it not?

Commissioner PAGE. Yes, sir.

Senator SIMMONS. It is very easy to ascertain the highest price at which any given article sells for in any given country exporting to this country. That can be ascertained from the books in the custom-house?

Commissioner PAGE. It can, Senator.

Senator SIMMONS. It is an easy matter to find out what is the highest price. If that highest price were proclaimed by the Government, would you not avoid the exchange trouble and would you not at the same time avoid this difficulty that you are just talking about, growing out of the fact that under the American valuation the American producer can, by raising his price, affect in his own interest the amount of tax that will have to be paid upon the article?

Commissioner PAGE. If I understand your question correctly, Senator, that would be an arbitrary method of dealing with this situation.

Senator SIMMONS. And it would be based upon the highest price at which that article is imported into this country?

Commissioner PAGE. I should like to call your attention to this, that the purchasing power of these foreign currencies in the United States is a different thing from the purchasing power in those

countries, the countries of issue. The German mark in the United States is worth just a little more than one-half in its purchasing power of what the German mark is worth in Germany.

The CHAIRMAN. Under the schedule adopted and announced relating to these hearings and the consideration of the valuation matter particularly, the committee will now take a recess until half past 2 o'clock this afternoon, when a meeting until 5 o'clock will be held in this room.

(Whereupon, at 12 o'clock noon, the committee took a recess until 2.30 o'clock p. m.)

AFTER RECESS.

Senator MCCUMBER. Mr. Page, will you resume the stand?

**STATEMENT OF HON. THOMAS WALKER PAGE, CHAIRMAN UNITED STATES TARIFF COMMISSION—Continued.**

Senator MCCUMBER. I believe when we adjourned this morning you were about to discuss the matter from the standpoint of the objectors.

Commissioner PAGE. I would hardly use the expression "discuss" in connection with the remarks that I was making this morning. As you know, I am here merely to answer questions at the request of the committee, and I have no desire to enter upon a discussion of this matter any further than it is involved in the reply to specific questions which the committee might want to ask me or on which it might be possible for me to throw some light.

As the questions were rather miscellaneous this morning, I thought perhaps I would like to call your attention to the fact that the decision as to the adoption of this measure will depend, in large measure, upon the relative weight that you give to two considerations, one in favor of and the other antagonistic to this proposed change.

Senator MCCUMBER. That is the American valuation?

Commissioner PAGE. I mentioned this morning what, in my judgment, appeared to be the chief advantage to be derived from this change. I may add this afternoon that the chief objection, so far as I have been able to get information relevant to this matter, lies in its difficulty of enforcement. It is entirely uncertain because almost an entirely untried method of assessing duties.

We are changing the basis on which duties are to be assessed, and it is humanly impossible to predict what the result of that change is going to be. All values are fluctuating, as is universally known both abroad and in this country. Heretofore we have devoted all our efforts to the ascertainment, for dutiable purposes, of foreign values.

Senator SMOOT. May I interrupt you at this point? Don't you think it is just as easy to find out the values in the United States, where we have all the machinery, as it is to find the valuations of goods in foreign countries?

Commissioner PAGE. In the case of the great staples of commerce, that is undoubtedly true.

Senator SMOOT. Ninety per cent of the goods manufactured in the United States are in that class?

Commissioner PAGE. I would not venture to estimate what proportion is manufactured in the United States, but it is practically a

matter of ease to get the value either in this country or abroad of the great staples of commerce.

Senator SMOOT. Those things as to which it is almost impossible to get the value abroad are the most difficult, or will be the most difficult, ones to secure the value of in the United States?

Commissioner PAGE. That is true up to a certain point, Senator, but there are many things that are imported into this country for the reason that they are not made in the United States, and there are no comparable goods.

This bill just passed by the House provides that the duty shall be assessed on the value of comparable and competitive goods of American origin. Many of our imports come, in large measure, for the reason that the domestic products are not quite comparable with——

Senator SMOOT. Well, the bill could be amended so as to take care of such items, could it not?

Commissioner PAGE. There is a provision for that.

The provision is that these goods shall be dutiable at their value in the United States. It is difficult to find out beforehand what their value is. The matter appears to be viewed by the customs officials with a great deal of trepidation. I have found no willing acquiescence in the proposition from any of the men who have been engaged in the administration of the tariff law; that is, the appraisers and the customs house officers. Their judgment in this matter certainly deserves some consideration when they represent it as being a matter of extreme difficulty and uncertainty.

We do not know just how American valuations compare with foreign valuations at the present time. It seems impossible to predict how they will compare with foreign valuations two or three years hence. That, of course, is in the hands of the gods.

We are changing the basis for the assessment of ad valorem duties at a time when international commerce is already almost in a condition of chaos.

Senator SMOOT. Have you any idea as to how we can meet the situation of the extreme difference in exchange? I mean, of course, other than by American valuation.

Commissioner PAGE. As I said this morning, Senator, that is the chief argument in favor of the proposition. I do not think it can be met in any way. I think this will be only a partial remedy for it, but there is no way on the face of the earth to meet the difference in rates of exchange until commerce itself becomes more stable. The only way to meet the difficulty is, so far as the welfare of this country permits, to encourage imports from other countries where the exchange is lowest, and in less degree from other countries. Of course, that would be done by retaining the present basis of valuation, but that is a consideration for Congress and not for the Tariff Commission.

Senator SMOOT. But you do not know of any better way to meet that situation than the American valuation?

Commissioner PAGE. I know of no better way. In fact, I will make it stronger than that by saying that I know of no way. This will not meet it, but it will ameliorate the inequalities. It will, however, fall short of meeting the situation.

Senator SMOOT. I was trying to see if you know of any other plan that would meet the situation so nearly as the American valuation plan?

Commissioner PAGE. Who was it that said when our own exchange was suffering that "the way to resume is to resume"? You can not meet this situation. You can not meet it until foreign countries resume.

Senator MCLEAN. Do you know of any alternative that will work as well as the American valuation plan?

Commissioner PAGE. I have no way to suggest that would meet the situation at all. This will meet it to some slight extent.

Senator MCLEAN. Well, do you know of any alternative method that will work as well as this?

Commissioner PAGE. I know of no other, and I feel qualified to say that there is no other. I think there is no other means of meeting this difficulty. This country can not escape the suffering that has come upon the world by reason of the Great War and its after effects. We may be able to physic our symptoms but not our trouble. We have to bear our part of the burden; that is inevitable.

Senator MCLEAN. Yes; that is true.

Commissioner PAGE. We may be able to relieve the symptoms temporarily, and we may palliate some of the sufferings of our own people, but we have got to bear our part.

Senator SMOOT. Under the conditions existing in our own country and the world generally we have to do the best we can to protect our industries. The adoption of this American plan does not mean that the policy must necessarily be followed hereafter, so long as we are enacting tariff measures. If the world should go back to normal and the exchange should become normal in four or five years, all the Congress will have to do will be to go back to the old plan of imposing duties, if it is so desired.

Commissioner PAGE. There, of course, Senator, we are dealing with possibilities.

Senator SMOOT. Possibilities?

Commissioner PAGE. And with contingencies of unknown development in the future. It is not for any living human being to know what may be the most feasible method to do these things in the future.

Senator SMOOT. Have you any other disadvantages in your mind than the difficulty of enforcement?

Commissioner PAGE. None that I think of such importance as to make it necessary to mention them in connection with this one. This really includes practically all of them.

Of course, a great many objections have been raised to this proposal, largely through a misunderstanding of its nature. There is a widespread and popular impression that changing from a lower to a higher basis of valuation will necessarily mean the raising of the tariff. You know, of course, that that does not necessarily follow.

The trouble about this is that we are changing the basis of valuation and we do not know how the new basis compares with the old. We do not know how rates on this basis will compare with rates that are known upon the old basis.

There are some things which are selling in this country now at a price that is not higher than the price of comparable goods of foreign countries. There are other goods that are selling abroad at prices that are lower than the American prices. If you change the basis you will, of course, if you preserve the same level, raise the tariff.

But one of the difficulties involved, and one of the elements of uncertainty in this whole scheme, is the total inability of the Members of Congress, of the Tariff Commission, of the appraisers and customs officers, to give you precise, trustworthy, and accurate information as to the comparison of foreign with domestic prices, and when both domestic and foreign prices are fluctuating as rapidly as they have been in the recent past, and as rapidly as they are likely to do in the future, you are taking a step which is necessarily involved in great uncertainty.

Senator McCUMBER. Right on that one point, would you kindly explain how, under this bill, assuming that you have examined it, you would arrive at the American valuation of many products in the United States that are sold daily on the exchange, such as food, fruit products, cattle, hogs, hay, cotton, wheat, etc., which vary from day to day and from week to week. Have you thought of any method by which you would ascertain the prices? Would you have to take the number of weeks or months or days as a basis, or how would that be determined?

Commissioner PAGE. That would have to be worked out, Senator, by the appraisers. They would have to reach some workable regulation as to how they are to do this.

We have already sent some men to New York to make such investigation as is possible with regard to foreign prices of the imports that are now coming in, and when we have trustworthy information as to these foreign prices on these current imports, we, perhaps, can take up with the appraisers just how they are going to get the American wholesale prices of these goods, so that we can then apply their methods to find out what the American price is; and so, before your work is over, we hope to lay before you a comparison of foreign prices with American prices on certain typical lines of goods which will enable you to see what you are doing a little bit clearer, in changing this basis. That is, we want to compare the old basis with the new basis, but we can not do that until we know how the appraisers are going to get the valuation on these things coming in.

Senator McCUMBER. Suppose there should come into this country as an importation from South America a shipload of hides. You would then look over the exchange market and you would find that hides had gone up or down and that they had fluctuated day in and day out for a week or a month. Would your idea be to take an average of a certain length of time prior to the entry of this shipload of hides? How would you arrive at some basis?

Commissioner PAGE. The bill provides that the value shall be taken of American goods on the day of exportation of the foreign goods. You take the day on which the hides leave South America, and then the appraisers determine what comparable hides were selling for in the principal wholesale markets of the United States on that day. That is the provision in the bill.

Senator McCUMBER. That would take care of that proposition, then?

Commissioner PAGE. Yes.

Senator McLEAN. A great many of the agricultural products are specifically dutiable.

Senator SMOOT. Well, it is all right, then.

Commissioner PAGE. They would not be involved.

Take cattle, for instance. That would illustrate, I think, Senator McCumber's idea. Let us assume that the duty on cattle is an ad valorem duty, in part. Now, cattle come in from Mexico and from Canada, as you know. The cattle are sold in this country. When the Mexican cattle come in they are to be made dutiable at such and such a percentage of their value or, rather, of the value of comparable American cattle. It will be the duty of the appraiser to determine with what American cattle the Mexican cattle are comparable. They will not be dutiable, under this bill, on the value in Mexico; they will be dutiable on the value of comparable American property. Naturally, that puts a great deal of responsibility upon the appraiser; it also puts a great deal of power into his hands. It is inevitable that you must give him this power and that you must impose upon him this responsibility; but it is for the appraiser to determine with what American goods the foreign goods are comparable.

Senator SMOOT. That would be easy. There are quotations on that every day. You could compare it with the stock selling on the market at the same time.

Commissioner PAGE. I am merely mentioning that as indicative of the way in which it must be done, and not as an illustration of the difficulty attending it.

I might mention the importation of textiles. Take, for instance, dress goods from France, or worsteds from England.

The importation of worsteds from England will be dutiable in this country, not on the value in England, but on that of the comparable and competitive worsteds made in the United States. The appraisers must determine with what American worsteds these English worsteds are comparable, but it will be a matter of some difficulty to tell and will put on the appraiser a great deal of responsibility; it will also give to him a great deal of power. The appraiser will have the power to put upon these imported goods a higher or lower duty, by reason of the fact that he can determine with what American goods they are comparable.

The decision of the appraiser, I may say, may be appealed to the Board of General Appraisers; that is final.

Senator SMOOT. The same thing applies to-day, does it not?

Commissioner PAGE. Senator Smoot, I would like to repeat what I said this morning—I think I said it this morning; I know I have had it in mind—and that is that we can make this American valuation work in the United States if you give us time. We have made the foreign valuation work in the United States and, on the whole, and in the long run, it has worked satisfactorily. There have been cases of undervaluation; there have been difficulties in the way of it, but when you try to form in your mind a picture of the thing as a whole, I think few will deny it has worked. There is always a sort of twilight land of doubt about these imports. It will not be much narrowed by the American valuation.

Senator SMOOT. Nor broadened.

Commissioner PAGE. Nor broadened, but the main difficulty with this proposed scheme, I repeat, in my judgment, is that it will, for a considerable time, confuse the operation of your task; it will make it doubtful on the part of the business men what the duties are that will have to be paid; it will make for a condition where business will be done with some degree of uncertainty, and it will be speculative

for some time to come, and it will throw into the state of business, which is already upset and more or less chaotic, another element of doubt and uncertainty.

It would be, in many respects, better if an experiment of this kind—and it must still be looked upon as an experiment—could be tried out when conditions were more stable than they are at present. However, we express the hope—and it is a hope—that this American valuation plan may do something to relieve the trouble from foreign exchanges.

Senator SMOOT. If it were not for the serious conditions existing, we would not have to make this change.

Commissioner PAGE. Oh, many have thought of it for many, many years.

Senator GERRY. It is a chaotic condition to-day that makes the experiment necessary.

Commissioner PAGE. Yes. That was included in my statement.

Senator GERRY. Would it not be necessary for the Treasury Department to get out a list showing what commodities are comparable with others? Otherwise, the different appraisers might choose different commodities to compare with them.

Commissioner PAGE. It would be impossible, Senator Gerry, for the Treasury Department to get out a list of goods of American origin that are comparable with all possible imports to this country. The importer will be obliged to take his chance as to what American product the importer's goods will be compared with.

Senator GERRY. Different appraisers then might choose different commodities as comparable.

Commissioner PAGE. Different appraisers might then choose different commodities as comparable. In a case of that kind——

Senator GERRY. So that then you would have varying duties.

Commissioner PAGE. Either side might appeal to the Board of General Appraisers. It is inevitable that there will be a great deal of litigation, a great deal of friction, and a great deal of difficulty involved in a thing as radical as this is.

Senator GERRY. It goes to prove what you have been saying, that all this will cause delay.

Senator SMOOT. There has never been a change in any tariff, up or down, when that has not occurred.

Commissioner PAGE. It is a question of degree.

Senator GERRY. It will be to a greater degree in this case?

Commissioner PAGE. This will inject a greater degree of uncertainty until this thing has been determined by court decisions and by efforts of the Treasury Department to stabilize the new conditions.

Senator GERRY. In other words, it might take a couple of years?

Commissioner PAGE. I would not venture to predict how long it would take.

Senator MCCUMBER. Has the Tariff Commission formulated any tables upon this new tariff bill showing the ad valorem rates under the present tariff as compared with what they would be under the American plan under this new tariff proposition?

Commissioner PAGE. We are making some tentative effort to do that now. We have some men in New York who are working on it. I hope to be able to send up a few more to make some comparison of that kind, but it has been impossible thus far to get any trustworthy information along that line.

Senator McCUMBER. Can you give us any information as to about how long it will be before we shall be able to get such comparative tables from the commission?

Commissioner PAGE. I should be afraid to name a date, Senator McCumber, because if I did so it would be almost equivalent to a promise, and I could scarcely provide that information by a certain day; but my hope has been that in the course of a few weeks we should have some information at least. However, that will not be as complete as we should like. It will be suggestive, if not determining.

Senator McCUMBER. You can easily see, Mr. Commissioner, that in fixing rates it is very essential to have information of that character before we know what rates to fix upon the several commodities.

Commissioner PAGE. Do you regard the information used by the Committee on Ways and Means as not being satisfactory for fixing rates?

Senator McCUMBER. I have looked in vain so far to find a foundation on which to work on the American valuation.

Senator SMOOT. Are you working in cooperation with the Treasury Department in this matter?

Commissioner PAGE. We are in communication with them.

Senator SMOOT. They are working along the same line, are they not?

Commissioner PAGE. We are attempting not to duplicate any work that they are doing, but to supplement what they are doing, and to make use of any information they may be able to collect.

Senator SMOOT. I knew that the Treasury Department was working along this line.

Commissioner PAGE. Yes; that is true.

Senator McCUMBER. Are there any other questions that the members of the committee desire to ask Mr. Page.

The committee is very much obliged to you, Mr. Commissioner.

We will now call upon Mr. Burgess, of the Tariff Commission.

## STATEMENT OF HON. WILLIAM BURGESS, MEMBER UNITED STATES TARIFF COMMISSION.

Senator McCUMBER. Mr. Burgess, you were present while Mr. Page was giving his testimony and you were able to observe from that the line of information sought by the committee. The committee will be pleased if you will, in your own way, give it such information or throw such light as you may have on the subject of the American valuation.

Commissioner BURGESS. I shall be very glad to do so, Mr. Chairman.

Before discussing this matter and before giving my personal views, because, as Dr. Page has said, the commission has not acted as a commission in preparing any statement on which all are agreed, I would like to say that for the last 17 years I have been quite closely associated with customs matters in New York.

Some time before that I occupied the position of American consul in the Stratfordshire district of England, so that what I have to say is based largely upon first-hand information.

Senator GERRY. Did you occupy any official position in New York?

Commissioner BURGESS. No; not as a Government official. I represented some large industries in looking after the administration of the law, so far as it pertains to these industries.

Senator GERRY. What ones, may I ask?

Commissioner BURGESS. The china and pottery industries and the electrical industry.

To condense, as far as possible, what I have to say and not to occupy more of your time than is necessary, I have put my thought in writing so as to be able to speak directly to the point.

Changing of the base for assessing duties from the present system of wholesale foreign market value to that of the wholesale American value is somewhat radical. Difficulties at once present themselves, which, coming out of the clouds, appear like mountains, but when the mists have passed away and the subject is thought through, those mountains become as mole hills.

The advantages of the American valuation plan so far outweigh the difficulties as to make the latter seem insignificant.

The needs for such changes are, first, the loss of revenue to the Government through undervaluation; second, the loss to the American industries of adequate protection intended by Congress; third, the evident purpose and deliberate intent on the part of some foreign manufacturers to deceive our customs officers and investigators by the misstatement of facts. This practice is known to have been approved and assistance rendered to such manufacturers by certain foreign Governments in the effort to blind and mislead as to important facts bearing on the true foreign market values. As illustrative of this fact, I add to my remarks, but will not take your time in reading, part of an address made by the president of the German National Chamber of Commerce before that body at a meeting held in Berlin.

Further indication of interference with the collection of proper duties on the part of another foreign Government is indicated by an attempt to compel our Government to discontinue certain suits brought against some of their manufacturers and their American agents by threatening to withhold their Government appropriation for the Panama Exposition, and stating that such appropriation would not be made while these suits were pending, as they showed the unfriendly attitude of our Government toward them and their manufacturers.

It has been repeatedly stated that the Government records proved undervaluation does not exceed one-tenth of 1 per cent of the total imports. This statement, if true, simply goes to prove how inadequate are the means at the disposal of our Government to detect such undervaluations and collect proper duties thereon.

I would like to say, however, that that statement is not at all correct, taking last year's importations into account.

Senator SMOOT this morning said something about there not being many undervaluations during the period of the war. That, perhaps, is true to an extent, because of the fact that the administration of the law was very lax at that time, as everyone realized and knew that foreign values were not stable and could not be secured. Then, the stress of circumstances, the decrease in the number of employees, and so on, made it impossible to do the work properly. But in the year 1920 I understand there were in the neighborhood of 600,000 invoice entries made. About 40 per cent of them were on the free

list. About 40 per cent of the remaining 60 per cent were specific duty goods. So that there were comparatively few invoices entered on an ad valorem duty. I have the figures here, 156,000 invoices, in round figures. There were 49,367 invoice advances made on entry by the importer or advanced after entry by the Government, showing that one-tenth of 1 per cent claim is an unfair statement.

Senator SIMMONS. What would be a fair statement? You say that one-tenth of 1 per cent is an unfair statement. What do you think would be a fair statement?

Commissioner BURGESS. According to these figures for 1920 it would seem to be about 25 per cent of the ad valorem invoice entries, the goods based upon ad valorem duties.

Senator SMOOT. And the specific duties are not in question.

Senator SIMMONS. You mean to say, then, do you, that one-fourth of the goods upon which ad valorem duties were imposed were undervalued?

Commissioner BURGESS. As the invoices came to this country. It is this way, Senator: When an invoice is advanced by the appraiser other importers will take notice of this advance, and will add to make the market value, so as to avoid the penalty and difficulty with the Government, so that the actual number of undervaluations is impossible to tell.

Senator SIMMONS. Do you mean to say that the importer would voluntarily increase the invoice price?

Commissioner BURGESS. Yes.

Senator SIMMONS. And raise it to a satisfactory price?

Commissioner BURGESS. Yes.

Senator SIMMONS. Eliminating these figures, or this increase, voluntarily made, what would be the per cent of valuation that would be in controversy?

Commissioner BURGESS. I have no data or means of giving an answer to that question.

Senator GERRY. When you said 25 per cent that was a surmise without any very definite information?

Commissioner BURGESS. No, sir. These figures are, I think, susceptible of proof. There were about 156,000 invoices based on an ad valorem rate of duty, out of which 49,367 invoices were either at the time of entry advanced or raised by the appraiser after entry.

The evasion of the payment of full taxes of any character is a matter of common knowledge; where the incentive exists, the practice of evasion is sure to follow. This is true regarding real estate taxes and personal taxes. Why is it, then, inconceivable that the foreign manufacturer or exporter, who has no interest in our Government, should go to the limit of undervaluation where the duty tax upon his product runs from 10 per cent to 60 per cent of its value?

Assessing duties upon foreign value is like taxing real estate where the collector happens to reside instead of where the property is located. It would be like a man in New York assessing and collecting taxes upon property in California. Inasmuch as the tax would be collected in New York, would it not be to the interest of, not only the owner, but the officials of the State of California, to report the assessment as low as possible?

That this is not merely a supposition, but an actual fact, I would like to refer the committee to an elaborate report made to the Secretary of the Treasury by a commission appointed to investigate the wholesale market value of French china made at Limoges in December, 1912.

Senator SIMMONS. We have had, from the very beginning, the matter of foreign valuation written into our tariff laws. Do you contend that these undervaluations are more flagrant now and more universal now than they have been in the past?

Commissioner BURGESS. No, sir, I do not; but I know from experience in the last 20 years that it has been a continual performance.

Senator SIMMONS. In that period we have framed two tariff bills. I do not recall now whether there was any suggestion of changing the traditional method of valuing imports. There was talk, just as there is always talk, about undervaluation, and suggestions of possible and probable remedies for that condition, but it was never contended that we should change the system and method of valuation because of these undervaluations in exceptional cases; and I am asking now whether the situation with reference to that is any different from what it was when we framed these other tariff bills. Is there anything in the present valuation of foreign imports that indicates that undervaluation is greater now or that it is resorted to to a greater extent or that valuations are lower in proportion to actual values now than heretofore.

Commissioner BURGESS. I do not think so, as far as actual undervaluations go, but on account of unsettled conditions the difficulty in securing the foreign market value is very much greater than it was.

Senator SIMMONS. On the contrary, is it not true that it has developed from your investigation and from the investigation we had with reference to dumping that foreign values are higher than they have ever been.

Commissioner BURGESS. That is true, but that is also true with all American products. They are very much higher than they were. In the case of German goods, for instance——

Senator SIMMONS. The foreign valuations, as developed from that investigation, are so high now that they have approximated American values?

Senator SMOOT. In some cases.

Senator SIMMONS. Yes.

Commissioner BURGESS. They are exceptional cases, I think——

Senator SIMMONS. In other words, I am trying to get you to the point of considering the question of whether there is not less reason in the actual conditions and practices of the day for finding and adopting some other method because of undervaluation. That seems to be the point you are raising, and has been the condition in the past, and at the time we adopted these other tariff measures.

Commissioner BURGESS. Confining the answer to that specific question, I should say the principal reason for making the change would be the difficulties of securing the foreign market value. You have spoken of the higher values abroad. It is true that Germany, for example, in certain lines of industry advanced her goods, the Government had a bill before the Reichstag to make the export values 150 per cent above the home market values, and then

she was going to tax the manufacturer 90 per cent of that 150 per cent as an excess-profits tax. That bill, however, did not become a law. It was defeated in the Reichstag. But manufacturers, anticipating that it would become a law, added that 150 per cent to their home market value and "put it over," to use the slang expression, with the American buyer. When the bill did not become a law, the German manufacturers, realizing how easy it was to get that 150 per cent, continued to extort and pocket that money, and are to-day, or were up to the time of the antidumping provision, reaping the benefits of that advance. The importer was simply paying the duty on the home market value, which is 60 per cent of the actual price he paid for the goods.

Speaking of the American valuation plan, Senator, I would like to call attention to the fact that it was proposed at the time of the formation of the Payne-Aldrich bill. A proposition was put to the committee at that time. You will find my statement in the House hearings of that date.

Senator SIMMONS. I was a member of the committee at that time, and while I will not say, of course, that you are not correct in your statement, I do say I do not think it was seriously considered.

Commissioner BURGESS. It was not seriously considered by the committee.

Senator SIMMONS. From my remembrance, anyhow.

Commissioner BURGESS. The only outcome of those deliberations was the introduction into the law of section 11 of that bill, providing as an alternative to foreign value, taking as value the American selling price, making deductions to bring it back to a foreign market price. I don't know whether you recall that provision or not, but that was the provision that Mr. Payne himself told me that he had thought out as the most that could be accomplished at that time.

Speaking of the difficulties, in 1912, I think the date was, Secretary McVeagh appointed an appraisement commission to go into the question of foreign valuations, or the assessing on a foreign basis, and I would like to refer the committee to that commission's report, if they want actual facts, in 1912. It goes into the subject very elaborately, covering over 1,100 typewritten pages, showing how the consular certificates were of little value; how the examination of the values of that country was largely a local matter, no actual appraisement upon the foreign market value and there was little knowledge of foreign market value; that foreign chamber of commerce reports were absolutely worthless, and that the knowledge of the examiner was based almost entirely upon the importer's invoice.

Senator SIMMONS. I was not here during the beginning of your testimony. I do not know what your business is.

Commissioner BURGESS. I am a member of the Tariff Commission.

Senator SIMMONS. I beg your pardon. I will not ask you the question I intended to ask.

Commissioner BURGESS. I am not speaking as a member of the Tariff Commission.

Senator SIMMONS. I will not ask you the question.

Senator GERRY. I would like to ask the witness a question. You spoke of representing certain industries in New York. How did you represent those industries?

Commissioner BURGESS. I watched the importations of——

Senator GERRY (interposing). I do not think you entirely understood me. Were you employed by certain industries?

Commissioner BURGESS. Yes, sir.

Senator GERRY. What, may I ask?

Commissioner BURGESS. The United States Potters' Association was the principal industry. That was my own business, and I gave my principal time to that.

Senator GERRY. And you were employed by them to watch the tariff situation?

Commissioner BURGESS. Yes, sir; I simply made that statement to show that I had first-hand knowledge.

Senator GERRY. Qualifying as an expert?

Commissioner BURGESS. Yes. The Government is losing large amounts of revenue from the fact than many manufacturers and groups of manufacturers feel that they are complying with the letter of our law if they can in any way establish a foreign-market value, regardless of the actual selling price or cost of production. Such manufacturers invoice their goods at or below the cost of production, and paying duty upon that low valuation reap enormous profits from the sales made in this country. There are foreign goods to-day coming into this market which, when sold on the American market, show a profit running from 100 to 300 per cent of their factory cost. One case I have in mind came under my notice within the year, showed a profit of 1,750 per cent, the actual goods costing 24 cents abroad. That was a retail sale, however, which made it larger than others. The goods sold at $4.20 a dozen, and the foreign cost was 24 cents.

A striking illustration of the truth of that statement came to my notice recently when a group of manufacturers were selling at apparently a uniform price to and through their agents in the United States. An American buyer could not go into this foreign market and make any direct purchases from these manufacturers, but could only buy through their American representatives. All factories were not in that combination. An independent buyer made a direct purchase from one of these outside factories at what he believed to be the lowest wholesale price on that market, and placed a large contract on these terms. It was found later that that actual, bona fide wholesale transaction was made at a price 250 per cent above the invoice value of similar goods exported by that group of manufacturers. That importer, of course, found it impossible to compete with goods paying a duty based on so much lower value than this actual purchase price, and was compelled to cancel the order. It is since the first of January this matter occurred, so it is an up-to-date fact.

Senator SIMMONS. That was a case of gross undervaluation, was it not?

Commissioner BURGESS. This practice is continuing. That group are bringing their goods in at the low value. The reply sent me was that the high price at which the actual purchase was made was overvaluation.

Senator SIMMONS. Do you mean he paid a fictitious price?

Commissioner BURGESS. No. He paid the price he had to pay, the actual market value, but the duty to-day is being based and collected upon the low value.

Senator SIMMONS. Was it not rather strange that a transaction of that kind could occur without the facts being brought to the attention of the American appraisers?

Commissioner BURGESS. That matter was brought to the attention of the American appraisers.

Senator SIMMONS. What did they do about it?

Commissioner BURGESS. After several months' deliberation the department came to the conclusion that as all this special group of manufacturers were sending their goods over at the low price, that was therefore the wholesale market price in that country.

Senator SIMMONS. Do you think their conclusion was a valid and reasonable one?

Commissioner BURGESS. I personally did not feel that it was.

Senator SIMMONS. Do you not think that was a case where the appraisers were grossly negligent and indifferent to the interests of this country and in the enforcement of the laws of this country? The appraisers in that instance were as much to blame as the man who practiced the fraud.

Commissioner BURGESS. The facts speak for themselves, sir.

Senator SIMMONS. I think they do speak very powerfully against our appraiser's office, if that is true.

Commissioner BURGESS. I think that can all be substantiated by actual figures and names and dates, etc.

It is quite natural that opposition to this method should arise on the part of importing interests, especially some of those who feel that their property will be assessed at nearer its real value and taxes collected thereon.

You will hear such expressions as "The method is absolutely impracticable and unworkable," "It will ruin the importing interests of the country," "It is impossible to find comparable articles on which to base values," "Because the law requires that duties shall be assessed uniformly at all ports, it is impossible to find a chief market or markets."

Senator SIMMONS. You are talking now about the American valuation?

Commissioner BURGESS. Yes, sir. These are the objections.

Senator SIMMONS. Then you have finished your statement as to the objections to the present method of valuation?

Commissioner BURGESS. I have simply finished that part that refers to the reason that I feel that the American valuation should be put into law.

Senator SIMMONS. Then I understand you—and I am interrupting you now because I want to get this out before you discuss why you think the American valuation ought to be substituted—is the committee to understand that your fundamental objection to the present method of valuation is the abuse of undervaluation?

Commissioner BURGESS. That is one of them.

Senator SIMMONS. That is the only argument I have heard you make.

Commissioner BURGESS. It is one of them. There are other reasons.

Senator SIMMONS. You have other objections you will present against the present method of valuation?

Commissioner BURGESS. Yes; I expect to.

Senator SIMMONS. I wanted to know if that was all.

Commissioner BURGESS. No. The great objection, one of the chief objections, has already been brought out, the matter of exchanges, but we will come to that.

Senator SIMMONS. That will be brought out by some other witness, not by you?

Commissioner BURGESS. No; I will bring it out later. I was simply voicing some of the objections I have heard against the American valuation. Others were "It is impossible to find uniform and true values," "The Government employees have no knowledge of American values, and it would require a complete revision of their present fund of information."

Senator SMOOT. You are reciting now the objections that have been made to the American valuation?

Commissioner BURGESS. Yes, sir. "It would be revolutionary and disturbing methods that have been in existence for generations." It is quite true that it will arouse some employees of the Government to real activity in an effort to secure information as to real American values. It is true that all goods will have to be actually appraised, whereas comparatively few imported goods are now actually appraised.

It is true some goods are at present examined and the invoices checked up, but as to actual appraisement based on actual first-hand knowledge of foreign values, there is little or no such appraisement.

In the past and at present the actual practice is an easy job by simply, first, assuming the importation invoices to be correct and, second, if in doubt, comparing it with his fellow importer's invoice for the same class of goods from the same district. The actual carrying out of the spirit and letter of the present law would require an army of experts, clothed with such power as it is impossible to secure, to go through the world to find the actual foreign market values. With the exception of a few large staple industries, it is well known by all who have come in contact with the present method of assessing duties that valuations are very largely matters of guesswork, without any positive knowledge as to facts.

As to the advantages, the assessment of duties upon an American valuation is not a new idea in tariff legislation, but the carrying out in detail of this proposition has not been before gone into with a thoroughness as is being undertaken at this time.

The first tariff law of June 4, 1789, provided that duties shall be assessed upon "The value thereof at the time and place of importation."

This method of assessing duties has been advocated by many of our leading statesmen, running through our Nation's history.

May I enumerate some of the advantages?

First, assessing an ad valorem duty upon an American wholesale selling price will require a much lower rate of duty than when based upon foreign valuation. The people of our country, knowing nothing about the assessing of rates upon any commodity, always assume that that rate has been assessed and duty paid upon the price which they have paid for the goods in question.

Senator SIMMONS. Pardon me for interrupting you. You say that adopting the American valuation will call for much lower rates?

Commissioner BURGESS. Rates of duty.

Senator SIMMONS. Rates of duty. Now, I saw a statement in the papers that Mr. Fordney said the duties imposed in this bill were about those of the Payne-Aldrich bill. Can you give us any idea how much those rates will be increased, not the rates, but how much the tax will be increased by reason of this new method of valuation?

Commissioner BURGESS. It will depend entirely on the particular commodity, Senator Simmons. Some amounts of duty will be less than the Payne-Aldrich bill and a little more than the Underwood bill. Others will be higher than the Payne-Aldrich rates. But I believe that it was the intent, in a general way, to keep the rates as near to the Payne-Aldrich rates as possible, an equivalent rate.

Senator SIMMONS. You do not quite catch what I wanted. You said the duties would be lower or should be lower.

Commissioner BURGESS. The rates of duty.

Senator SIMMONS. The rates of duty should be lower if this new method is adopted. If the Payne-Aldrich rate was a proper rate, if the average of the Aldrich-Payne rate was a proper rate, how much lower do you think the rates of this tariff bill ought to be?

Commissioner BURGESS. In proportion to the——

Senator SIMMONS (interposing). Assuming that the Payne-Aldrich rates were as high as they ought to have been, and high enough for the present situation, how much lower do you think they ought to be made because of this new method?

Commissioner BURGESS. There are several elements that must be taken into consideration in that transposition of figures, based upon the American valuation. Take the foreign value of any article under the present system as 100 per cent, and if the duty on that article is 25 per cent and if the cost of bringing it to this country, with incidentals, profits, possibly, is 10 per cent, that would make the American selling price equal to 135 per cent; so that, instead of having 25 per cent on the foreign value, it would require 18.71 per cent to make the equivalent on the American basis.

Senator SIMMONS. To make the rates of the present law conform to the rates of the Payne-Aldrich law, the amount of the rates would have to be lower than the Payne-Aldrich rates. Can you give me any idea, speaking generally and approximately, how much lower they ought to be to equal in effect the Payne-Aldrich rates?

Commissioner BURGESS. Stripping the question of all incidental expenses and profits, and so on, in this country, the equivalent rate would be as follows: If the rate was 10 per cent on the present basis, it would be equal to 9.09 per cent on the American valuation; if it was 15 per cent on the present basis, it would be equal to 13.04; if it was 20, it would be 16.66; if it was 25, it would be 20; if it was 30, it would be 23.07; if it was 35, it would be 25.92; if it was 40, it would be 28.57; if it was 45, it would be 31.03; if it was 50, it would be 33.33; if it was 55, it would be 35.55; if it was 60, it would be 37.50; if it was 65, it would be 39.33.

Senator SIMMONS. You are dealing with one article?

Commissioner BURGESS. Any article. That is the equivalent American value rate as compared to the foreign value rate.

Senator SIMMONS. When we got the average of the Payne-Aldrich rate and found it was 18 per cent, we were dealing with the whole volume of all invoices, and it paid 18 per cent. Now, what would be the equivalent rate if we adopt this new method?

Commissioner BURGESS. It is impossible for anyone to answer that.

Senator SIMMONS. If you can tell now as to specific articles, why can you not tell it when we group all the articles and tell you what the rate is?

Commissioner BURGESS. Because we do not know in what proportion those various articles will be imported into this country, but the best estimate that I know shows about 18½ or 19 per cent.

Senator SIMMONS. They were only 18 under the Payne-Aldrich bill, and you say they would be lower if we change the method of valuation that bill was based on?

Commissioner BURGESS. Let me see.

Senator SIMMONS. You said it ought to be lower.

Commissioner BURGESS. It is only about one-half of 1 per cent. It is 17½, possibly, instead of 18. Was not the Payne-Aldrich bill 18½?

Senator SIMMONS. It was something about 18.

Commissioner BURGESS. I think it was 18½.

Senator SIMMONS. Then you tell the committee that the effect of the American valuations upon the tax rate would be only about 1 per cent?

Commissionr BURGESS. Practically the same rate.

Senator SMOOT. On all importations?

Senator SIMMONS. Yes; on all importations.

Commissioner BURGESS. On the total importations.

Senator SMOOT. Free list and all.

Senator MCCUMBER. How could you tell that, Mr. Burgess, without knowing what the American valuations are?

Commissioner BURGESS. You can not tell it, sir. It is only a rough estimate made in the committee of the House.

Senator MCCUMBER. If the American valuation was 100 per cent higher than the foreign valuation, then the reduction would be very much smaller, to get the same amount of tariff out of it with the same protection.

Commissioner BURGESS. Yes, the rate would be very much lower.

Senator MCCUMBER. Very much lower?

Commissioner BURGESS. Yes, sir.

Senator MCCUMBER. But, as I understand you, according to your statement, that would add about 1 per cent to the 18? Where it was 18, it would be 19?

Commissioner BURGESS. I think it is a little less. I think the estimated figures show a little less than the Payne-Aldrich law.

Senator SIMMONS. I understood that the estimated value showed that the rate would be about the same in this bill as in the Payne-Aldrich bill, but you say that the injection of the American valuation adds about 1 per cent. If that is 18 in the Payne-Aldrich bill, upon the present basis of valuation, the old basis of valuation, it would be 19 per cent under the new basis of valuation?

Commissioner BURGESS. It would, according to your statement, but I intended to correct that statement, because I am pretty sure the estimate made by the committee showed that it was from 1 per cent to half a per cent less than the Payne-Aldrich bill. They were so close together that it did not amount to very much, and could easily be thrown one way or the other when the actual figures were tabulated at the end of the fiscal year.

I was about to say that the people of our country, knowing nothing about the assessing of rates upon any commodity, always assume that that rate has been assessed and the duty paid on the price which they have paid for the goods in question, and this error has not always been corrected by campaign stump speakers. A person buying a suit of clothes at $25 on which, let us say, the rate of duty is 50 per cent, immediately assumes that $12.50 duty has been paid to the Government upon that suit of clothes. The fact, however, being that the duty was actually assessed on the cloth entering into that suit of clothes, which might possibly have been valued at $5 and a duty paid of $2.50.

Examinations made by me in the 22 different commodities, carrying duties under the old law from 45 to 60 per cent, showed that the amount of duty in no case was greater than 12 per cent of the retail price, but averaged between 9 and 10 per cent. Therefore, assessing the duty on the American wholesale selling price would be more in harmony than what the mass of people now believe to be true.

Senator SIMMONS. Let me ask you another question, going back to what we were discussing just now. This 18 per cent we were talking about, the average rate in the Payne-Aldrich bill, is the average of all importations, both on the free list and on the dutiable list?

Commissioner Burgess. Yes, sir.

Senator SIMMONS. What would be the rate, calculated on the basis of dutiable invoices only?

Commissioner BURGESS. Assuming the figures that I gave before, that out of the total imports of last year 40 per cent of them were on the free list, then it would be that 18 per cent would have been collected on about 60 per cent of the total imports.

Senator SIMMONS. What would be the average on the dutiable imports, as distinguished from the average on the total imports?

Commissioner BURGESS. It would be, according to this figure, about 30 per cent.

Senator SIMMONS. About 30 per cent?

Commissioner BURGESS. Yes, sir.

Senator SIMMONS. To what extent would the new valuation increase that rate?

Commissioner BURGESS. That is based on the new valuation.

Senator SIMMONS. You mean you reached your conclusion on the basis of the new valuation?

Commissioner BURGESS. Yes, sir. That is the present rate, according to the House Committee.

Senator SIMMONS. What was the Payne-Aldrich rate? What would be the rate in the present bill, eliminating the new valuation as based upon calculations as to the dutiable imports?

Commissioner BURGESS. Based on the same year that I have taken this from, it would be practically the same, 30 per cent, 30 or 31.

Senator SIMMONS. Do you mean to say upon the rates in this bill, under the old valuation, the average of the dutiable imports would be the same as they would be with the new valuation?

Commissioner BURGESS. Based on the same imports, the same class of imports.

Senator SIMMONS. The same class of dutiable imports, I am talking about. You say under the Payne-Aldrich bill those dutiable imports would be about 30 per cent?

Commissioner BURGESS. About that, in round figures.

Senator SIMMONS. That is upon the old basis of valuation?

Commissioner BURGESS. Yes sir.

Senator SIMMONS. Now, if you change that to the American basis of valuation how will that affect those rates?

Commissioner BURGESS. The rates will be so much lower.

Senator SIMMONS. How much will that increase the rates?

Commissioner BURGESS. It ought not to increase them any, because the difference is calculated on the lower rates on the American valuation.

Senator SIMMONS. Then you mean to tell us now that the amount of tax that would be paid upon the dutiable imports of this country under this bill would be the same under the American valuation plan as they would be under the foreign valuation plan?

Commissioner BURGESS. Based on the same imports; but if there are more dutiable imports it would be different; if there were more imports of free goods it would be different again.

Senator SIMMONS. If practically the same dutiable imports should come in under this bill as came in under the Payne-Aldrich bill, the fact that you have changed the basis of valuation from the foreign to the domestic would not increase the amount of tax that the importer would have to pay the Federal Government?

Commissioner BURGESS. Based on the same figures, no.

Senator SIMMONS. I do not know what you mean by "the same figures."

Commissioner BURGESS. The same imports.

Senator SIMMONS. The same imports?

Commissioner BURGESS. Yes, sir.

Senator SIMMONS. The same rates of duty?

Commissioner BURGESS. Yes, sir.

Senator SIMMONS. Although the American valuation pays about 25 or 30 per cent higher than the foreign valuation, you say it does not increase the tax?

Commissioner BURGESS. Because the rates are that much lower.

Senator SIMMONS. Suppose they are not lower, but are the same?

Commissioner BURGESS. Oh, that is another proposition.

Senator SIMMONS. That is the first question I asked you. Take the present bill with the present rate, and assume that the dutiable imports will be the same, how much more will have to be paid by the importer under the American valuation plan than under the old foreign valuation plan?

Commissioner BURGESS. That is entirely a hypothetical question.

Senator SIMMONS. I know it is.

Commissioner BURGESS. It would be very much greater.

Senator SIMMONS. How much greater?

Commissioner BURGESS. Such an idea is not contemplated at all, to keep the same rates applied to the American valuation that are now applied to foreign valuation.

Senator SIMMONS. Everybody has admitted that the rates of this bill were practically the same as the rates in the Payne-Aldrich bill.

Commissioner BURGESS. The equivalent. They are not the same rates, but are equivalent. There is a difference between being the same rates and equivalent rates.

Senator SIMMONS. And the same average?

Commissioner BURGESS. Yes, sir; because it has been allowed for in the lower rate based on the American valuation. This morning a question came up about a certain commodity, 70 cents on a foreign valuation and 100 cents or a dollar on the American valuation. At the present time there would be a 50 per cent duty on the foreign valuation, which is 35 per cent, making the foreign article landed here cost $1.05. Now, the Senator made the proposition, suppose you figure that on the American valuation, that would be 50 cents, you would be bringing your foreign product up to $1.20 or 15 cents higher; but such a proposition is not contemplated at all. It would be preposterous to think of doing such a thing.

Senator SIMMONS. I am advised that it was admitted by the proponents of this bill in the House that the American valuation would average something like 50 per cent above the foreign valuation, and a cut of 3½ per cent in the rates of duty would make about the same revenue. Do you think that admission was ill advised and did not reflect the truth?

Commissioner BURGESS. Will you please repeat that, Senator?

Senator SIMMONS. It was admitted by the proponents of the bill on the floor of the House that the American valuation would average about 50 per cent above par. Is that correct?

Commissioner BURGESS. I should say that that is reasonably within the limit.

Senator SIMMONS. A cut of $3\frac{1}{10}$ in the rate of duty would net about the same rate.

Commissioner BURGESS. Three and one-tenth?

Senator SIMMONS. Yes.

Commissioner BURGESS. No; I can not understand that at all.

Senator SIMMONS. You think that is not true?

Commissioner BURGESS. No. I do not understand those figures at all. I do not know what they mean.

Senator SIMMONS. I imagine they mean that if you reduce the rate by $3\frac{1}{10}$ under the American valuation it would yield about the same as under the rates that are proposed under the foreign valuation.

Senator SMOOT. Yes; but the average of the importations, free and dutiable, would never be 50 per cent. I have here for 1912 the average of free and dutiable goods under the Payne-Aldrich bill imported into the United States, 17.1 per cent; and the average rate of duty for the calendar year 1920 under the Underwood-Simmons bill was 6.38 per cent. The reason of the difference in the average is that under the Underwood bill there had been so many items put upon the free list and importations were so much larger on the free list, compared with the dutiable list, that it brings down the general average of importation, both of free and dutiable goods imported.

Senator SIMMONS. That was for what year?

Senator SMOOT. In 1912. In the Payne-Aldrich bill the average was 17.1 per cent, and the average for the calendar year 1920 was 6.38 per cent.

Senator SIMMONS. That was a different year when there were entirely different prices. Of course, the average would depend upon the prices. Take the Payne-Aldrich bill, Senator, and you will find that

the average rate of duty is entirely different from year to year, dependent upon the prices of the product.

Senator SMOOT. There is a little difference, but very little when you take the whole of it, and that comes from the fact that one year the importation of free goods was greater, and the next year the importation of dutiable goods was greater, and I am giving you now what you were discussing before, the average of the last year which we had under the Underwood bill and the last year that America had under the Payne-Aldrich bill, and there is that difference between the general average of all importations into this country.

Senator SIMMONS. The only way you would ever arrive at that proposition would be to ascertain what would have been the result if the Payne-Aldrich bill would have been applied to the dutiable products of 1920.

Senator SMOOT. Yes; but if that were the case the Payne-Aldrich rate of 17.1 per cent would be not much more than—speaking offhand, I would not say it exactly, because I have to figure it in my head—but under the Payne-Aldrich bill, if it had been in existence in 1920, the average of the rate would have been less than 10 per cent.

Senator SIMMONS. Less than 10 per cent. I understand upon the basis of present duties it is estimated that the rates in this bill would amount to an average of 18 per cent.

Commissioner BURGESS. Approximately, as far as the report shows.

Senator SIMMONS. Senator Smoot says under the basis of the Payne-Aldrich bill the average of 1920 would have been about 10 per cent.

Senator SMOOT. A little less than 10 per cent.

Senator SIMMONS. A little less than 10 per cent. Now, you have drafted a bill that this witness says will yield an average of about 18 per cent. That is 8 per cent higher than the rate in the Payne-Aldrich bill.

Senator SMOOT. No; you must have misunderstood me. On the importations as they came in under the Underwood bill—that is, with the free list the same as the Underwood bill and the dutiable list at the same rate as the Underwood bill, then they would be a little less than 10 per cent.

Senator MCCUMBER. That is a mere matter of calculation, Senators. You will allow the witness now to proceed.

Commissioner BURGESS. Second, the possibility of securing actual dutiable valuation would be greatly decreased. Instead of having to deal with foreign manufacturers and agents, whose interest is to misrepresent and deceive and who usually refuse to give information of any value, the American manufacturer and wholesale dealer, in whose interest the Government desires the information, would be, not only willing, but anxious to furnish such information as the Government would require.

Senator SIMMONS. Mr. Chairman, I am compelled to go over to the Senate. When I leave there will be no member of the minority here.

Senator MCCUMBER. We would like to run until 5 o'clock. There are two members of the commission here who have not testified, and another gentleman who wishes to file a brief. There is a call for other witnesses on another subject to-morrow, and we would like to get through as rapidly as possible.

Senator SIMMONS. I think, Mr. Chairman, that the minority would like especially to be present when the members of the Tariff Commission are examined, and there will be no one representing the minority after I leave. So I suggest that you take up some other witnesses and let the other members of the board come back tomorrow.

Senator MCCUMBER. Can you not send over some other members of the minority, and let us finish with this witness?

Senator SIMMONS. I will try, and if I do not succeed in getting some other member of the minority, I wish my suggestion might be followed.

Senator MCCUMBER. If you do not succeed, we will endeavor to comply with your request.

Commissioner BURGESS. In any event, the power to secure facts would be in the hands of our own officials; they could compel the attendance of all interested parties for the purpose of establishing true market values; they could punish for neglect to produce such evidence, or for perjured testimony. The whole legal process would be in the hands of our own Government.

Third, the Government would be free from all diplomatic entanglements and such embarrassments as have frequently arisen, as above illustrated, in the case of the French goods.

Fourth, although for the time being, it probably would be necessary to increase the appraising force in the United States, this would be somewhat offset by materially reducing the number of foreign investigators and the increased revenue.

Fifth, the Government would get a much larger revenue and would be in position to collect the revenue prescribed by Congress. Those who, through low valuations or gross undervaluation, are now reaping enormous profits out of our markets would at least be compelled to share these profits with the Government, and thus reduce the unjust competition between them and the responsible and honest importer and the domestic manufacturer.

Sixth, this method of assessing duty, when based upon a comparable and competitive American article, practically makes a specific duty applicable to all such goods no matter from what country they are exported. The article made in the Orient may be of much lower cost and market value in the country of production than similar goods made in England. but the duty being assessed upon the American article would make the same amount of duty to be assessed upon both the oriental and the English production. The present method discriminates against the highest-cost country and favors the lowest-cost country.

Seventh, the American manufacturer would have increased protection because the law would not be so easily evaded and would actually have the protection Congress intended he should have.

Eighth, assessing duty upon American valuation will not permit the American producer to unduly advance or pyramid his selling price. That seems to be one of the claims made by some who would favor it otherwise. It will be the very means of checking such advances. For example, if the selling cost of the foreign article, plus the expenses of landing, is $80 and the American article is $100 it is assumed that a duty of $20 would be required to equalize the selling cost of the foreign article in America, or it would

require 20 per cent upon the American selling value. If the American producer determines to advance his price to $125, the same rate of duty remaining would compel the foreigner to pay 20 per cent on the $125 or $25. This does not, however, change the foreign selling value of $80. The foreigner could, therefore, sell his goods for $105 against the American producer's price of $125, and thus undersell him. It prevents and checks pyramiding.

Ninth, owing to the variation in exchange values of foreign currencies, assessing the duties upon these depreciated values gives advantage to the country whose currency shows the greatest depreciation. Assessing duty upon the American value, the currency of which is fixed and stable, is the only reasonable and feasible method of uniformly assessing duties as against all countries; and this is advocated by Secretary Hoover, who has made the statement that it is the only practical way of reaching the difficulty.

I want to call attention further to an advertisement of an importing house in New York—Thomas Young (Inc.), 42 White Street, New York City. He is not in favor of the American valuation, but he sums up the very interesting statement in these words. [Reading:]

We are not in favor of American valuation but we believe that it is workable and believe that it will be passed. We believe that antagonists of the bill should attack the rates. We believe this to be the vulnerable point in the bill.

In the body of the statement he says:

Much nonsense has appeared in the press regarding the American valuation plan (including reports of congressional debates and insistent correspondence from prominent merchants and others).

The great cry is that it is a "duty on a duty" and that especially in the case of imports which have no comparable competitive United States products it will result in a pyramid of prices.

This we deny.

It is also claimed that it will be impossible for an importer to make sales for future delivery against purchases because he can not determine the cost of the goods until actually landed and duty paid.

We deny the impossibility of sales.

We admit that costs will be difficult to determine but we charge that the same difficulty exists under the present law as foreign values fluctuate much the same as American values.

The plan is called unworkable.

In spite of some recent enactments of Congress, we are not inclined to think that the gentlemen who framed this provision would put forward an unworkable plan.

It is said that actual duties to be paid are tremendously increased over present payments.

This we affirm emphatically.

And then he goes on to illustrate how these rates are actually an increase over the former rates, and winds up with the quotation I read first.

I have nothing further, Mr. Chairman.

ADDRESS OF THE PRESIDENT OF THE GERMAN NATIONAL CHAMBER OF COMMERCE.

As a fact the United States is not dependent for its existence upon the collection of duties, and it can afford to allow the falling off of revenues in this direction for what they claim the general good. From this standpoint it is clear that in the administration of the tariff is concealed the power and purpose to make the entry of certain competing articles as difficult as possible, and to carry this out the United States Government agents resort to the meanest and smallest measures.

The first of these is the certification of the invoices by consular officers stationed in various districts of the Empire. Second, the investigations by customs officials as to the correctness of statements in the invoices which have not the force or effect

of an oath in the German Empire. Third, the reexamination in cases where there is reason to doubt values by agents of their Treasury Department; and, fourth, by the high penalties added for undervaluation. Naturally we all admit that an actual swindle is incorrect in any business transaction, but undervaluation should not be treated as such unless positively proved. However, no such elasticity is to be found in the minds of American customs officials, who treat undervaluation, as they call it, as fraudulent, and they at once apply the usual penalties. Our goods have been exported to England and the United States at lower prices than those for the home market, and there have been more or less low values for the States, and in some cases what would be there termed "fraud," and such are the conditions at the present time.

Market value, as defined under American law, is the wholesale price at the time of export, and our trouble lies in having two sets of prices, one for export and the other for home trade. We have to resort to a division of shipments under the so-called $100 clause to keep our matters secret, save fees, and avoid control on that side.

Declarations in invoices compelling all sorts of statements as to how the goods were obtained, whether by purchase or otherwise, values in detail, and charges of every character are the crowning point in the prying curiosity practiced under the American customs laws.

These things all lead to abuses, and we are promised that the means of gaining information through American consuls and agents will be shut off. Our boards of trade are fully awake to the dangers that surround us, and in making every effort to close the doors against this abuse they are hoping for the whole support of the Government.

Experience has taught that the workings of a tariff have not fulfilled the purpose for which it was created, but, on the contrary, the information gained under this regulation concerning costs of production has been so defective that in many cases it has been misleading, because through the prudence of our officials we have taken care that investigations of this character shall throw little light upon the actual value of their consignments.

In many cases trouble has been avoided by having invoices consulted remote from districts in which the goods are manufactured, but we must follow up this whole question as to the right of consular and other officers to pry into our business for the sole purpose of keeping out our merchandise, and in this we are assured of the cordial support of our Government. Such treatment on the part of American officials and the cause for it is plain, and now that concessions must be made by the American Government, if we stand together firmly as a body aided and supported by our board of trade, we can bring about a change that will be of untold benefit to our American export trade.

Senator McCUMBER. I thank you very much. The committee will now be glad to hear Mr. McNabb, law officer of the Tariff Commission.

## STATEMENT OF CHARLES E. McNABB, LAW OFFICER, UNITED STATES TARIFF COMMISSION.

Senator McCUMBER. Please give your name, position, etc.

Mr. McNABB. Charles E. McNabb, law officer, Tariff Commission.

Senator McCUMBER. Mr. McNabb, you have heard the testimony that has been given to-day on this subject, have you not?

Mr. McNABB. Yes, sir.

Senator McCUMBER. The committee are desirous of obtaining any points either for or against the American valuation, and will be glad to have your advice and such information as you are able to give us. You may proceed in your own way to give that.

Mr. McNABB. With an experience of 24 years in and out of the Government service in tariff matters, 10 years of which were under the Treasury Department, 8 years under the Department of Justice, and four years with the Tariff Commission, I took up the subject of American valuation as a substitute for the present system of appraisement of imported merchandise subject to duties ad valorem with the feeling that it would be difficult, if not impracticable, to make the

change. It became my official duty to go into the matter with considerable care. I tried to look at the dutiable basis from every side with a view to the reaching of a conclusion which would be absolutely unbiased.

There are reasons for the continuance of the present system which are strong and which are hard to overcome. If the proposition were to substitute an untried, unknown appraisement basis for a perfect system of determining value, it would be very easy to reach a conclusion. But the more one looks into this question and the greater one's knowledge growing out of the administration of the laws governing the collection of duties ad valorem, the more one realizes that the present system is very far from perfection.

In theory the appraising officers ascertain foreign market value; that is to say, the appraising officers report to the collector of customs the value at which merchandise of the kind undergoing appraisal is sold or freely offered for sale in wholesale quantities in the principal markets of the country of exportation at the time of exportation. In theory the importer, when he makes entry of his goods at the custom-house, knows what the foreign market value is. But the practice is different from the theory. On the one hand, foreign values are often unknown to appraising officers. On the other hand, importers repeatedly seek relief for undervaluation upon the plea that they did not know the foreign market values. All they know, as has again and again been said, is the price paid or agreed to be paid for their goods. They were ignorant, they say, of any change up or down in that price between the date of contract of purchase and the date of exportation of the goods, which might vary from a few days to months or even a year or more. The importer says, "I do not even know when I order my goods when the exportation date will be"—nor does he, nor can he. He may say, "Send me my goods as nearly as you can at such or such a time," or from time to time about such and such dates, say, one month or six months, or what not, if it is a continuing contract. But the exact date of exportation may depend upon the ability to get a vessel or to get space on a vessel; there may be delay in the sailing of the vessel, there may be other reasons, and it is the date of exportation which he is supposed to know. In the case of fluctuating values it is very important that the exact time be known.

In practice, what does he do? In the case of purchased goods he follows his invoice, which shows what he paid for his goods or what he contracted to pay for his goods. The importer is permitted by the law to add to or deduct from the invoice price such an amount as will express in his entry the wholesale market value at the time of exportation. But in order to add or deduct he must know of the change.

Under present practice—a practice which sprang up during the war—the importer confers with the examiners, who are the real appraising officers in practice, and the examiners help him to fix the values upon his goods.

Importers have said time and again—they have even come to the commission with the statement—"We are willing to pay duties whatever the rate may be, whatever the value may be, if we can only tell at the time we pay them what the duties will actually be."

It is certainty that they ask. They do not wish to sell their goods with a possibility of reappraisement at a higher value hanging over their heads, with penalties for undervaluation which run up to confiscation of the goods if they are available.

These are some of the things to consider as to goods that are purchased.

Now, as to merchandise obtained otherwise than by purchase, usually referred to as "consigned goods," the agent in the United States is supposed to know the foreign market value and the invoice is required by the law to state the foreign market value at the time of exportation. That is a different matter from what the purchaser has to do. The agent of the foreign owner for whose account the goods are sold in the United States is, therefore, in a position to know better what he will set down in his entry as the market value than the importer who purchases, whose invoice states what the goods cost. And the entrant of the goods obtained otherwise than by purchase is supposed to be better able than the importer of purchased goods to enter his goods at the real market value. But even he fails to get the correct value in many cases, and there is the same uncertainty as to what the value of the goods and the amount of duties will finally be.

So much as to goods that have foreign market values.

There is a large body of imports which have no foreign market value that is ascertainable by the appraising officers, or which have no selling price at all abroad. They are goods which are manufactured for shipment to the United States for further manufacture, such as essential oils made in France and sent over here as compounds to be used by agents in the manufacture of perfumery, simply by adding alcohol. What does the law say shall be done in such cases? That the appraising officers shall ascertain the cost of production abroad. Everyone knows that it is very difficult, well-nigh impossible, to get costs of production abroad.

Then, the act also says, "If you can not get costs of production abroad, take the selling price in the United States and work back by deduction of various items to a foreign market value."

Well, in many cases there is no selling price in the United States of the imported article, as, for example, in the case of indoxyl, the basis of indigo. So the only possible means of actually finding a value is to get the cost of production abroad, which in most, if not indeed substantially all, cases is impracticable of ascertainment.

You have heard already of objections to the present system, especially obtaining at the present time, such as the instability of exchange. Add to that the objections applicable at all times, such as the difficulties incident to reliance upon invoices, variance between foreign consumption values and export prices, and differences in cost of production in foreign countries, and you have reasons why the present system can not be called perfect.

Take one of those. I shall not dwell upon the others, but shall take just this one, and then go to another phase of the subject.

Take reliance upon invoices. Reliance upon invoices is something that can not be lost sight of in this matter by anyone who wishes to examine the question of the dutiable basis for goods subject to ad valorem duties in a way which will be most likely to enable the inquirer to reach a real conclusion. It is a simple matter to follow the invoice in reporting a value to the collector, and it is done in many, many cases, and it can be done at the pleasure of the appraising officers.

I am not saying that in disparagement of the men who do the appraisement, because they are men of ability, men who study values,

men who are well informed upon values, and men who work for the Government at salaries disproportionate to the character of the work which they do. With no intention of disparaging them I wish to repeat that with the invoice before him the appraising officer can return a value with very little delay and with very little mental effort and with no inquiry. I do not say he does it, because I know to the contrary that there are real appraisements and many real appraisements, and that there are real appraisements where the appraising officers can make them, but in cases under the present system where the appraising officers can not make real appraisements they naturally rely upon the invoices.

That leads to this point, that under the present system there is reliance upon foreign sources of value in determining the value upon which duties ad valorem shall be assessed.

What is it on the other side? What is to be gained, if anything, by a change to American valuation—that is, the wholesale selling price of goods in the United States?

It may be said, and probably will be said, to you that it means that all of the information, extensive though it be, already in the minds or possession of the appraising officers will be wasted. That does not follow, as we shall see later.

It is further said, or will be said, that the appraising officers will have to begin anew, even though they do not have to unlearn what they already know. They will have to begin anew in the sense that they will have to go out and ascertain the values in the United States. In answer to that it may be said that appraising officers now know many American values.

It may also be said that the appraising officers and the importers can not tell what goods produced in the United States are comparable and competitive with the imported articles. Perhaps the strongest point of all in that connection is that the importer will never know what value to set down in his entry. He has no invoice to guide him. What he paid for his goods will not help him. He must go out into the markets of the United States, figuratively speaking, and find out the best he can what the wholesale selling prices of the goods are after he decides, or guesses, if you please, as to what are comparable goods; and he must set down in his entry, at his peril, an amount which may be more or which may be less than the amount which the appraising officer will find to be the value for tariff purposes.

There is considerable truth in all that, for no one looking at this matter can say that you can substitute overnight such a new plan for a plan that has been in operation, with modifications from time to time, but not in principle, for a hundred years or so and expect it to be a complete and successful supercession at once.

This bill (H. R. 7456) takes that condition into consideration and contains a provision which will throw an added burden upon the appraising officers, but which will absolutely relieve the importer from any liability that is not incurred by fraud; and that is to be done in this way: Any importer can go to the appraiser and say, in effect, to him, "I do not know the value in the United States of these goods. Please advise me." This bill makes it the duty of the appraising officer to make an advisory appraisement which, if adopted and carried into the entry by the importer, will relieve the importer from all additional duties for undervaluation innocently made in error.

Mr. Chairman, we have in this bill a matter which should be considered independently of the merits of the main question, namely, whether or not American valuation is a better system of appraisement than foreign values. Why should not appraising officers help importers is the question. Why can we not have an immediate appraisement? Why can not an importer do by law under the American valuation system what he is doing in practice to-day—go to the appraiser and ascertain what the appraiser thinks is the value? Under the present law the importer takes the advice of the appraiser at his peril, for the appraiser, after having told the importer in good faith what he then knew or what he had reason to believe to be the market value, may find it necessary, when he actually appraises the goods in the performance of his duty, to raise the value, and the importer, who in good faith carried that advisory appraisement into his entry, may have to pay additional duties.

In this bill the Congress will say that when the entrant adopts the advisory appraisement in good faith he shall not have to pay additional duties in the event of there being an advance in the value upon reappraisement. If he commits fraud, he can be sent to the penitentiary or fined; but the innocent importer, the importer who is guiltless of fraud, can make his entry under this bill, if it should become a law, with perfect confidence that that is final in respect to additional duties.

He may have to pay increased duties; but, as I said in the beginning of my remarks, it is not the increased duties—by that I mean the regular duties as contradistinguished from additional duties for undervaluation—that frighten him and make him hesitate to sell his goods. It is the fear of penalties which may be incurred now and always have been possible under the system of ad valorem duties on foreign values.

Under this bill, whether or not the American valuation system be better as an appraisement basis than the foreign valuation of goods, the importer will know better than he now does what he will have to do and what he will have to pay in duties, and the important fact that he will know is that as long as he acts in good faith, adopts the advisory appraisement in good faith, with no intention to defraud the Government, with no suppression of material facts that the appraising officers ought to know—with nothing, in other words, that is fraudulent—he will know that the amount he sets down in his entry is final, so far as additional duties or penalties are concerned.

As to the comparability and competitiveness that we find in H. R. 7456, the purpose of this bill, as shown by its language, is to find a value for comparable and competitive products of the United States, if there are any, as the dutiable value, that is, the value upon which duties ad valorem are to be taken.

There may be and will be, undoubtedly, difficulties in determining what goods are comparable and competitive, especially to determine what goods are comparable. My own view is that, like the word "similar" which appears in our tariff laws and in other laws and which has repeatedly been interpreted in decisions by the United States courts and in decisions by State courts——

Senator SMOOT. Would you prefer to use the word "similar"?

Mr. McNABB. In the report of the Tariff Commission of last March entitled "Information Concerning American Valuation as the Basis of Assessing Duties Ad Valorem," the commission put down at the bottom of page 14 in the form of a footnote a number of proposed or alternative phrases. They are as follows:

"Of the same kind as the imported merchandise" or "of a kind comparable therewith in material, quality and use," or "made of similar materials, of similar quality, and of similar use," or "of the same or similar kind," or, following the last sentence of paragraph R of Section III of the tariff act of 1913, the present law, "such or similar merchandise comparable in value therewith."

It is a choice of terms. Any of them will probably have to have judicial interpretation.

Comparable and competitive were adopted as having some advantages over the word "similar." With the word "similar" you would also have identity or sameness. Goods may be comparable by being either of the same kind or by being of like or similar kind; and it was found that this phrase, "comparable and competitive," would answer the purpose in all probability better than any of the other terms.

But it is only a matter of phraseology, and a change can readily be made if it should be thought that some other expression would better suit the needs of this particular provision in the bill.

If you should use the word "similar," or the words "same and similar," or "such and similar," you will find that there have been a great many decisions upon the terms as used both in tariff and other laws.

If the Congress should see fit to adopt the American valuation it stands to reason that there must be judicial interpretation; and if 24 years' experience, upward of half of which was spent in active court work, briefing and arguing cases, some of which years were spent in helping in the framing of legislation, including the tariff act of 1909, will avail anything, I should venture the opinion that the Board of General Appraisers and the Court of Customs Appeals, and, if need be, the Supreme Court, can quickly let it be known for the guidance of the customs officers and the information of importers what those words, "comparable and competitive," mean, just as they have interpreted and do interpret other terms in the customs laws of the United States.

If the appraising officers shall find that there are no comparable and competitive products of the United States, they have a clear field without statutory restrictions for the determination of the value of the merchandise and for doing what has never been done in more than a hundred years of constitutional government. Under this bill, if it should become a law, they will appraise every importation into the United States. In other words, the appraising officers for the first time in our history will actually appraise; that is, find in every case a value for imported merchandise, and not do as they have frequently done under the present law—rely upon or follow the invoice value or price.

This bill says the appraising officers must by reasonable ways and means ascertain the value in the United States of comparable and competitive products sold in the open markets, and so on, and if such products can not be found or such value can not be ascertained to the satisfaction of the appraising officers, they must find the value for sale, whether or not there shall be an actual sale, for consumption

or use in the United States. They must, in other words, find a value; they must appraise every importation.

Instead of saying in the law that you must find value according to certain steps, such as first foreign market value, then the cost of production abroad, or what not, this bill says that in determining value for sale in the United States the appraiser may take into consideration all sources of value, including the selling price in the United States of goods that are not sold in wholesale quantities, or are not sold in the open markets; may take into consideration the cost of production in the United States; may take into consideration the foreign market value, if there be any, the cost of production, export price, or what not—all sources of value may be considered, to the end that the fair market value of the goods in the United States may be ascertained.

In the case of indoxyl, the manufacturer, by a simple process of manufacture, makes indigo out of indoxyl. The appraising officers can take the value of the indigo, after the indoxyl is made into indigo, and can work back to the value of the indoxyl.

Let us take a more familiar illustration—the essential oils used in making perfumery. Alcohol is added. The appraising officers can not find a market value for the essential oils or compounds, because they are not sold. They are made into perfumes for sale. The appraising officer can readily deduct the cost of labor and materials in making the perfumery, and in that way get at the value for sale in the United States; that is to say, the fair market value in the United States of the imported article.

And so it is with other things. Take the oriental rug that was spoken of this morning. The rug may be made by a family over in Persia. The parents and children may all work on it, and it may take them months or years using vegetable dyes to make a very valuable rug. There may be very few rugs in the world like it. It comes over here, and the appraising officers can determine value in a number of ways. The law does not say they must take the invoice price or the price paid, but the law says the invoice price may be taken. The appraiser may go out into the markets and find rugs, or a rug comparable with that rug, and may decide that the value of the comparable rug is the proper value. But he can always know the cost price. He can always find a value. He can always appraise.

So it is with every other kind of merchandise that can be imported. The appraiser would have to appraise and find a value that would represent the fair market value in the United States of those goods.

Senator SMOOT. Do you think you can conclude to-night?

Mr. MCNABB. I shall conclude now if the committee would like me to.

Senator SMOOT. It is now 5 o'clock.

Senator MCCUMBER. It is our regular adjourning time. If there are some other points that you care to present other than those you have already presented to the committee, Mr. McNabb, we can hold the matter open for you until to-morrow.

Mr. MCNABB. It may be that some members of the committee would like to ask me some questions. I am at the service of the committee in any way that you desire.

Senator MCCUMBER. Please be here in the morning, then, at 10.30 o'clock.

Mr. McNABB. Very well, Mr. Chairman.

Senator McCUMBER. The committee stands adjourned until 10.30 o'clock to-morrow morning.

(Whereupon, at 5 o'clock p. m., the committee adjourned until to-morrow, Tuesday, July 26, 1921, at 10.30 o'clock a. m.)

## Tuesday, July 26, 1921.

The committee met pursuant to adjournment in the committee room, Senate Office Building, at 10.30 o'clock a. m., Hon. Boies Penrose presiding.

Present: Senators Penrose (chairman), McCumber, Smoot, Dillingham, La Follette, Watson, McLean, and Gerry.

Present also: Hon. William S. Culbertson, member United States Tariff Commission, and John E. Walker, Esq., Chief of the Legislative Drafting Service of the Senate.

The CHAIRMAN. The committee will come to order.

Mr. Culbertson, a member of the Tariff Commission, is here.

Mr. Culbertson, you are aware of the fact that the committee heard very fully yesterday the views of certain individual members of the Tariff Commission, and, I assume, are rather fully informed as to the attitude of the commission individually. If you have anything in addition to state briefly, or if any member of the committee has any inquiry to address to you, this is a good opportunity.

Has any member of the committee any inquiry to address to Mr. Culbertson?

(No response.)

Then, Mr. Culbertson, will you proceed? It has been suggested to me as chairman that you might have something to say as to what your view is on the subject of valuation.

### STATEMENT OF HON. WILLIAM S. CULBERTSON, MEMBER UNITED STATES TARIFF COMMISSION.

Commissioner CULBERTSON. Mr. Chairman, as you say, the matter has been quite fully discussed by the other men who have appeared before the committee representing the commission, and I therefore will not take the time of the committee in a restatement of information before you.

The CHAIRMAN. Mr. Culbertson, before you go on, in order to identify in the notes your status, how long have you been a member of the commission?

Commissioner CULBERTSON. I was one of the original appointees, Mr. Chairman.

The CHAIRMAN. How many years?

Commissioner CULBERTSON. I was appointed in April, 1917, and reappointed by President Harding in March, 1921. I am a resident of Kansas, living at Emporia, Kans.

The CHAIRMAN. What had been your occupation prior to assuming these duties?

Commissioner CULBERTSON. I am a lawyer by profession, Mr. Chairman. I was connected with the old tariff board under the Taft administration and worked particularly in connection with the textile schedules.

In 1915 I was appointed counsel on the Federal Trade Commission and was connected with the legal branch of that organization. I had a good deal to do with the problems of unfair competition which they were at that time working out. In 1917 I was appointed by the President to the Tariff Commission and have served on that commission ever since.

The CHAIRMAN. Will you proceed, please?

Senator LA FOLLETTE. You are the author of some works economic in character?

Commissioner CULBERTSON. Yes, Senator.

Senator LA FOLLETTE. State what books you have published.

Commissioner CULBERTSON. I published a book on the Economic Views of Alexander Hamilton, particularly studying his protective principles and analyzing his report on manufactures. That book was published by the Yale Press.

I have also published a book on Commercial Policy in Wartime and After, a book in which I have discussed the broader economic and political factors connected with our national life.

The CHAIRMAN. We only want to note this. We know that you are a man of experience and learning. Will you go on in your own way?

Commissioner CULBERTSON. The proposal to levy ad valorem duties on the American or home valuation has become important at the present time because of the very disturbed economic conditions in foreign countries, and I feel, personally, that it will tend to help meet the very unusual conditions which you are confronted with to-day.

It, however, should be said that it is not a panacea. It will not meet all the difficulties with which you are confronted on this question of tariff legislation. The object, I assume, in any tariff legislation is the equalizing of conditions of competition between the United States and foreign countries. Even under normal conditions that was a difficult thing to arrive at. Costs are difficult to find, both in the United States and particularly in foreign countries. That was difficult when all of these foreign countries were on a gold basis, when the unit of value was definite. Now, when these countries have gone onto a depreciated currency basis, when the Governments have resorted to all sorts of subsidies and restrictions on commerce and have interfered with the courses of trade to a very great extent, of course, the difficulty of determining the actual value outlay which a foreign manufacturer makes in producing a product is unusually great.

The unpegging of the exchanges, as it was called, in March, 1919, and the removal of the gold embargo in the United States added, of course, to the complications. The exchanges of these foreign countries went down precipitately, and this situation with which you are confronted to-day came upon us.

The question of prices abroad should be considered from two standpoints. There are certain stable commodities, such as copper and cotton and wool, which have a world price level, and they have more or less adjusted themselves to depreciation in the exchanges; that is, the gold basis price, as we have it in the United States, is reflected in a very much higher price in foreign countries where the currencies are greatly depreciated.

But the difficulty in competition does not come in that field. In fact, the duties, where there are duties on articles of that kind, are usually on a specific basis. The difficulty comes in certain of the smaller items. I have in mind articles like toys and cutlery and pottery and certain chemicals. The exchange value of foreign currencies we have, of course, in the reports each day from the Federal Reserve Board. They show a very low value for these foreign currencies. The mark is valued at about one and one-third cents, but the exchange value of these foreign currencies is a very different thing from what is known as the purchasing power parity of these foreign currencies. In other words, many of these currencies have a much higher value for the purpose of the payment of wages and the purchase of goods within these foreign countries than they have in the exchange quotations.

A mark, for example, in certain cases in Germany may have a value of 4, 5, or 6 cents for the purpose of the payment of wages or the purchase of goods within that country, and of course that has a very distinct effect upon international competition.

Senator WATSON. You mean by that that the mark is valued at a cent and a third only for export purposes, and that it has a higher valuation for domestic purposes, such as the payment of wages, etc.?

Commissioner CULBERTSON. It is not a deliberate attempt on the part of the German Government to fix it in that way, Senator, but government subsidies, government regulations and restrictions and the force of custom which still leads the mind of the German people to go back to the original value of the mark—all that has tended to hold up the value of the mark for internal purposes within that country.

Senator SMOOT. And there are certain commodities the prices of which are fixed by Germany?

Commissioner CULBERTSON. Yes, Senator.

Senator SMOOT. And that, too, gives the mark a greater value in Germany than the value of gold outside?

Commissioner CULBERTSON. Yes, sir.

Senator LA FOLLETTE. How does the fixing of the price of a commodity tend to hold up the value or increase the value of the mark in local circulation? Explain that, will you?

Commissioner CULBERTSON. It is not in the fixing of the price so much, Senator. Rents are fixed by the Government in Germany and are maintained at a very low level. Of course, that reduces the cost. Certain subsidies are given for railroad maintenance which help to maintain much lower transportation rates than would otherwise be possible. That tends in certain fields to maintain this higher level of value for the mark.

Senator SMOOT. And adds to the purchasing power of it.

Commissioner CULBERTSON. Yes.

Senator LA FOLLETTE. It has the same purchasing power in all transactions in Germany, has it not?

Commissioner CULBERTSON. Yes; but it does not have the same purchasing power for international exchange.

Senator LA FOLLETTE. Oh, I understand that.

Commissioner CULBERTSON. It does not have the same purchasing power for international exchange as for internal purchasing in Germany.

Senator LA FOLLETTE. Where is this information obtained which you are now giving us?

Commissioner CULBERTSON. It has been worked out by the commission's staff.

Senator LA FOLLETTE. From what sources did you obtain it?

Commissioner CULBERTSON. By studying the index numbers, so far as determining the purchasing power parity is concerned.

Senator LA FOLLETTE. To put my question in another way, has the Tariff Commission had any reports from its employees or agents abroad on this subject?

Commissioner CULBERTSON. Two of our men have just returned from Germany, Mr. Ernster and Mr. Weber.

Senator LA FOLLETTE. How recently?

Commissioner CULBERTSON. Mr. Ernster returned day before yesterday.

Senator LA FOLLETTE. Have they made a report as to the results of their investigation over there?

Commissioner CULBERTSON. Mr. Weber brought back a large quantity of very valuable wage data, and it is being compiled now and analyzed, just as I have indicated here, showing the actual purchasing value of the wages in marks. Of course, it is not very significant to say that a man gets 50 marks a day in Germany unless you know how much those 50 marks buy in actual consumable goods.

Senator LA FOLLETTE. Exactly; what the bread and butter value of the mark is.

Commissioner CULBERTSON. We are trying to determine that from those index numbers.

Senator LA FOLLETTE. How soon will those reports be accessible?

Commissioner CULBERTSON. The material is accessible to the committee immediately, Senator. In published form I should say it would be probably a month. I think the expert in charge of that field said the other day that he thought by the first week in August he would be able to submit the tables to the commission.

Senator LA FOLLETTE. Excuse me for diverting you from your remarks.

Senator WATSON. There has been no effort made by the German Government in that regard——

Commissioner CULBERTSON. I do not think there has been any effort except that I am advised that it is to the interest of the German Government to keep the mark on a low level.

Senator WATSON. Yes; there is no doubt about that. But things are not so chaotic in Germany that wages are paid in a mark of one value in one industry and of another value in another industry?

Commissioner CULBERTSON. No, Senator.

Senator WATSON. I suppose for wage purposes the mark is worth the same all over Germany in all the different industries. Would you not think so?

Commissioner CULBERTSON. Yes; that is correct. That situation places Germany at a disadvantage when she comes to buying raw materials in the United States or in other countries where the value level is higher. When she comes to purchase things like cotton and copper she is at a disadvantage in those industries in competing with industries in the United States; that is, by that much.

Senator SMOOT. But it is offset partially by the fact that when she exports goods to America, we will say, she gets her gold for the amount that she charges for her goods; and while that is a basis of 1¼ cents, that 1¼ cents will pay her employees equal to 4.65 per cent as reported by the greatest statistician in Germany.

Commissioner CULBERTSON. Of course, it will be a great advantage to her if she can purchase those raw materials in countries where the currency is more depreciated than it is in Germany.

Senator SMOOT. Certainly.

Commissioner CULBERTSON. So if she turns to Russia, for example, to purchase her raw materials, and purchases her raw materials there on the depreciated basis of the ruble, and then sells her goods in the American market, she of course makes a double gain.

It is in the smaller industries, however, where I think Germany will have a very decided advantage because of this exchange situation. Industries, like the toy industry—and I only use that as an example of quite a number of others—where she puts a good deal of labor into the fabrication of the goods and where the raw material is a relatively small item—in those cases she is bound to have for many years a very decided advantage arising from this peculiar condition with which we are confronted.

Senator DILLINGHAM. When you were interrupted you were going to give us some illustrations of the proposition you have advanced.

Commissioner CULBERTSON. I think those are a little further along in my notes, Senator.

As I said before, the American valuation is one of the means by which the bill seeks to meet this peculiar and unprecedented situation with which we are confronted, and, as I say, I believe it will assist very materially in meeting it, but it will not act as a panacea for this entire situation.

You have heard the administrative difficulties of American valuation discussed. They are real, but they are not insuperable. I think that a practical administration of it can be ultimately worked out.

For example, if for generations we had had in this country the American valuation and we were now about to change to the foreign valuation of our goods, I believe that more objections could be raised against the change from domestic to foreign valuation than can be raised against a change from foreign to domestic valuation.

Senator GERRY. You say it can be worked out. How long do you think it will take?

Commissioner CULBERTSON. I understand that the appraisers in New York are now working out the details of it. That, of course, is a highly technical matter, and no doubt the machinery will work with some friction for a while; but I should say that within a couple of months the customs officials would be ready to administer a law of this kind.

Senator GERRY. Do you think it would run smoothly as soon as that?

Commissioner CULBERTSON. It would not run as smoothly, of course, as the present system, because the present system has back of it years of decisions and traditions and experience and practice, and it would be some time before it would be functioning smoothly.

Senator GERRY. Necessarily would there not be very many appeals from the appraisers to the board?

Commissioner CULBERTSON. There are a great many to-day, Senator. I have no doubt that there would have to be a number of basic decisions by the Board of General Appraisers and the Court of Customs Appeals interpreting these phrases, like "comparable" and "competitive." That would be inevitable.

Senator GERRY. And comparing certain of the commodities with others, I suppose? That would have to be determined?

Commissioner CULBERTSON. Yes, Senator.

Senator GERRY. To determine what commodities are comparable with other commodities?

Commissioner CULBERTSON. Yes, sir. That is the very basic problem in American valuation, the question of comparability and what competes with another product.

Senator GERRY. And naturally that would take time, because it would have to wait until it went up on appeal, and there would be a number of those cases going up on appeal, would there not?

Commissioner CULBERTSON. The plan, of course, and the most effective way of putting through a law of this kind, would be to put a good deal of power into the hands of your appraiser and let him determine the question of comparability without a long series of appeals.

Senator LA FOLLETTE. You would make his decision final?

Senator GERRY. You might get appraisers disagreeing in different sections of the country, might you not?

Commissioner CULBERTSON. You might have that.

As to the question that you asked, Senator La Follette, it would be highly arbitrary and contrary to American tradition to have unappealable decisions, but I do not think it is unconstitutional. I think that is a phase of this law that ought to be considered.

Mr. McNabb, our customs lawyer, has given that matter a good deal of attention. Perhaps you would like to ask him some questions a little later on that particular phase.

Senator GERRY. You advocate no appeal from any of the appraisers?

Commissioner CULBERTSON. I should rather not be put in the position of advocating anything. I think it is a question which would have to be considered by the committee. I think it is constitutional, however, to make it that way.

The difficulty of administration and the revolutionary character of American valuation are illustrated by a number of things. It has been generally assumed that American valuation would establish a higher level of value than exists abroad In fact, in figuring out the duties I am advised the Ways and Means Committee figured what would be a fair duty on a foreign valuation and then reduced that by a certain amount. In general that is a correct assumption. There are cases, however, where the foreign value is as high as or even higher than the American goods. I mention this to suggest the care with which you must proceed in fixing ad valorem duties on the American valuation.

Let me just give one or two examples, and I will draw them from the field of cotton textiles, because that is a very important industry in this country and one which is vitally concerned in this legislation.

The invoice price of Anderson ginghams—they are ginghams produced abroad—has been higher than the wholesale price of the nearest domestic ginghams. The domestic gingham is not exactly the same fabric, but it might be considered as comparable with, and it certainly competes with, the Anderson ginghams.

That illustrates, of course, the power which you place in the hands of your appraising officer in determining what is comparable and what competes with American goods.

Senator WATSON. Where are Anderson ginghams made?

Commissioner CULBERTSON. In Scotland, Senator, I believe.

Another case is that of ply voiles. These voiles are imported into this country and compete with the American product. The foreign product might be considered to be comparable with and competing with certain voiles made by our industries here.

Senator LA FOLLETTE. Are the foreign ply voiles higher in cost price than ours?

Commissioner CULBERTSON. Yes, sir; the invoice value of them when sent to the United States would be higher than the price of the comparable American product.

Another case is transparent organdies. They are higher than the comparable and competitive organdies produced in the United States. It is largely because of certain quality, certain reputation, certain finish which it is perhaps rather difficult to define. It might be exactly the same structure, the same weave, the same size yarns, but still there is a certain feature about these organdies which cause their invoice price to be higher than the comparable and competitive product in the United States.

Senator WATSON. Are they higher because the cost of production is greater abroad than here? Are higher wages paid over there in that sort of industry than are paid here?

Commissioner CULBERTSON. I think it is more because of the reputation of the article, the basis on which it sells in the American market.

Senator MCCUMBER. Do they have really better wearing qualities or dye qualities?

Commissioner CULBERTSON. It is perhaps more the appeal of the trade here, the desire of the trade to get that particular quality of fabric, that particular style——

Senator SMOOT. You have mentioned in your last word the important thing—style.

Commissioner CULBERTSON. Most of our Venetians—coat linings, you know—came from England before the war. The industry developed tremendously in the United States during the war, and we have now a very important Venetian industry.

Foreign Venetians are desired largely because of their silk-like finish. They have the same structure, the same weave, the same general characteristics, but because of their silk-like finish they are imported at a somewhat higher price, frequently, than the comparable and competitive American fabric.

I might continue these illustrations at length, but it is brought to your attention simply as a warning that in fixing duties you can not always assume that the American price is higher than the foreign price.

Senator LA FOLLETTE. How would you meet a situation of that sort?

Commissioner CULBERTSON. You will have to adjust your ad valorem duties, of course, to meet a situation of that kind.

Senator LA FOLLETTE. That is, you would have to have a complete list of all of the articles produced at a higher value in this country and meet that by special provisions? Is that it?

Commissioner CULBERTSON. You may recall the hundred samples of the old Tariff Board which you used in 1913 so effectively in the Senate debates?

Senator LA FOLLETTE. I do.

Commissioner CULBERTSON. We are taking samples similar to those and are endeavoring to work out comparable prices. We have men in New York, now, who are working on the general problem of the comparison between foreign and domestic values in order that this committee may have that detailed information upon which to base its decisions in cases of this kind.

In conclusion, Mr. Chairman, I would like to say this about legislation on American valuation. I hope that in considering American valuation it will be considered in connection with the whole tariff structure. It is a revolutionary step. It is probably a desirable step in view of the unsettled and very critical conditions with which we are confronted to-day; but I feel that in constructing any tariff law that as many of the rates as possible should be put on a specific basis. You should have as many rates as possible on a specific basis and go as far in that direction as you possibly can.

The CHAIRMAN. That is generally admitted.

Commissioner CULBERTSON. Yes. But there is also this corollary which must be kept in mind, and that is that when you do have specific rates you must be very careful about your classification, because the tendency is for these specific rates to bear very heavily upon the cheaper fabrics. You have to watch your classification problem all along the line for that reason.

I think if you do adopt American valuation, or even if you adopt foreign valuation finally, you should give very serious consideration to the question of proclaimed or fixed valuations. I mean by that to consider whether it would not be advisable to authorize some commission or some bureau to select certain fields within which values would be fixed and proclaimed for a certain period. You may select, for example, the field of chinaware, and within that field fix for a certain period of time the values upon which the ad valorem duties should be levied. We find proclaimed values or fixed official values in a number of other countries to-day. They are quite common in Latin American tariffs. They are worked out in the tariff of India. You get with the fixed or official valuation the combined advantages of the ad valorem duty and the specific duty, because during the period of the fixed value—say it were six months—the ad valorem duty is simply assessed upon a value fixed from the best knowledge which was available on that character of goods, and it operates, of course, as a specific duty. You do not have to pass on each invoice. You do not have the question of the valuation of the individual shipments, but you have the best judgment of an official body as to what the value level of that product is, and in that way you get the benefit of a specific duty and also the advantage which comes from the adjustment of values and of the application of the ad valorem duties.

Senator WATSON. You think it would work no economic injury to have fixed values even under the present chaotic conditions throughout the world, fixing it for six months or nine months?

Commissioner CULBERTSON. I think it places us in the hands of a body that would take care of sudden fluctuations in value and take care of them in a much effective way than could be done either by specific duties or by simply leaving it open for each shipment to be valued by itself.

Senator SMOOT. That would only apply, however, to a limited line of goods.

Commissioner CULBERTSON. Just to a limited line. You would have selected cases here and there. The commission mentioned that in its report on American valuation.

But in connection with American values I think you will also need to consider the question of countervailing duties. You have to-day, in the act that has come to you from the House, the old provision relating to countervailing duties to be assessed in the case of bounties and subsidies fixed by foreign Governments.

Senator WATSON. What is the page?

Commissioner CULBERTSON. Page 212 of the Senate print of the bill. That provides for countervailing duties to be assessed on any product which has benefited by a bounty or grant upon the exportation or production of any article abroad. That came into prominence at the time of the sugar bounties, out of which grew the famous Brussels sugar convention.

May I suggest that you consider the advisability of extending a provision of that kind to cover these governmental subsidies and other indirect and direct means by which Governments abroad are assisting industry and thereby placing their industries in a very favorable position to compete with American industries.

That leads me also to suggest that the antidumping statute be considered very carefully in connection with this whole scheme. In my judgment, the administration of an antidumping statute should be in the hands of a commission or bureau. I feel that the administration of an antidumping statute is not the function of the Treasury Department. Their task is largely a question of the administration of the law, the collecting of duties, while dumping raises an industrial problem.

The question is, What effect is competition having upon American industry? It is like the problem that you have placed in the hands of the Federal Trade Commission, the question of unfair competition. You have placed it in the hands of that commission in the case of domestic commerce. I think you ought to place it in the hands of a commission to handle cases of unfair competition in the importation of goods. Do not limit your definition of dumping, as you have already limited it in the law, to merely underselling, but give this commission or bureau full power to consider cases of unfair competition in importation.

The CHAIRMAN. Do you recommend to this committee that it should create a machinery that would follow the example of the Federal Trade Commission?

Commissioner CULBERTSON. So far as it is handling cases of unfair competition, Mr. Chairman.

The CHAIRMAN. I thought that had become a nightmare of the past in the early days.

Senator LA FOLLETTE. It has to the people who are unfairly competing.

The CHAIRMAN. They are extinguished.

Senator LA FOLLETTE. No; they are not extinguished, but they have a remembrance of the fact that they have been investigated by this commission.

Commissioner CULBERTSON. These unfair cases of competition abroad are illustrated by full line forcing, a very dangerous kind of unfair competition in the dye industry, for example; and if some administrative body had the power to recommend, upon complaint to the President, that this unfair practice is going on in the importation of goods, and that your law would then authorize the President to impose certain additional duties, or even prohibition, upon the importation of that character of goods, so long as that unfair practice continues, you would have an effective means, it seems to me, of meeting some of these very abnormal and unusual forms of unfair competition with which American industry is bound to be confronted during the next few years.

Senator SMOOT. It is a very much better plan than to try to impose embargoes upon certain lines of goods.

Commissioner CULBERTSON. Yes; I think if you would just reverse the situation, let your goods come in and stop them when unfairness appears, rather than stop everything and only allow exceptions to that general embargo, you will apply the American principle more effectively than in any other way.

Senator MCCUMBER. If you should include in the law itself a provision to raise the tariff to equal any bonus paid by foreign governments or advantage given to governmental agencies, would not that meet the situation without creating a board or a bureau that was to determine what constituted an unfair practice or unfair trade relation? Some concerns might consider that anything that competed with their product was unfair.

Commissioner CULBERTSON. That would be a case where the penalty is probably not to be applied. A case of merely severe competition would not necessarily be a case coming under the law. I think the present dumping law, as far as it goes, is effective.

Senator MCCUMBER. Do you not think it is sufficient, so far as it goes?

Commissioner CULBERTSON. Yes; it does not——

Senator MCCUMBER. Is there anything now that it would not cover?

Commissioner CULBERTSON. I do not think it would cover full-line forcing. An American textile manufacturer, let us say, wants a particular dye. This particular dye is produced only in Germany. He goes to this German manufacturer and asks him to sell him a certain quantity of that dye. The German has a monopoly of it. This German manufacturer says, "I will sell you that dye if you will buy the rest of my line." The rest of his line is produced in America. The American textile manufacturer wants to buy it in the United States, but in order to get this absolutely essential dye he must buy the full line of German dyes; he must make a contract with this German manufacturer to buy his full line of dyes. That has been considered an unfair practice in domestic commerce.

Senator MCCUMBER. Specifically, how would you meet it? How would this bureau of which you speak meet that situation?

Commissioner CULBERTSON. The most effective way would be to prohibit that foreign manufacturer from exporting into the United States at all until that practice ceased.

Senator LA FOLLETTE. But, alternatively, you propose that upon these facts being developed by investigation there should be lodged somewhere authority to increase the duty as a penalty against that practice?

Commissioner CULBERTSON. Yes; I think you must have lodged somewhere the power of investigation. You must give the injured American manufacturer some place to complain, some place to make his case. You must give some chance of hearing in a case of this kind.

Senator LA FOLLETTE. On both sides?

Commissioner CULBERTSON. On both sides.

Senator MCLEAN. There is nothing in the machinery of this law as passed by the House that provides for that?

Commissioner CULBERTSON. Nothing whatever, Senator.

Senator LA FOLLETTE. You spoke, Mr. Culbertson, of this plan of valuation embodied in this bill as being revolutionary and an experiment at best, as I understood you. You regard it as defensible because of the conditions existing in Europe?

Commissioner CULBERTSON. I think it is worth trying, Senator.

Senator LA FOLLETTE. Do you care to express an opinion as to the soundness of the scheme and the practical success of its operation?

Commissioner CULBERTSON. We have nothing to guide us in that field. No foreign countries have adopted a measure similar to this. In a number of countries they assess duties on what they call a landed value; that is, the c. i. f. value at the port of importation. But in this law you go to the extent of assessing the values on the basis of goods in the principal markets of the United States.

Senator LA FOLLETTE. And on goods that are as nearly comparable as possible?

Commissioner CULBERTSON. Yes, and competitive.

Senator LA FOLLETTE. There you have a wide field and almost unlimited opportunity for differences of judgment.

Commissioner CULBERTSON. When you do not have comparable and competitive goods you have a very much larger problem. Of course, the present system, Senator, has been very much idealized. The present system is largely an accepting of the foreign invoice values which are presented to the appraiser.

Senator LA FOLLETTE. Would it not be a simpler problem to set up some means of ascertaining the true value of the imported article on the other side and maintaining there some official machinery which could administer that?

Commissioner CULBERTSON. I am a believer in the principle of proclaiming the official valuation within certain fields. If you put as many specific duties on as you can and then select another field for proclaimed and official values, you would have the field fairly well covered. The official valuation could be fixed either on the domestic value or on the foreign value. Of course, some organization, commission, or bureau would have to have charge of fixing those official valuations. They could maintain some machinery, some experts who would go abroad and determine what the actual value of those goods were in foreign markets and then proclaim those values for a period of time. That would be entirely practicable.

Senator WATSON. For the first 10 years of our history we followed the principle of domestic valuation. Was there anything in the precedent that would be of any value at all in the present case?

Commissioner CULBERTSON. What has been referred to as domestic valuations is our early history is not the same thing that you have in this bill.

Senator WATSON. Not quite, and yet the principle is very largely the same, is it not?

Commissioner CULBERTSON. I think the administration of it might involve much the same problem, although in most of our earlier procedure I think I am correct in saying that the invoice was the basis of valuation. In this bill you get away from the foreign invoice entirely as the basis of fixing values. The experience in our early history was not long enough, I should think, to warrant conclusions.

Senator SMOOT. No; and conditions were entirely different, too.

Senator MCCUMBER. Mr. Culbertson, have you considered the question of danger of combination of American manufacturers in holding up their prices at a high rate in order to obtain a high tariff or by combination increasing the selling price of their products to enhance the amount of tariff?

Commissioner CULBERTSON. I have thought of that as a possibility. I do not see any very great danger in it now. The woolgrowers have complained that since their only market is the domestic manufacturer, the fixing of that maximum 35 per cent duty in this bill would put them more or less at the mercy of the domestic manufacturer. I express no opinion upon that; I simply pass it on as another case of what I believe you have in mind.

Senator MCCUMBER. Of course, we all admit that we are not in a normal condition; that prices of all kinds are abnormally high. In adopting this new system can you see no dangers of maintaining a standard of cost so high that the average earning capacity of the American people will not enable them to purchase the products?

Commissioner CULBERTSON. I can see that the change of the basis of assessing ad valorem duties would affect the operation of the forces which are determining the questions of price.

Senator MCLEAN. The foreign competition will prevent pyramiding here, will it not?

Commissioner CULBERTSON. Yes; I think it will.

Senator WATSON. Except as to the jobber and the retailer.

Senator MCLEAN. You can not very well get at them.

Senator MCCUMBER. Then, on the whole, Mr. Culbertson, you think there is no danger in either of those lines?

Commissioner CULBERTSON. I do not believe there is, Senator.

Senator SMOOT. Mr. Culbertson, let me ask you if you have thought of any other plan that would better meet the conditions existing in foreign lands as affecting the exchange values than this American plan? Can you suggest to the committee any plan that would reach the situation as well or as nearly so as the proposition of the American valuation?

Commissioner CULBERTSON. In so far as duties are to be assessed on the ad valorem basis, I do not know of any better plan. One real reason is that the gold basis in foreign currencies is gone. The usual measures of values are uncertain and fluctuating, and I do feel that this is in part a mode of escape.

Senator SMOOT. And no ad valorem duty that we would place upon the importation of goods into the United States coming from Germany, where she is to be paid in a gold market at $1\frac{3}{16}$ cents, and when she receives that pay she can purchase labor to make the very goods that are imported into this country at least three times the amount, would meet that situation, would it?

Commissioner CULBERTSON. It is very difficult, Senator; and remember that even a duty levied upon the American valuation only helps correct the difficulty.

The CHAIRMAN. Are you through, Mr. Culbertson?

Commissioner CULBERTSON. I am, Mr. Chairman.

The CHAIRMAN. Has the committee any desire to interrogate the witness any further?

Senator LA FOLLETTE. Suppose we should want to recall any of the witnesses?

The CHAIRMAN. You can recall any of them. I have no doubt that they will be glad to return at any time.

Mr. Charles E. McNabb, representing in a legal capacity the activities of the Tariff Commission, now desires to finish the statement which he began yesterday.

### STATEMENT OF CHARLES E. McNABB, LAW OFFICER, UNITED STATES TARIFF COMMISSION—Resumed.

Mr. McNABB. Mr. Chairman, at the close of yesterday's hearing Senator McLean inquired about the possibility of a duty upon duties. That is not a menace at all.

Senator WATSON. The possibility of what?

Mr. McNABB. A duty upon duties.

Senator SMOOT. I will say to the Senator from Indiana that that question was raised by the Senator from North Carolina, Mr. Simmons, claiming that under the American plan it would result in paying a duty upon duties.

Mr. McNABB. In the first place, the appraising officers will fix values upon comparable and competitive domestic products if there are any sold in the open markets. Those products do not carry duties. Consequently, any duties paid upon imported merchandise on the value of domestic products would necessarily not be the payment of duty upon duties.

To be sure in instances where the foreign selling price of an imported article is substantially equal to the American selling price of a competing article, the imported article could not, without loss, be sold for less than the foreign selling price plus the duty, and expenses, and in such event the American selling price might be raised to the same level, so that on a subsequent importation, duty would in effect be laid on the prior American selling price plus expenses and the former duty paid. This rule would not hold with respect to articles of lower foreign selling price than the price of competing American articles.

Senator WALSH. Would it not be possible for producers to get into collusion and fix values?

Mr. McNABB. I am coming to that in a moment, Senator Walsh. That is a matter which I wish to take up immediately after this.

In the instances supposed, however, duties upon duties would not be imposed, according to the terms of section 402, at page 233 of H. R. 7456,

whenever in the judgment of the appraising officers the inclusion of duties in the appraised value would not make a fair market value which is required by the terms of this bill to be the appraised value. For instance, if the price paid abroad for the imported merchandise with duties added, with profits in the United States added, and with expenses of sale added, would amount to more than the fair market value of such merchandise in the United States, the appraising officers are expressly given the power not to include, but to exclude, the duties. If, on the other hand, the goods are bought at a price abroad which with duties and profits and commission, if any, and expenses of sale added would still make the value less than the fair market value in the United States, the appraising officers have authority to include the duties.

In any event, if duties were always included it would not be such a pyramiding as I understood Senator Simmons yesterday to have in mind, because the selling price abroad would in all probability tend to remain stable. It would not increase with each importation. The tendency would hardly be toward any considerable increase in American values—certainly not in cases of great difference between foreign and American prices. Thus a duty of 10 per cent on $1 would not advance the dutiable value when the selling price abroad remained at, say, the equivalent of 50 cents. So that on the whole the duties would affect the value in the United States in a relatively small way. It all would be largely governed by competition.

Now, as to the matter that Senator McCumber and Senator Walsh and other Senators spoke of yesterday. The matter of manipulating prices, of domestic manufacturers getting together and raising prices, or, if you please, of importers getting together and lowering prices, is covered by the terms of section 402, at page 232 of H. R. 7456.

Senator WALSH. Will you read that into the record, please?

Mr. MCNABB. I am reading from line 9, page 233:

> No pretended sale or offer for sale, and no sale or offer for sale tending to establish a fictitious market, shall be held to establish value as herein defined; nor shall a value substantially raised or lowered at the time of exportation otherwise than in the ordinary course of trade be deemed to be such value.

Senator MCCUMBER. That would cover the case of a combination to raise prices after the goods had been exported. But suppose independent of the matter of the date of exportation a few of our American monopolies would get together and fix the price of their product at a very much higher rate. How is that covered in that section?

Mr. MCNABB. Senator, it is the date of exportation that will govern. Anything done subsequent to the date of exportation would be outside of this provision.

Senator MCCUMBER. Well, suppose it was subsequent to this exportation, then, and still other exportations would come into this country. What have you there to meet a case of combination to fix prices? It will not affect anything that is already shipped, according to that section which you have just read, but how about the things that come in afterwards?

Senator MCLEAN. If the tariff were not imposed the exported would have an immediate advantage if a combination here raised

prices, and they could not be raised unless they imposed the tariff at the same time.

Senator McCUMBER. Suppose they did this: Suppose they raised the price in this country and thereby imposed a higher duty and the foreigner would still raise his prices a little so as to just be able to sell in this country. How are we protected against that double combination? As stated by one of the witnesses yesterday, it is quite a common practice for the exporters from a foreign country to the United States to raise their prices to just such an extent that they can enter the field in competition with the American price, even though they make enormous profits by doing so; and there is one of the dangers, I think, that a great many feel is the real danger.

Mr. McNABB. And that is done under the present system of appraising, Senator McCumber.

Senator McCUMBER. Certainly.

Mr. McNABB. There are ways to meet that, assuming that it would be done at such time and in such way as would not bring the merchandise within the provisions that I have just read. There are ways within the bill, and without the bill, for meeting such difficulties. One possible way, if the Congress saw fit to do it, would be to give the appraising officers the power to ascertain the value as of the time of the contract of purchase of the goods, which might antedate the exportation and the subsequent importation by months or even a year or more. Some thought was given to that, and it was put in a report submitted by the Tariff Commission to the Committee on Ways and Means. The date of purchase of the goods is not known generally. The American importer and the foreign exporter know the date of the contract, which might be a continuing one running for a term of years. The American producers, on the one hand, and the American importers, other than the one who is a party to the contract, would know nothing of this particular order for the goods. But one objection to that is the uncertainty of the date of the contract. It seems to me that there would be few cases which would not be met by one of these provisions, and if there were such cases that could not be met by competition of commerce, then it seems to me that a broad power, perhaps such as indicated by Mr. Culbertson, might be invoked.

Senator McCUMBER. Don't you think, Mr. McNabb, that the law or rule or provision will work just as freely in this country if we adopt the American valuation plan as it has worked in the past when we adopted the foreign selling price?

Mr. McNABB. I think, Senator McCumber, it will work more freely, and one reason is this, that the American producers must make known their selling prices; those selling prices will have to be ascertained by the appraising officers.

Senator WALSH. Would not that very fact tend to collusion—the fact that they have to make that known?

Mr. McNABB. Well, it must be collusion of such nature as will not bring them within this provision and within the provisions of existing law, such as the Federal Trade Commission act, because the domestic manufacturers, the domestic producers, are amenable to the law on the statute books, and foreigners are not, so that, Senator Walsh, if that were done to-day under existing law in unfair competition the Federal Trade Commission would have jurisdiction.

Senator WALSH. If they could prove it.

Mr. McNABB. Yes; if they could prove it. Of course, it would have to be a matter of proof, and it could be proved, it seems to me. It could be proved, whether or not the basis of duties ad valorem shall be changed, because it is all within the borders of the United States, and consequently within the jurisdiction of the Federal Trade Commission.

But, coming back to Senator McCumber's question, the American prices will be known. The wholesale selling prices will be available and the books will be open, because the appraising officers are given power not only to seek foreign values but to seek the source of values in the United States, including the cost of production. The books of every American producer must be opened at the call of the appraising officers of the United States if this bill goes through.

Senator WALSH. That is interference on the part of the Government.

Senator LA FOLLETTE. That is more business than Government.

Mr. McNABB. They are open to the Federal Trade Commission to-day. It is only a matter of giving the appraising officers information for the purposes of the tariff. It is rather a limited jurisdiction because their inquiries would relate only to trade prices for duties ad valorem.

Senator WALSH. Of course, they ought to be given such information in order to collect tax data.

Mr. McNABB. Does that answer your question, Senator McCumber?

Senator McCUMBER. I think so.

Mr. McNABB. I am not taking the committee's time to go into various aspects of these matters. I am trying to confine myself to one answer to each question because I know the committee is in a hurry to proceed.

Now, another matter which was developed in a sense, but not developed in another sense, on yesterday, is the matter of expedition in getting imported goods under the American valuation plan.

We saw on yesterday that the importer may go to the appraiser and have an advisory appraisement made. That can be quickly done. Provision is made for appraisement upon verified samples in advance of the actual arrival of the goods. If the verified samples are not available, then as soon as the goods arrive this advisory appraisement provision will apply; until the advisory appraisement shall be made there would be no entry of the goods.

Under the present law and practice, the first thing the importer does is to rush the entry into the customhouse and to proceed, as well as he can, to expedite the examination and appraisement of the goods and the collecting of the duties.

But under this plan he would be told by officers of the Treasury Department, by Government officers, what those officers deemed to be the value in the United States, and those values would be expressed in money of the United States.

I wish to stress this. Under the present law and practice the appraising officer returns the value, the foreign market value, in the currency of the foreign country, or the currency that is actually paid for the goods if it should happen not to be the currency of the country of exportation. His return is always made in the foreign money. At this time the importer will not be certain of the amount. In any event he must rely upon his own calculations or such figures as he

may get. He can not be certain of what the value expressed in money of the United States will be until the matter has passed from the appraiser to the collector and the collector has converted the foreign currency into currency of the United States.

There will be no delay of that kind under H. R. 7456. It may be said that it is inconsequential because the importer is in a position to know what the conversion value of the currency is, but there is some delay which would not attach under the American valuation system that would require everybody, including the appraising officers, to express the value in money of the United States.

Another thing that would occur is this: In the appraisement there would be a value fixed upon the goods which would stand in the nature of a proclaimed or official valuation without the great defect of the ordinary conception of the official or proclaimed value. This value would stand until the appraising officers changed it. It might stand for weeks or months, according to the state of the market.

It would have this advantage, which the existing system does not have: The importer would have the American right to a day in court upon his particular importation. It stands to reason that no American will ever be satisfied with a statement that duties ad valorem have been taken on his particular importation, the only one in which he is interested, on a value which is higher than that at the time of the exportation of his goods, because the law says the value during the entire period—three months or whatever term may be fixed in the law—is the official value for all duties on that particular kind of goods.

There is another point to be considered. Under the American system, as under the present practice, there would be uniformity of values throughout the United States. That question was presented here this morning. Senator Gerry asked the question. It would be more so, if anything, under the American valuation plan.

There is a bureau in New York at the head of which are two of the ablest men in the customs service. It is their duty, with the aid of their assistants—able men—to have these values made known generally. They are published. They are watched. I mean that the appraisements are watched. And not only are the appraisements watched, but the classifications as well—that is to say, the determination of the rates and amounts of duty—so that they can not bring goods in at one port and have them passed there at a valuation or classification different from that of another port. So there would be absolute uniformity under the American plan.

Senator WATSON. Of course, the findings of the New York appraisers are in no wise binding upon others. I suppose, however, that they are accepted because of the great volume of business done there and the well known ability of the men.

Senator MCLEAN. They are all appealable to the Board of Appraisers.

Senator WATSON. Yes; but in the vast number of cases they are not appealed.

Mr. MCNABB. When the Board of General Appraisers does make a decision, that decision stands, or that value stands, until it is set aside. That is in the nature of an official or proclaimed valuation. It is always subject, however, to the right of the importer to have

the decision of the appraiser reviewed independently of what went on before.

Senator McCUMBER. This may not be just the place to inject this question, and you may answer it later if you desire to do so, but I would like some views expressed by you on the question of valuation in the principal markets, when the value is very much different in one market from that in another. Take, for example, steel rails. In and around the vicinity of Pittsburgh they might be quoted at a certain price. Steel rails of the same character in San Francisco might be very much higher. Now, what methods have we of dealing with the situation and determining the prices in San Francisco and in New York or Pittsburgh?

Mr. McNABB. The bill states that the merchandise shall be appraised at the value or wholesale selling price in the principal market or markets of the United States. That is the law to-day with respect to foreign values. The appraising officers to-day determine the principal markets of the country of exportation.

Senator McCUMBER. It might be simple in Great Britain, for instance, since that is a small country and the market would be practically the same wherever they sold steel rails, but the market price of rails in San Francisco where the freight costs have to be added must be immensely greater than in and around the vicinity of Pittsburgh.

Mr. McNABB. Senator McCumber, one of the leading cases in the Supreme Court on the tariff deals with the question of principal markets. It was decided more than 50 years ago. It is the case of Stairs *v.* Peasley. In that case the question was raised and decided whether Halifax, Calcutta, and Liverpool are all principal markets of Great Britain, and the decision was in the affirmative, and the Supreme Court said that it rested with the appraising officer to determine what are the principal markets. That matter is gone into in the report of the Tariff Commission entitled "Information Concerning American Valuation as the Basis for Assessing Duties Ad Valorem."

Senator McCUMBER. That does not quite answer my question. Suppose that steel rails sell at $100 at Pittsburgh and $150 in San Francisco; how are you going to decide what the rate of duty shall be?

Mr. McNABB. That has been thought out, Senator, and the matter has been carried into section 402 of the bill. In determining the principal markets the appraising officers may consider the elements of costs that you have just mentioned. Transportation is one of them. Transportation charges across the continent in the case of pottery are very high. If such charges are involved, the appraising officers are given power to consider them and to allow for them in getting at the value for sale in the United State; he may take these things into consideration and ascertain what the fair market value is in view of all the facts.

There may be one principal market for a commodity; Boston is the principal wool market and Pittsburgh is the principal market for steel rails. These are well-known facts. The appraising officers would naturally go to those markets for values. They are given power in section 402 whereby they will be enabled to do justice to

every importer and to find a value which will be the fair market value of the particular importation.

Senator McLEAN. I want to ask you one question at this point. Is it possible to impose duties under the present system against importations from some countries that will not operate as an embargo against similar importations from other countries?

Mr. McNABB. That question, Senator McLean, is not easy of direct answer, because there is apt to be some difference in the goods themselves.

Senator WATSON. Well, if you take a case where goods are equal, you have that difficulty. For instance, take Japan. We were having hearings some time ago on surgical instruments. It costs so much to make them in Japan exactly as they are made in the United States. Wages over there are 57 cents a day and over here are many times higher. If you place a duty on surgical instruments coming from Japan that is protective in the sense in which that term is legitimately used, then it is an absolute embargo on the importation of surgical instruments from any other country in the world. It will be 1,000 per cent.

Senator McLEAN. That would be the case with a great many articles.

Senator WATSON. Oh, yes; I used that simply as an illustration.

Senator McCUMBER. Yes; you might take all kinds of celluloid goods.

Senator McLEAN. Will you answer my question? Is it possible to have a duty under the present system against importations from some countries that will not operate as an embargo against similar importations from other countries?

Mr. McNABB. The flexibility of this section No. 402——

Senator WATSON. He is asking about the present system.

Mr. McNABB. Oh, I can answer that readily.

Senator WATSON. Then, is the American plan the only way to escape from that situation?

Mr. McNABB. Pardon me. I thought you meant under the American valuation plan.

Senator McLEAN. I said under the present valuation.

Mr. McNABB. There is but one answer. If the duty is taken on the highest value of all the countries, as was said yesterday, as a possibility——

Senator McLEAN. If we are to consider the proposition for reasonable protection, are we not driven by force of circumstances to try some plan other than the present one?

Mr. McNABB. Under the present system duties are not taken on the highest value, but they are taken on the value in the country of exportation of the particular goods, Senator.

Senator McLEAN. I think you do not understand my question, even now. If we intend to continue a reasonable protective policy, is it possible under the present plan?

Mr. McNABB. In other words, can duties be made so high that there will be protection to American manufacturers against the goods of a low-cost country without making the duties prohibitive upon the goods from countries having high costs?

Senator McLEAN. That is another way to put it; yes.

Mr. McNABB. I see no way of doing it short of the American valuation plan.

Senator McLEAN. That is what we want to try to do. We do not want to adopt some unreasonable and impracticable and impossible plan.

Mr. McNABB. It is all right under the American valuation plan. I am sorry that I did not understand the Senator's question.

Under the American valuation plan the flexibility would meet many situations. By flexibility I mean this, that the appraising officer is to determine whether there are comparable and competitive products of the United States sold in the open markets. If he decides that there are no such products, he may, and it is his duty, to find the value which will be the equivalent of a fair market value in the United States. In doing that he may take all the facts into consideration, and so long as he does not proceed upon methods that are unreasonable his action will be sustained by the authorities.

There is flexibility here which will benefit the importers as well as the producers, because of the requirement that it must be the fair market value of the particular importation upon which duties are taken. That value determined by the appraising officers and made applicable, through the means that I spoke of, to the other ports would soon, it seems to me, enable the goods to be quickly appraised at a value which would be known to the importer—a value which he would soon be able to know the definite amount of and a value which would carry no additional duties for undervaluation, if in good faith and without fraud he adopted the advisory appraisement.

If I were asked the greatest objection to the American system, I would say it is the great burden of work thrown upon the officers of the United States, and the answer to that is that that great body of men, properly compensated for their work, would enter upon their duties with added zeal and it would not be long before they would evolve a system which would be workable and satisfactory to all.

The CHAIRMAN. Have you closed your statement, Mr. McNabb? Of course, I know that you can go on with a very interesting discussion of the subject for a long period, but brevity must be our guiding principle. It is true that it is very important and we do not want to curtail legitimate discussion. If you have anything further to say or anything that you would like to submit in written form, you may give it to the stenographer.

Mr. McNABB. With the permission of the committee, I would like to add something to what I have already said. There are two other matters.

The CHAIRMAN. The committee is greatly interested and wants to give you every opportunity. Of course, we have limitations upon our time, as you must realize. Is it your thought that you will be able to close by inserting in the record your additional views on the matter?

The committee, I may say, has indicated a desire to reserve the right to invite the members of the commission to appear before it at a later date.

The committee now, under the program laid out, will adjourn until half past 2, when it will hear Mr. Marvin, of the Tariff Commission. When Mr. Marvin is through, the committee will proceed to hear certain customhouse officials from New York.

The committee will stand adjourned until half past 2, when Senator McCumber will take the chair.

(Whereupon, at 12 o'clock noon, the committee took a recess until 2.30 o'clock p. m.)

AFTER RECESS.

Senator McCUMBER (presiding). Mr. Marvin, will you be kind enough to give the committee your views with reference to this American valuation, giving first your name and position?

## STATEMENT OF HON. THOMAS O. MARVIN, VICE CHAIRMAN UNITED STATES TARIFF COMMISSION.

Mr. MARVIN. Thomas O. Marvin, vice chairman United States Tariff Commission.

Mr. Chairman, the determination of value is always attended with more or less difficulty. Our town and city governments met this difficulty, so far as the valuation of real estate is concerned, by the appointment of boards of assessors, whose duty it was to estimate as accurately as they could the value of the properties under their jurisdiction. They did not ask the owner of the property to determine the value—they estimated the value as best they could in the light of comparable values in the community, sales that had taken place, etc.

Our Federal Government in the collection of customs duties has attempted to meet the difficulties of valuation by the appointment of customs officials whose duty it is to estimate the value of imports upon which ad valorem duties are based.

It might be serviceable if we could have a brief outline of the organization of our customs service, and I would like to read a few paragraphs from an interesting article by Mr. George C. Davis, of the Customs Service, of New York:

> The United States is divided into 48 customs districts, each in charge of a collector of customs. Within these districts there are 48 headquarters ports and 264 ports of entry. The latter ports are in charge of deputy collectors. * * *
>
> There are 6,635 customs employees, divided approximately as follows: 1 chief division of customs; 2 assistant chiefs; 39 clerks and messengers, division of customs; 126 special agency service; 48 collectors; 300 deputy collectors; 15 cashiers; 7 naval officers; 7 surveyors; 16 appraisers; 17 assistant appraisers; 218 examiners; 1,855 inspectors and guards; 2,984 clerks and other employees; and 1,000 openers and packers and laborers.
>
> This, briefly, with the exception of the Customs Court of Appeals and the Board of United States General Appraisers, is the organization of the Customs Service existing for the purpose of safeguarding the revenues and properly collecting the duties under our tariff law. * * *
>
> Fundamentally the operations necessary to secure the duties upon imports are simple in the extreme and may be broadly placed at four: Taking custody of the merchandise. Examining it to determine value, count, measurement, weight, and rate of duty. Collecting the duties and recording the amounts. Returning the merchandise to its rightful owners. * * *.
>
> The merchandise is taken into custody for this purpose, and the amount of money collected depends entirely upon the accuracy of this operation. * * *
>
> Out of 6,635 employees, 251 of them in our larger ports are engaged in appraising and classifying the importations for duty, * * *.
>
> The appraiser appraises and classifies the merchandise.
>
> Even the classification of the merchandise is not entirely in the hands of one legally constituted officer. Theoretically the collector determines the rate of duty, but only in theory, as neither he nor his subordinates (except in the smaller ports) ever see the merchandise. Classification is the collector's legal function, in fact, the most important of any he has to perform, for erroneous rates of duty may mean the loss of millions in revenue. The appraiser is only required by law to report the facts to the collector in order that the collector may properly classify the merchandise, but as the examiner sees the article and is the practical and technical merchandise man, his advice has gradually become the act itself. He places the rate of duty he has selected as the

proper one, together with the paragraph number of the law, upon the invoice, and the collector, through his subordinates, assesses the duty accordingly. * * *

The entire burden of the work, the most important work in the entire gamut of customs, falls upon the shoulders of the examiners. * * *

Whether the Government secures its proper amount of revenue or the American manufacturer his measure of protection against unfair competition brought about by undervaluation and erroneous rates of duty and misleading or dishonest labeling of imported goods, depends entirely upon the examiners, supplemented by the work of the special agents.

There are probably few positions in the business world requiring more knowledge of foreign trade conditions, business practices, costs, and methods of production and changing values the world over than the position of the merchandise examiner. He must have the most intimate knowledge of customs laws and decisions of the courts and Boards of United States General Appraisers. Upon his action and judgment depends practically the entire working of our whole tariff system. A simple mistake in judgment and insufficient knowledge of conditions or a lack of conscientiousness in performing his work may cost the Government thousands of dollars in lost duties and consequent injustice to importers or American manufacturers or may lead to interminable and expensive litigation. * * *

The market value of an imported article is one of fact and in most instances is ascertained through actual transactions. Under our present law the value sought by appraising officers is the wholesale price that the article is sold for in the home market of the foreign country. These prices can only be secured on the ground, and at the present time we have only six foreign investigators, known as Treasury attachés, for the entire world. These officers are engaged in securing this information for the appraisement of merchandise. Their work is, of course, supplemented by consular reports, but these reports are only occasional, as the consuls in their busy districts have little time to devote to customs matters. Closely connected with the work of the examiners is that of the special agents and customs agents. Aside from smuggling, usually a very wide and important field, the investigations of the transactions of importers are highly important in checking undervaluations. Examiners are confined in their offices practically all the time in examining current importations. The statements upon the invoices as to prices paid need constant verification, and examiners have little time for this work. There have been innumerable instances where the special agents in investigating the invoice values of past importations have recovered enormous sums in withheld duties. * * *

Under proper organization the customs service of the United States can be made 100 per cent more efficient, and if conducted by men paid compensations worthy of their hire, there will be large gains in the revenue and a material reduction in expense.

That, gentlemen, is the Government's organization for collecting customs duties and for assessing the value of imports subject to ad valorem rates of duty.

Under our present law these gentlemen are supposed to obtain the value of the goods in the foreign market, the wholesale price in foreign markets on the date of exportation.

As Mr. Davis said, there are six foreign agents for that purpose, a wholly inadequate force. These gentlemen connected with the customs service are experts in their line. They have devoted years to the problems of ascertaining values. As I understand it, the examiners are divided into groups; to each group are assigned certain commodities in which they become experts. They know the kind and quality and value from experience. The proposed change in the customs laws does not change the fundamental requirements so far as the customs officials are concerned. It still means what the present system means, a correct ascertainment of value.

The change that has been suggested makes this notable difference: Instead of trying to ascertain the value of an imported article in the foreign country, the effort is made to obtain the value of comparable and competing articles in this country, and, gentlemen, does that present an insurmountable obstacle? The American people recognize values; they are called a trading people. We know from the

rush of people to bargain-day sales at department stores that there is common knowledge in regard to values among the people of the country. Take the buyers in our department stores, they could not hold their jobs a day unless they were capable of comparing values.

I believe that the men in the Customs Service who are trained in this line of work, who are either selected for their ability along these lines or who have because of their experience in the customs service obtained familiarity with values, can ascertain the values of comparable goods in this country for purposes of assessing and levying the duties.

It has been suggested that this is a revolutionary change. As I have said, it does not change the real basis of the work. It merely transfers the field of operation. Instead of trying to obtain foreign values the proposed change would place upon the customs officials the obligation of obtaining American values, and it would seem, at least at a casual glance, that it would be much easier to obtain values in the United States than it would to obtain values of imported articles from countries that we are unfamiliar with, miles and miles away, and in which we have only six special agents for this purpose.

Does it present insuperable obstacles so far as the proposed bill is concerned?

For many years more than one-half of our imports have been free of duty. During the last fiscal year slightly over 60 per cent of our imports were on the free list. Gentlemen, 60 per cent or more of our imports would not come under the terms of the American valuation, were it adopted. By the transfer from the free list to the dutiable list of a number of articles probably that percentage would be reduced; perhaps when the law is in operation, say, 50 per cent of our imports may be dutiable, but of those dutiable imports—50 per cent of the total imports—a very considerable number bear specific duties, which would remove them from consideration so far as the operation of American valuation is concerned.

An analysis of the rates proposed in the bill recently passed by the House of Representatives shows that in schedule 1—chemicals, oils, and paints—there are 138 specific duties; there are 13 compound duties and 65 ad valorem duties. So far as Schedule 1 is concerned, vastly more of the rates are specific than ad valorem.

In Schedule 2—earthenware and glassware—there are 62 specific rates, 14 compound rates, and 39 ad valorem rates.

In Schedule 3—metals and manufactures of metals—there are 171 specific rates, 43 compound rates, and 70 ad valorem rates.

In Schedule 4—wood and manufactures of wood—there are 5 specific rates and 17 ad valorem rates—a considerably larger number of ad valorem rates than specific rates in schedule 4, wood and manufactures of wood. The ad valorem rates are applied to such things as paving posts, railroad ties, boxes, barrels, toothpicks, porch and window blinds, and other similar articles, the value of which, it would not seem, would be peculiarly difficult to obtain in the United States.

Schedule 5, the sugar schedule, has 9 specific rates and 2 ad valorem rates. So far as the application of the American valuation goes, Schedule 5 might be practically eliminated, as the rates are nearly all specific. The two ad valorem rates apply to adonite, dextrose, and to candy.

Schedule 6, the tobacco schedule, has 7 specific rates and 1 compound rate; a specific and ad valorem rate on cigars and cigarettes of $4.50 a pound and 25 per cent. So the change to the American valuation would not affect that schedule to any degree.

Schedule 7, agricultural products, has 220 specific rates and 43 ad valorem rates. The ad valorem rates apply to such things as lard compounds, reindeer meat, sausage casings, meats not specially provided for, malted milk, cheese over 30 cents a pound, horses over $150 in value, mixed feeds, biscuits, cakes, jams and jellies, sliced vegetables, chocolate and cocoa, the American price of every one of which could be ascertained without difficulty.

Schedule 8—spirits, wines, etc.—has 9 specific rates and 1 ad valorem; another schedule which could be eliminated.

Schedule 9 is the cotton schedule, and it is probably in the textiles schedules where the complications, if there are any, would be most apt to occur. The cotton schedule is based on varying specific rates with stop rates of an ad valorem nature, for instance, cotton yarn, not bleached, etc., under 40's, has a specific rate of one-fifth of 1 cent per number per pound; 40's to 120's 8 cents per pound, and in addition one-quarter of 1 cent per number per pound for every number in excess of 40, with a proviso that yarns under 100 shall pay not less than 5 per cent, and numbers over 100 not less than 25 per cent.

I will not read the details of that schedule.

Thread has a specific rate of one-half cent per 100 yards, provided it shall not be less than 17 nor more than 33½ per cent.

Cotton cloth has similar rates raised in proportion to those on yarns; in other words, the cotton schedule, except for the stop rates of an ad valorem nature are practically all specific rates.

It might be necessary, for careful administration of the cotton schedule, to consider American values, if these stop ad valorem rates were taken into consideration, as they should be.

In the early operation of the law the Treasury might well suggest that the rates in the cotton schedule shall be levied in accordance with the specific rates of the bill, if it were necessary to eliminate any complications so far as the American valuation is concerned, although I do not believe that those difficulties are great or in any degree insurmountable.

Schedule 10—flax, hemp, jute, etc.—has 29 specific rates, 3 compound rates, and 15 ad valorem rates.

Schedule 11—wool and manufactures of wool—has 10 specific rates, 38 compound rates, and 6 ad valorem rates—comparative values so far as the wool schedule is concerned would be rather necessary.

Schedule 12—silk and silk goods—has 84 specific rates, 3 compound rates, and 10 ad valorem rates, the ad valorem rates being on knit goods, clothing, etc., in which there would not be any great difficulty in ascertaining the market value.

Schedule 13—papers and books—has 22 specific rates, 22 compound rates, and 20 ad valorem rates.

Schedule 14—sundries—has 37 specific rates, 20 compound rates, and 95 ad valorem rates. It is in the sundry schedule where the larger number of ad valorem rates will be found.

Taking all of the schedules of the bill there are 803 specific rates, there are 156 compound rates, and 384 ad valorem rates.

So, looking at the proposition from its darkest aspect, the amount of imports which would be affected by the change to the American valuation will, as I have said, be only a small percentage of the 50 per cent of dutiable imports.

In 1920 the total percentage of free imports was 61 and a fraction per cent. Of the dutiable imports 26 per cent were specific, 12 per cent ad valorem, and 0.34 of 1 per cent were compound.

In 1919, 48 per cent of our revenue was obtained from imports having a specific rate of duty, and 48 per cent of our revenue was obtained from the ad valorem duties.

In 1920, 43 per cent of dutiable imports in value had a specific rate, and 54 per cent in value had an ad valorem rate.

Some years the amount of revenue raised by articles bearing an ad valorem rate of duty may be in excess of the amount raised by articles bearing a specific rate of duty.

These figures will indicate the extent to which ad valorem rates of duty apply to our imports and the bearing of the change to American valuation upon our imports.

The question has been raised as to the degree of difficulty in determining the comparable American product with the imported product. As my analysis of the proposed bill would indicate, it is in the textile schedules and in the sundry schedules where the effect of this change to the American valuation will be felt most.

I have tables here of the typical products of an American worsted mill, which, without reading in full, might perhaps be included in the record.

Senator McCUMBER. The stenographer will include them as a part of your statement.

(The tables referred to are as follows:)

*Classified list of typical worsted fabrics.*

| Quality. | Width. | Articles. | Weight. |
|---|---|---|---|
| | | *For men's and women's wear, all-wool piece-dyed serges, clear finish.* | |
| | | CLASS I. | |
| 123 | 35 | Storm serge for women's wear | 4.1 |
| 87 | 36 | ....do | 4¼ |
| 88 | 54 | ....do | 7.9 |
| 94 | 54 | ....do | 8 |
| 121 | 54 | Medium serge for women's wear | 8¼ |
| 99 | 54 | ....do | 8¼ |
| 104 | 54 | Fine serge for women's wear | 8¼ |
| 9 | 54 | ....do | 7¾ |
| 109 | 54 | ....do | 8¼ |
| 11 | 54 | ....do | 8¼ |
| 2004 | 56 | Coarse serge for men's and women's wear | 7¾ |
| 2272 | 56 | Medium serge for men's and women's wear | 10 |
| 2445 | 56 | ....do | 10 |
| 2203 | 56 | ....do | 9¾ |
| 2002 | 56 | Fine serge for men's and women's wear | 9¾ |
| 2001 | 56 | ....do | 9¾ |
| 2461 | 56 | ....do | 10¼ |
| 2453 | 56 | ....do | 10 |
| 2440 | 56 | ....do | 11 |
| 2460 | 56 | ....do | 11 |
| 2340 | 56 | ....do | 11 |
| 2075 | 58 | ....do | 11 |
| 2441 | 56 | Medium serge for men's wear | 11¼ |
| 2316 | 56 | Fine serge for men's wear | 12 |
| 2270 | 56 | ....do | 12 |
| 2512 | 58 | ....do | 12¼ |
| | | | 13 |

*Classified list of typical worsted fabrics*—Continued.

| Quality. | Width. | Articles. | Weight. |
|---|---|---|---|
| | | *For men's and women's wear all-wool, piece-dyed serges, clear finish*—Contd. | |
| | | CLASS I—continued. | |
| 2429 | 56 | Coarse serge for men's wear | 13½ |
| 2459 | 56 | Fine serge for men's wear | 13/13½ |
| 2350 | 58 | .....do | 13½ |
| 2041 | 56 | .....do | 13½ |
| 2400 | 56 | .....do | 14 |
| 2514 | 58 | .....do | 14½ |
| 2467 | 56 | .....do | 15½/16 |
| 2320 | 58 | .....do | 15½ |
| 2516 | 58 | .....do | 16 |
| 2468 | 56 | .....do | 18/18½ |
| 2450 | 58 | .....do | 18 |
| 2518 | 58 | .....do | 18 |
| | | *All-wool piece-dyed serges, unfinished.* | |
| | | CLASS II. | |
| 2132 | 56 | Unfinished worsted for men's and women's wear | 10½ |
| 2386 | 56 | Unfinished worsted for men's wear | 12½ |
| 2393 | 58 | .....do | 13½ |
| | | *For men's and women's wear—All-wool piece-dyed cheviots.* | |
| | | CLASS III. | |
| 2345 | 56 | Cheviot for men's and women's wear | 12½ |
| | | *All-wool mixture serges, clear finish.* | |
| | | CLASS IV. | |
| 2281 | 56 | Fine mixture serge for men's and women's wear | 10½ |
| 2049 | 56 | Fine mixture serge for men's wear | 11½ |
| 2454 | 56 | .....do | 11½ |
| 2236 | 58 | .....do | 13½ |
| | | *All-wool mixture serges, unfinished.* | |
| | | CLASS V. | |
| 2329 | 56 | Medium unfinished mixture serge for men's wear | 14 |
| 2285 | 56 | Fine unfinished mixture serge for men's and women's wear | 10½ |
| 2063 | 56 | Fine unfinished mixture serge for men's wear | 11½ |
| 2334 | 58 | .....do | 14/14½ |
| | | *For men's and women's wear—All-wool melange or Vigoreaux serges, clear finish.* | |
| | | CLASS VI. | |
| 2208 | 56 | Medium melange serge for men's and women's wear | 10 |
| 2461 | 56 | Medium melange serge for men's wear, except style 25 | 12 |
| 2461-25 | 56 | Medium melange serge for men's wear, style 25 only | 12 |
| 2453 | 56 | Coarse melange serge for men's wear | 13½ |
| | | *All-wool piece-dyed fancy weave serge.* | |
| | | CLASS VII. | |
| 2000 | 56 | Coarse full weight serge for men's wear | 10 |
| 2372 | 56 | Fine full weight serge for men's wear, except pattern H | 10½ |
| 2372H | 56 | Fine full weight serge for men's wear, pattern H only | 10½ |
| 2455 | 56 | Fine full weight serge for men's wear | 14 |
| 2513 | 58 | Fine suiting for men's wear | 13 |
| 2515 | 58 | .....do | 14½ |
| 2469 | 58 | Fine full weight serge for men's wear | 15½/16 |
| 2517 | 58 | Fine suiting for men's wear | 16 |
| 2519 | 58 | .....do | 17/18 |
| | | *Revised July 7, 1921, for men's and women's wear, all-wool piece-dyed serges with cotton stripes.* | |
| | | CLASS VIII. | |
| 2369 | 56 | Coarse full-weight striped serge for men's wear | 10 |
| 2430 | 56 | .....do | 13½ |

*Classified list of typical worsted fabrics*—Continued.

| Quality. | Width. | Articles. | Weight |
|---|---|---|---|
| | | *All-wool piece-dyed fancy weave cheviots.* | |
| | | CLASS IX. | |
| 2433 | 56 | Fancy weave cheviot for men's wear | 12½ |
| | | *All-wool mixture suitings.* | |
| | | CLASS X. | |
| 2-2451 | 56 | Fancy weave mixture suiting for boys' clothing | 15½ |
| 2434 | 56 | Fancy weave mixture for men's and women's wear | 10½ |
| 2376 | 56 | Fancy weave mixture for men's wear | 12 |
| 2457 | 56 | ....do | 10½/10½ |
| 2415 | 56 | Mixture tropical suiting for men's wear | 8½ |
| | | *For men's and women's wear, all-wool melanges or Vigoreaux fancy weaves.* | |
| | | CLASS XI. | |
| 2289 | 56 | Herringbone melange for men's and women's wear | 10 |
| 2465 | 56 | Herringbone melange for men's wear, exclusive styles | 25-12 |
| 2465-25 | 56 | Herringbone melange for men's wear, style 25 only | 12 |
| | | *All-wool cream serges—all-wool shepherd checks.* | |
| | | CLASSES XII AND XIII. | |
| 2051 | 56 | Fine shepherd check for men's wear | 9½ |
| | | *All-wool piece-dyed suitings for women's wear.* | |
| | | CLASS XIV. | |
| 228 | 54 | Fine Panama for women's wear | 6½ |
| 774 | 54 | Fine poplin for women's wear | 7½ |
| 778 | 56 | Fine tricotine for women's wear | 10½ |
| 790 | 56 | Poiret twill for women's wear | 10½ |
| 789 | 56 | Fine tricotine for women's wear | 9½ |
| 788 | 56 | ....do | 10½ |
| | | *Revised July 7, 1921, for men's and women's wear, gabardine for men's wear.* | |
| | | CLASS XV. | |
| 2470 | 56 | Cotton-filled gabardine | 12½/12½ |
| 2295 | 56 | ....do | 11 |
| 2293 | 56 | ....do | 14 |
| 2391 | 56 | Mixture warp cotton-filled gabardine | 12 |
| 2220 | 56 | All-wool double and twist gabardine | 15 |
| | | *Worsted and cotton twist suitings.* | |
| | | CLASS XVI. | |
| 1419 | 56 | Worsted and cotton twist fancy weave for raincoatings | 9½ |
| | | *Cotton and wool serges.* | |
| | | CLASS XVII. | |
| 1210 | 35 | Cotton warp storm serge for women's wear | 4½ |
| 1213 | 35 | Cotton warp fine serge for women's wear | 4½ |
| | | *Revised July 6, 1921, for men's and women's wear, cottons and wool serges.* | |
| | | CLASS XVII. | |
| 2401 | 30 | Plaited warp serge for men's wear | 5 |
| 2402 | 30 | Cotton warp serge for men's wear | 5 |
| 2423 | ..... | Cotton warp fine serge for men's wear | 10½ |
| | | *Cotton warp shepherd checks.* | |
| | | CLASS XVIII. | |
| 1450 | 35 | Cotton warp shepherd check for women's wear | 4½ |
| 1406 | 54 | ....do | 7 |
| 1423 | 54 | ....do | 7½ |

*Classified list of typical worsted fabrics*—Continued.

| Quality. | Width. | Articles. | Weight. |
|---|---|---|---|
| | | *Cotton and wool fancy weave serges.* | |
| | | CLASS XIX. | |
| 2406 | 30 | Cotton warp fancy weave serge for men's wear | 5½ |
| 2432 | 30 | Plaited warp fancy weave serge for men's wear | 5 |
| | | *For men's and women's wear, cotton and wool suitings.* | |
| | | CLASS XX. | |
| 1530 | 35 | C. W. serge hairline stripes for women's wear | 4½ |
| 1531 | 35 | C. W. granite for women's wear | 4.7 |
| | | *Cotton warp cashmeres.* | |
| | | CLASS XXII. | |
| 669 | 36 | Cotton warp oxford cashmere for rubberizing | 2½ |
| 699 | 37 | .....do | 3½ |
| 659 | 36 | .....do | 3½ |
| | | *Miscellaneous.* | |
| | | CLASS XXIII. | |
| 1528 | 37 | Cotton warp corkscrew for shoe cloth | 5 |

Senator WATSON. Give us some of those, so we can have them in mind.

Commissioner MARVIN. This table shows that in this typical American worsted mill there are 23 classes of products. There are, for instance, storm serges, medium serges, fine serges, coarse serges for men's and women's wear, medium serges for men's and women's wear, various kinds and weights of serges, cheviots, all wool mixed serges, all wool piece-dyed serges with cotton stripes—in fact, pretty nearly a full line of worsted fabrics.

This table shows the weight per yard of these fabrics of the different classifications. If an English serge, for instance, is imported into this country and we tried to find a comparable American product, naturally we would not compare it with a cheviot or broadcloth; we would compare it with an American serge. It would fall naturally into that "class 1" of serges.

If it is a serge of light weight for women's wear, for instance, made in 4 ounces to the yard, it would be compared with an American serge weighing 4 ounces to a yard.

There are American serges ranging in weight from 4 ounces to a yard up to 18 ounces to a yard; probably as large a variety of American-made serges as are made anywhere in the world. So when a foreign serge comes in there is something of comparable quality to which it can be compared. Practically the same remarks might be made of every line of foreign worsteds or woolens.

If they are competitive, it means that something of the same nature is made in this country and the ascertainment of the value of that thing made in this country is not a difficult proposition.

In the morning paper there was published a table similar to that one which I have just commented upon. This table is the price list of the American Woolen Co., giving the prices for its spring, 1922, fabrics. It gives the weight per yard and the price of all of its products. The suggestion has been made that if the change is made to American valuation the importer of the foreign goods would not know the amount of duty that would be assessed on his goods at the

time that they arrived in the United States, not knowing what the price of a comparable article in the United States would be.

Gentlemen, here are the prices of the full line of spring, 1922, goods made by the American Woolen Co. Not only will the foreign exporter be under no difficulty to find out the price at which goods comparable with his sell in the United States at the time of exportation, but by the publication of these prices, which is a trade custom, he may know some six months in advance what the price of comparable American goods will be.

Senator WATSON. Has he any assurance that that price list will not be changed?

Commissioner MARVIN. The prices may be changed; his prices may be changed.

Senator SMOOT. Do you want this to go into the record?

Commissioner MARVIN. I think it might go into the record.

(The clipping referred to is as follows:)

COTTON GRAY GOODS.

The following figures represent an idea of the prices at which gray goods may be obtained. Mill prices, in general, are higher, but the consensus of opinion is that these figures are as near the market as one can estimate. Contracts to-day are invariably for near-by months. (July 25, 1921.)

*Spring prices of goods made by American Woolen Co. for 1922.*

| | Linear yards per pound. | Prices in cents per linear yard. | | | | |
|---|---|---|---|---|---|---|
| | | Second hands. | Southern spot and near by. | Southern contracts. | Eastern spot. | Eastern contracts. |
| Print cloths: | | | | | | |
| 25 inch, 56 by 44 | 10.55 | | | | 3½ | |
| 27 inch, 44 by 47 | 9.50 | | | | 3½ | |
| 27 inch, 56 by 52 | 9.00 | | 3½ | | 4 | |
| 27 inch, 61 by 60 | 7.60 | | 4½ | | | |
| 31½ inch, 48 by 48 | 8.70 | | | | | |
| 31½ inch, 56 by 52 | 7.50 | | | | 4 | |
| 32 inch, 64 by 60 | 6.50 | | 5¼–5½ | | 4¼ | |
| 28½ inch, 44 by 40 | 8.20 | | 4½ | | 5¼ | |
| 35½ inch, 48 by 48 | 7.15 | | | | 4½ | |
| 39 inch, 56 by 44 | 6.60 | | 4½ | | 4½ | |
| 39 inch, 40 by 40 | 9.20 | | | | 5 | |
| 35 inch, 48 by 44 | 7.75 | | | | 4½ | |
| 39½ inch, 60 by 52 | 6.00 | | | | 4½ | |
| 34½ inch, 60 by 48 | 6.25 | | 6 | | | |
| 39½ inch, 64 by 56 | 5.50 | | 5¾ | | 5¾ | |
| 39½ inch, 61 by 60 | 5.35 | | 6½ | | 6½ | |
| 39 inch, 68 by 72 | 4.75 | | 6¾ | 6¾ | 7 | |
| 39 inch, 72 by 76 | 4.25 | | 8¼ | 8¼ | | |
| 39 inch, 83 by 80 | 4.00 | | 8½ | | | |
| 39 inch, 80 by 88 | 5.00 | | 10½B | [1] 10½ | 11B | [2] 10½ |
| 39 inch, 96 by 92 | 5.25 | | | | 11½ | |
| 39 inch, 96 by 100 | 5.00 | | | | 15 | |
| 39 inch, 96 by 100 | 4.15 | | | | 16 | |
| 44 inch, 48 by 48 | 6.40 | | | | | |
| 44-inch, 44 by 40 | 7.25 | | 5½ | | 5½ | |
| Sheetings (net prices unless otherwise specified): | | | | | 5 | |
| 31-inch, 48 by 48 | 5.00 | | | | | |
| 36-inch, 40 by 40 | 6.25 | | 4¾ | | | |
| 36-inch, 44 by 40 | 6.15 | | 4½ | | | |
| 36-inch, 48 by 40 | 5.50 | | 4¾ | 4¾ | | |
| 36-inch, 48 by 48 | 5.00 | | 4¾ | | | |
| 36-inch, 48 by 52 | 4.70 | | 5½ | | | |
| 36-inch, 56 by 60 | 4.00 | | 6 | | | |
| 37-inch, 48 by 48 | 4.00 | | 7–7½ | | | |
| 36-inch, 48 by 48 | 4.00 | | 6¾–6¾ | | | |
| 36-inch, 64 by 68 | 3.00 | | 8–8¼ | 8–8¼ | | |
| 36-inch, 48 by 44 | 3.50 | | [3] 9 | | | |
| 40-inch, 48 by 44 | 3.25 | | 7¼–7¾ | | | |
| 40-inch, 44 by 40 | 3.75 | | 6¾ | | | |
| 40-inch, 56 by 60 | 4.25 | | 5¾ | | | |
| 40-inch, 64 by 68 | 3.60 | | 7¾–8 | | | |
| 40-inch, 48 by 48 | 3.15 | | 9¼ | | | |
| | 2.85 | | 8¾ | | | |

[1] October. [2] Late. [3] Terms.

*Spring prices of goods made by American Woolen Co. for 1922*—Continued.

| | Linear yards per pound. | Prices in cents per linear yard. | | | | |
|---|---|---|---|---|---|---|
| | | Second hands. | Southern spot and near by. | Southern contracts. | Eastern spot. | Eastern contracts. |
| **Sheetings (net prices unless otherwise specified—Continued.** | | | | | | |
| 40-inch, 48 by 48 | 2.50 | | 9½ | | | |
| 40-inch, 44 by 44 | 5.00 | | 5⅞ | | | |
| 46-inch, 44 by 44 | 5.50 | | 5¼ | | | |
| **Pajama checks:** | | | | | | |
| 36½-inch, 72 by 30 | 4.70 | | 8¼ | 8¼-8½ | | |
| 36½-inch, 64 by 60 | 5.25 | | 7½ | | | |
| **Three leaf twills:** | | | | | | |
| 39-inch, 64 by 60 | 5.10 | | | 7½ | 7¾ | |
| 39-inch, 64 by 72 | 4.80 | | 8 | | 8 | |
| 39-inch, 68 by 76 | 4.50 | | 8½ | | 8½ | |
| 39-inch, 68 by 76 | 4.25 | | | | | |
| 39-inch, 68 by 76 | 4.00 | | 9½ | 9 | 9½ | |
| 37-inch, 96 by 60 | 4.50 | | | | 9¼ | |
| **Pocketing twills:** | | | | | | |
| 31-inch, 64 by 100 | 4.20 | | | | 11½ | 11½ |
| 31-inch, 64 by 70 | 4.00 | | | 9¼-9 | | 9½ |
| 31-inch, 68 by 80 | 4.20 | | [3] 9½ | | | 10 |
| 31-inch, 68 by 80 | 3.85 | | | 10¼-9½ | | 10½ |
| **Osnaburgs:** | | | | | | |
| 30-inch, 7-ounce, P. W | | | 6½-7 | | | |
| 40-inch, 7-ounce, P. W | | | 7½ | | | |
| **Drills:** | | | | | | |
| 37-inch | 3.95 | | [3] 6½ | | | |
| 37-inch | 3.50 | | [4] 7 | | | |
| 37-inch | 3.25 | [5] 7½ | | | | |
| 37-inch | 3.00 | | [4] 8 | | | |
| 37-inch | 2.75 | | [4] 8 | | | |
| 37-inch | 2.35 | | [4] 9½ | | | |
| 36-inch | 4.20 | | [4] 6 | | | |
| 34-inch | 4.75 | | [4] 5½ | | | |
| 30-inch | 4.00 | | [4] 6 | | | |
| 30-inch | 3.25 | | [4] 7 | | | |
| 30-inch | 5.25 | | [4] 5-5½ | | | |
| 30-inch | 3.00 | | [4] 7½-7¾ | | | |
| 30-inch | 2.85 | | [4] 8 | | | |
| 30-inch | [7] 2.50 | [5] 9½ | 10 | | | |
| 30-inch, 76 by 58 | 2.50 | | [3] 10½ | | | |
| **Organdies:** | | | | | | |
| 39-inch, 68 by 53 | 11.00 | | | | 10½-11 | |
| 40-inch, 76 by 56 | 11.00 | | | | | 11½-12 |
| 40-inch, 72 by 64 | 13.00 | | | | | 13½-15 |
| **Pongees:** | | | | | | |
| 34-inch, 72 by 100 | 7.00 | | | 15½-14½ | | 15½-14½ |
| 34-inch, 64 by 72 | 6.40 | | | | 11½-12 | 12 |
| **Voiles:** | | | | | | |
| 40-inch, 60 by 56, extra hard twist | | 12½ | | | 12½ | |
| 40-inch, 60 by 56, ordinary hard twist | | | | | 10 -10½ | |
| 40-inch, 60 by 52, slack twist | | | | | [3] 9 | |
| **Combed lawns:** | | | | | | |
| 40-inch, 84 by 80 | 10.50 | | | | 17½-18 | 17½-18 |
| 40-inch, 72 by 68 | 9.50 | | | | 11½-12½ | 11½-12 |
| 40-inch, 80 by 80 | 9.00 | | | | 13 -13½ | 12½-13½ |
| 40-inch, 76 by 72 | 9.00 | | 12 | | 12½-13 | 12½-12½ |
| 40-inch, 88 by 80 | 8.50 | | | | 13½-14½ | 13½-14½ |
| 40-inch, 96 by 92 | 7.50 | | | | 15½-16½ | 15½-16 |
| 40-inch, 96 by 100 | 7.00 | | | | 16 -17 | 16 -17 |
| 30-inch, 88 by 80 | 11.35 | | | | 10½-11 | 11 |
| 30-inch, 76 by 72 | 12.50 | | | | 9½ | 9½ |
| **Carded lawns:** | | | | | | |
| 36-inch, 72 by 60 | 10.00 | | 8½ | | 8½- 9 | 8½- 9 |
| 40-inch, 72 by 60 | 9.00 | | | 9½ | | 10½ |
| 40-inch, 80 by 72 | 7.70 | | | | [3] 12 | |
| 40-inch, 88 by 80 | 6.00 | | | | 12 | |
| 40-inch, 72 by 68 | 6.00 | | 9½ | 9½ | 9½ | |
| 40-inch, 80 by 76 | 6.00 | | | | 10 -10½ | |
| **Poplins, 37½-inch, 100 by 44** | 3.90–4.00 | [3] 10½-16½ | | | | |
| **Sateens:** | | | | | | |
| 37½-inch, 64 by 72 | 5.25 | | | 8½-9 | 9 | |
| 37½-inch, 64 by 80 | 4.90 | | | | 9½- 9½ | |
| 37½-inch, 64 by 88 | 4.70 | | | | 9½- 9½ | |
| 39-inch, 64 by 104 | 4.20 | | | | 10½-11 | |
| 39-inch, 64 by 112 | 4.00 | | | | 11½-11½ | |
| 39-inch, 72 by 120 | 3.50 | | | | 13½ | |
| 43-inch, 64 by 104 | 3.85 | | | | 11½-12½ | |
| 43-inch, 64 by 112 | [10] 3.65 | | | | 12½-13 | |
| 43-inch, 72 by 120 | 3.35 | | | | 14 -14½ | |
| 41½-inch, 96 by 56 | 4.00 | | | | 9 | |
| 42-inch, 96 by 132 | 3.35 | | | 17 | | |
| 42-inch, 84 by 124 | 3.35 | | | | 15½ | |

[3] Terms. [4] Net. [5] Terms asked. [6] Net asked. [7] Depending upon count. [8] Asked. [9] Depending upon the make. [10] Twill.

*American Woolen Co., department 1, division A, comparison of prices.*

[From Daily News-Record, July 26, 1921.]

| | Prices per linear yard. | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Spring 1922. | Spring 1921. | Spring 1918. | Spring 1917. | Spring 1916. | Spring 1915. | Spring 1914. | Spring 1913. |
| Washington standard clays: | | | | | | | | |
| 317 11-ounce | ..... | $3.65 | $2.65 | $1.55 | $1.30 | $1.15 | $1.15 | $1.25 |
| 317 12-ounce | ..... | 3.47½ | 2.80 | 1.65 | 1.37½ | 1.22½ | 1.22½ | 1.32½ |
| 338 14-ounce | $2.50 | 4.02½ | 3.12 | 1.80 | 1.50 | 1.32½ | 1.32½ | 1.42½ |
| 200 16-ounce | 2.85 | 4.62½ | 3.65 | 2.00 | 1.67½ | 1.47½ | 1.42½ | 1.55 |
| 612-5 12-ounce | ..... | 2.72½ | 2.35 | 1.52½ | 1.27½ | 1.10 | 1.07½ | 1.15 |
| Washington serges: | | | | | | | | |
| 209-2 | ..... | 1.65 | 1.55 | 1.07½ | ..... | ..... | ..... | ..... |
| 209½-1 | ..... | 1.67½ | 1.60 | 1.12½ | .95 | .67½ | .72½ | ..... |
| 809-2 9-ounce | 2.17½ | 3.20 | 2.42½ | 1.47½ | 1.20 | 1.07½ | 1.00 | 1.26½ |
| 812-10 12-ounce | ..... | 3.87½ | 2.97½ | 1.77½ | 1.42½ | 1.32½ | 1.25 | 1.40 |
| 814-33 | ..... | 4.10 | 3.20 | 1.90 | 1.52½ | 1.37½ | 1.32½ | 1.47½ |
| 2192 | 2.42½ | 3.62½ | 2.90 | 1.67½ | 1.32½ | 1.17½ | ..... | ..... |
| C16 11-ounce | 2.05 | ..... | ..... | ..... | ..... | ..... | ..... | ..... |
| 3289 12-ounce | 2.05 | ..... | ..... | ..... | ..... | ..... | ..... | ..... |
| 6919½-ounce | 1.77½ | ..... | ..... | ..... | ..... | ..... | ..... | ..... |
| 3330 | 1.95 | ..... | ..... | ..... | ..... | ..... | ..... | ..... |
| Washington cheviot: | | | | | | | | |
| 312-32 12-ounce | 1.15 | ..... | ..... | ..... | ..... | ..... | ..... | ..... |
| Wool serges: | | | | | | | | |
| 9810-1 | ..... | 3.32½ | 2.62½ | 1.55 | 1.25 | 1.10 | 1.07½ | 1.20 |
| 9711-8 | ..... | 4.07½ | 3.30 | 1.92½ | 1.42½ | 1.40 | 1.30 | 1.42½ |
| 9814-8 | ..... | 4.12½ | 3.45 | 1.92½ | 1.55 | 1.42½ | 1.32½ | 1.45 |
| 9811-1 | ..... | 3.75 | 2.97½ | 1.72½ | 1.42½ | 1.27½ | 1.22½ | ..... |
| 9812-1 | ..... | 3.95 | 3.15 | 1.82½ | 1.47½ | 1.37½ | 1.30 | ..... |
| 9696 | ..... | 2.57½ | 2.15 | 1.32½ | 1.12½ | .92½ | ..... | ..... |
| 9709-1 | 2.07½ | 3.07½ | 2.35 | 1.37½ | 1.12½ | 1.00 | ..... | ..... |
| 9809-2 | ..... | 3.20 | 2.42½ | 1.47½ | 1.20 | 1.07½ | ..... | ..... |
| 9168, 13-ounce | 2.50 | ..... | ..... | ..... | ..... | ..... | ..... | ..... |
| 9187, 13-ounce | 2.77½ | ..... | ..... | ..... | ..... | ..... | ..... | ..... |
| 9479, 11-ounce | 2.52½ | ..... | ..... | ..... | ..... | ..... | ..... | ..... |
| 9113, 13-ounce | 1.85 | ..... | ..... | ..... | ..... | ..... | ..... | ..... |
| 9168, 13-ounce | 2.50 | ..... | ..... | ..... | ..... | ..... | ..... | ..... |
| 9340, 13-ounce | 2.55 | ..... | ..... | ..... | ..... | ..... | ..... | ..... |
| 9625, 16-ounce | 3.10 | ..... | ..... | ..... | ..... | ..... | ..... | ..... |
| 9118-010, 18-ounce | 3.422 | ..... | ..... | ..... | ..... | ..... | ..... | ..... |
| 9629, 13-ounce | 2.45 | ..... | ..... | ..... | ..... | ..... | ..... | ..... |
| 9647, 14-ounce | 2.75 | ..... | ..... | ..... | ..... | ..... | ..... | ..... |
| 9179, 14-ounce | 2.522 | ..... | ..... | ..... | ..... | ..... | ..... | ..... |
| 9640, 16-ounce | 3.10 | ..... | ..... | ..... | ..... | ..... | ..... | ..... |
| 9640 | 3.122 | ..... | ..... | ..... | ..... | ..... | ..... | ..... |
| 9627 | 3.272 | ..... | ..... | ..... | ..... | ..... | ..... | ..... |
| Wool unfinished worsteds: | | | | | | | | |
| 9813-7, 13-ounce | 2.35 | ..... | ..... | ..... | ..... | ..... | ..... | ..... |
| 814-33, 14-ounce | ..... | 4.10 | 3.20 | 1.90 | 1.52½ | 1.37½ | 1.32½ | 1.47½ |
| 9613-1 | 2.10 | 2.75 | 2.47½ | 1.50 | 1.25 | 1.07½ | 1.05 | ..... |
| Fulton serges: | | | | | | | | |
| 1210 | ..... | 4.05 | 3.30 | 1.87½ | 1.55 | 1.42½ | 1.32½ | 1.50 |
| 3190 | ..... | 3.40 | 2.75 | 1.55 | 1.27½ | 1.15 | 1.07½ | 1.22½ |
| 3192 | 2.42½ | 3.67½ | 2.92½ | 1.67½ | 1.32½ | 1.20 | 1.12½ | 1.30 |
| 3844, 16-ounce | 3.37½ | 4.97½ | 4.05 | 2.30 | 1.87½ | 1.65 | 1.62½ | 1.80 |
| 4077, 16-ounce | ..... | 4.57½ | 3.87½ | 2.17½ | 1.77½ | 1.60 | 1.52½ | 1.72½ |
| 4571, 9½-ounce | ..... | 3.10 | 2.50 | 1.50 | 1.25 | 1.10 | 1.02½ | 1.20 |
| 5048, 15-ounce | 2.77½ | 4.02½ | 3.40 | 2.00 | 1.72½ | 1.52½ | 1.45 | 1.62½ |
| 3781, 13-ounce | ..... | 4.42½ | 3.52½ | 2.05 | 1.70 | 1.55 | 1.50 | 1.67½ |
| 3194 | 2.85 | 4.25 | 3.57½ | 2.00 | 1.62½ | 1.45 | 1.37½ | 1.57½ |
| 200 | 3.10 | 4.60 | (1) | ..... | ..... | ..... | ..... | ..... |
| 4078 | 3.35 | ..... | ..... | ..... | ..... | ..... | ..... | ..... |
| 681 | 2.70 | ..... | ..... | ..... | ..... | ..... | ..... | ..... |
| 454 | 3.122 | ..... | ..... | ..... | ..... | ..... | ..... | ..... |
| 364 | 3.222 | ..... | ..... | ..... | ..... | ..... | ..... | ..... |
| 600 | 2.45 | ..... | ..... | ..... | ..... | ..... | ..... | ..... |
| Ayer Mill serges: | | | | | | | | |
| 1810-4, 10-ounce | ..... | 3.27½ | 2.60 | 1.50 | 1.20 | 1.10 | 1.07½ | 1.20 |
| 1814-44 | 2.75 | 4.22½ | 3.50 | 1.97½ | 1.60 | ..... | ..... | ..... |
| 690 | 2.40 | 3.77½ | ..... | ..... | ..... | ..... | ..... | ..... |
| 693, 13-ounce | 2.65 | ..... | ..... | ..... | ..... | ..... | ..... | ..... |
| 6192, 11-ounce | 2.42½ | ..... | ..... | ..... | ..... | ..... | ..... | ..... |
| French backs: | | | | | | | | |
| 816-69 | 3.25 | ..... | ..... | ..... | ..... | ..... | ..... | ..... |
| 9116-58, 16-ounce | 4.50 | ..... | ..... | ..... | ..... | ..... | ..... | ..... |

[1] New.

Senator WATSON. Is the American Woolen Co. in the habit of publishing prices this far in advance?

Commissioner MARVIN. Yes, sir; they publish regularly their spring, their fall, and their winter prices, I think—possibly four times a year—spring, summer, fall, and winter.

Senator WATSON. Do you know whether or not they adhere to these prices?

Commissioner MARVIN. Unless there is some change in business conditions that compels a price change, these prices hold.

Senator GERRY. It is not true of other commodities, is it?

Commissioner MARVIN. It is, I think, quite true of cotton goods. On the reverse side of that newspaper clipping is a table of cotton yarns and cotton sheetings, giving the size and width, etc., and the prices.

Senator GERRY. That only applies to certain commodities?

Commissioner MARVIN. It applies to quite a large variety of commodities.

Senator GERRY. And quite a large variety of commodities it does not apply to; is that not true?

Commissioner MARVIN. Well, there are commodities that are made in comparatively small quantities and by small concerns, perhaps, to which it would not apply.

Senator WATSON. Take the steel industry: Is there a publication of prices by the steel people?

Commissioner MARVIN. I am not informed about it, but I think it is true; I think the prices are published.

Senator LA FOLLETTE. I suppose this might be called "open-price fixing?"

Senator WATSON. Yes.

Commissioner MARVIN. If every one made those same prices, there might be something in that. But I think a good many concerns will find it difficult to meet those prices.

Senator WATSON. When the American Woolen Co. opens their line of goods, nearly every other woolen company does the same thing, eight months ahead of being made, and there is not a buyer in the United States one week after the prices are published but what knows just exactly what the price is.

Commissioner MARVIN. The real nub of this question seems to be in the possibility of ascertaining the prices of comparable American goods.

Senator SMOOT. I notice in this list here it not only gives the opening price in the spring of 1922 on clay worsteds, but it gives prices all the way from 1908 up to 1922 on the same piece of goods?

Commissioner MARVIN. Yes. It shows a decline in the 1922 prices from the 1920 and the 1921 prices, for instance.

Senator SMOOT. Take 14-ounce clay worsted in the spring of 1921, $4.02½ a yard; this year they opened at $2.50; that is, the spring of 1921 was $4.02½, and for the spring of 1922 the samples made, not the goods, $2.50.

Senator MCCUMBER. And how far back does that go, giving the prices?

Senator SMOOT. It goes back to 1908.

Senator MCCUMBER. What was the price in 1908?

Senator SMOOT. $1.42½.

Commissioner MARVIN. Mr. Chairman, I was saying that it appears to me that the nub of this proposition is the ability to ascertain American prices, the facility with which comparable articles of American manufacture can be ascertained, so far as prices are concerned.

I have here a volume published by the War Industries Board which contains for, I think, 50 commodities the range of prices not only for the United States but for many other countries. The volume is called "International Price Comparisons." In other words, the War Industries Board was able to ascertain prices in the United States of 50 chosen commodities without serious difficulty.

Senator MCCUMBER. Have you a table from that volume which you wish inserted?

Commissioner MARVIN. No, sir; I only make use of the volume as an illustration of the fact that American prices can be ascertained if the bureau or body upon which that duty devolves sets itself about the task.

You are all familiar with the United States Department of Labor. Here is a volume giving wholesale prices in the United States of a large variety of commodities from 1890 to 1919. As I understand it, the Bureau of Labor Statistics of the Department of Labor keeps these prices up to date, and probably prices within a month can be ascertained by communicating with them, and in some instances the price is right up to date.

In the census of dyes and coal-tar chemicals, published by the Tariff Commission, is given the prices of American crudes, intermediates, and dyes. In some of our other publications the prices of cotton yarn and cotton cloth have been given, and I submit, gentlemen, if bureaus of this character can ascertain American prices, that the Government is not laying upon the Customs Service, the Board of Appraisers, or the board of examiners any undue burden if we ask them to endeavor to ascertain the value of American articles comparable to those imported.

Everything that enters into trade and commerce has a value or it could find no place in trade or commerce. We enter a store. Our purchase of an article in that store depends upon our idea of the value placed upon it. It has been suggested that American manufacturers might raise their prices to an exorbitant degree in order that the duty upon the imported article might be higher. There are several things that would interfere with a process of that kind, and one of them is the fact the American people would refuse to pay the prices, if they got beyond a reasonable limit. There would be, as we have witnessed recently, a buyer's strike.

Another thing that would prevent an inordinate increase of prices would be the competition of American producers. They would see their opportunity to get the business, and they would get it.

Another reason why a process of that kind could not be carried on is the fact of foreign competition. If you take a foreign article that is valued at 75 cents, an American article that is valued at $1, the duty on the American value being 25 per cent, that foreign article valued at 75 cents, on payment of 25 per cent duty on the American valuation, would land in this country at $1.

But, say, to compel the foreigner to pay higher duties the American should raise his price from $1 to $2. The duty remains the same,

25 per cent. Twenty-five per cent of the American inflated price of $2 would be 50 cents. You buy the article abroad at 75 cents just the same; you pay instead of 25 per cent duty on the $1 value, the same rate on the inflated value, and the foreign article lands here at $1.25, underselling the American inflated article by 75 cents, making it impossible for any such procedure to prove successful.

Personally, I have given some study to this proposed change, and if I may speak merely personally in regard to it, I should like to be recorded as strongly in favor of the American valuation system. I think that the condition of world business makes it absolutely necessary that this change should be incorporated in the law, not merely for protective purposes but also for revenue purposes; and that this proposed change is just as desirable in a revenue tariff as it is in a protective tariff, for the object of a revenue tariff is to obtain by customs duties the entire amount of revenue which those duties, based upon the proper valuation, will produce.

I was talking sometime ago with a gentleman from New Hampshire in regard to this suggestion, and he said that he had recently an experience that illustrated the value of the change. He had received from a manufacturer, a maker of women's suits, a price on Irish tweeds. That was to be £10. He ordered one of those suits, received the bill for £10, and inclosed with it was a duplicate marked "For customs purposes only," in which the bill was made out for £8.

If in a small transaction like that an inducement to undervalue the import is yielded to, it is not difficult to realize how much undervaluation there is when the invoice may involve thousands of dollars. I have seen many letters from foreign manufacturers saying "Our price will be so and so, but for customs purposes we will send to you a duplicate invoice giving the foreign price at a much reduced figure."

There is unquestionably considerable undervaluation. Duties based upon foreign values, with our opportunity for actually arriving at the real foreign value being so meager, will never produce the full amount of duty that the rates are supposed to produce.

By a change to American valuation there will be eliminated this undervaluation, and even under a revenue law, as well as under a protective law, the rates will produce the full amount of revenue intended.

But so many of the reasons for American valuation have already been put in the record that I will not add to them, and will close my testimony unless there are some questions to be asked.

Senator McCUMBER. Are there any questions that any Senator desires to ask?

(No response.)

The committee is very much obliged to you, Mr. Marvin.

The next on our list is Mr. George C. Davis, special agent from New York.

## STATEMENT OF GEORGE C. DAVIS, SPECIAL AGENT IN CHARGE, PORT OF NEW YORK.

Senator WATSON. How long have you been a customs official, Mr. Davis?

Mr. DAVIS. I came into the service as a boy in 1890.

Senator WATSON. And have been with it continuously since?

Mr. DAVIS. Continuously.

Senator WATSON. And what do you do there?

Mr. DAVIS. I started as an opener and packer, became a clerk, examiner, chief examiner, acting appraiser, special agent. I am special agent now in charge of the special agency district of New York, including Comparative Value Report Bureau.

Before touching on the matters that I would like to speak of in connection with the proposed valuation plan, I want to refer to Mr. Marvin's reference to the number of ad valorem rates. He counts a comparatively few number of ad valorem rates through the bill. I have not compared the number of ad valorem rates in this bill with the Payne-Aldrich bill, but I do not think there are many more articles on the free list in this bill than there were in that bill, nor a great many more specific rates. The comparatively few number of ad valorem rates, referred to by Mr. Marvin, however, manages to keep 80 examiners going all the time in New York.

He refers to some of the schedules and gives a small number of ad valorem rates. One ad valorem rate may cover thousands of different articles; for instance, the ad valorem rate on lace. On Calais laces alone, the examiner in New York is keeping track of the market value of 500,000 numbers. One rate on chinaware would cover hundreds of decorations, hundreds of shapes and sizes of china articles.

The catch-all rates on manufactures of metal will cover thousands of manufactured articles; and also the catch-all rate on manufactures of wood. I do not think that merely counting the number of rates is any fair test as to the difficulties that might be encountered in arriving at the American valuation of the articles dutiable at ad valorem rates.

Senator SMOOT. That same thing has happened in every tariff bill, however. There is no change whatever in the American valuation from that of the foreign as to the division of laces or any other items that may be in the bill.

Mr. DAVIS. But 24 rates in one schedule does not mean that there is very little work connected with it.

Senator SMOOT. Of course, the work will be the same as it has been in the past.

Mr. DAVIS. The phases of this valuation plan that I wish to touch upon, are, first, the difficulties of administration and, second, the great difficulties in adjusting the rates to meet the new plan.

The value paragraph, section 402, Title IV, appears to provide for two methods of appraisement--the first part of the paragraph, the value of the domestic article applied to the imported article, when comparable and competitive; the last part of the paragraph, when no domestic value can be ascertained to the satisfaction of the appraising officer, the value of the imported merchandise for sale—going on to explain in many ways how to reach such a value.

In regard to the first method, I think it presents very serious administrative difficulties and requires a careful study of rates to adjust them to the higher valuation basis. The application of this method would require an immediate and exhaustive search throughout the markets of the United States for comparable and competitive domestic articles before the second method could be legally resorted to at all. And before we could determine what "comparable" and "competitive" meant, we would have to probably get judicial decisions, which would take a long time.

Let us face the situation just as it is. The law goes into effect on a certain day; the examiners or the appraising officers will be totally unprepared to meet this situation. I believe one gentleman stated that the appraisers in New York were now studying the proposition and drawing up regulations to put it into effect. I do not think this is true, because they are too busy doing their daily work, and from talks with the various examiners I do not think they have gone into it at all.

The first day the law is passed, they will be faced with finding the value of the domestic merchandise in the United States; as Mr. McNabb stated, the law provides that the importer can come down to the appraisers' stores with his invoice and samples of his merchandise.

Well, all of the importers of New York City that have invoices for merchandise dutiable at ad valorem rates will swarm down on the customhouse the first day; the samples will be given to the examiners; they will want to know what values the appraiser is going to put on those articles. The appraisers could not tell them to save their lives. The best they could do would be to keep those samples and tell the importers to come back later, and it would probably be an interim of several weeks or a month before they could possible reach or find the comparable domestic merchandise in the United States, make the comparisons, and get the values. Further, the importers could not furnish samples to any appreciable extent.

Senator SMOOT. You do not mean to say the examiners will not do one thing until the morning after this bill passes in establishing American valuation?

Mr. DAVIS. On the day before, Senator, they will be engaged every hour of the day endeavoring to clean up the day's business of the previous act.

Senator SMOOT. There will be, certainly, a collection of samples, and there will be, certainly, a collection of information.

Mr. DAVIS. I doubt it. If the Treasury Department would command them now to do it, they might do it. But they are not doing it.

Senator SMOOT. We will have some information from the Treasury before ever this bill is passed showing the difference between the imposition of these duties under the American valuation and the foreign valuation, or this bill will not be passed.

Mr. DAVIS. That may be true.

Senator SMOOT. Then we will have that much information, anyhow.

Senator WATSON. Is there any way they can be directed to make preparations?

Mr. DAVIS. We have had, during the past three or four weeks, examiners find for us as many American domestic articles compared for valuation purposes with the imported articles as they were able. We have only succeeded in getting in that time from them about 50 illustrations. I have them all tabulated here.

Senator MCCUMBER. Mr. Davis, is it impossible for the Treasury Department to just take the list of articles that are in this tariff bill and begin now, through their collectors and officials, to ascertain the present price, or what those things are selling for in the United States to-day?

Mr. DAVIS. That would involve thousands and thousands of articles Senator.

Senator McCUMBER. It would take time.

Senator GERRY. And it would take a great deal of extra help.

Mr. DAVIS. It would take a great deal of extra help. The examiners could not do this while they are doing their daily work.

Senator GERRY. Is not the time of the examiners occupied now?

Mr. DAVIS. The time of the examiners is fully occupied now, Senator.

Senator GERRY. And this additional work would require extra time or other examiners?

Mr. DAVIS. It certainly would.

Senator SMOOT. I was told by the Treasury Department that they had 80 men collecting this very information to submit here to this committee that I have referred to.

Mr. DAVIS. I have the information right here on one phase of the subject. There is another phase of the subject. They are taking the new specific rates in the bill where the former rates were ad valorem and they are making a comparison. This will take them several weeks. They have not that information yet.

But let us suppose that the examiners can, within a few days, get the values of these samples, these thousands of samples. They will have to retain these samples and take a record of values which will mean making invoices of the ad valorem importations that came into New York for that day. When the merchandise arrives and comes before them for examination, they will have to take all of these thousands of samples and check them against the goods in the cases to see if the goods really have arrived, and check them against all of those recorded American prices if they are successful in finding them.

Take the other ports. They will be absolutely at sea. They can not take the American selling price of the importers in their town, because the American selling price of the imported article, if they jump to the second method of appraisement, will probably be taken from the selling prices of the foreign agents in New York, which will mean that the New York examiners, in addition to all the work that they have already, will have to tell appraising officers all over the country what values to use, involving again thousands of samples.

Senator SMOOT. Providing they all come in on that particular day.

Mr. DAVIS. The merchandise will come in.

Senator SMOOT. That is not every kind of article.

Mr. DAVIS. In one day in New York you will get articles from practically almost every large line of merchandise.

Senator SMOOT. Your position is that this never can be changed?

Mr. DAVIS. No; that is not my position; but if it is going to take two or three weeks or a month to get this information, you will have the merchandise tied up tighter than a drum.

Senator SMOOT. You will have three months before ever this bill is in operation from to-day.

Senator GERRY. Do you think you can get this information in three months?

Mr. DAVIS. For practical purposes of appraisement I do not think we can.

Senator WATSON. Even with a greater force? Suppose you could select the men you wanted and the number of men you wanted; could you not then do it?

Mr. DAVIS. We could undoubtedly gather a great deal of very valuable information.

Senator WATSON. Then it is not because of the insuperable difficulty per se, but because of the lack of the force to do it and the time in which to do it?

Mr. DAVIS. That is true; but the other great difficulty would be establishing this comparability.

Senator WATSON. That you never can do until the goods begin to come in. Of course, you can not make the comparison off-hand, but you can be prepared to do that.

Senator LA FOLLETTE. That will necessarily be a pretty slow process, will it not?

Mr. DAVIS. It will be a pretty slow process.

Senator WATSON. It is bound to be for a while.

Mr. DAVIS. Mr. Marvin referred to some price list. The chances are that it took some time to gather that information, perhaps months.

Senator SMOOT. If you have reference to the wool price list that he put in the record, everybody had that after the American Woolen Co. opened their samples.

Mr. DAVIS. Very likely price lists of that kind are published, but I do not think a serge weighing 4 ounces is necessarily going to be comparable to an English serge weighing 4 ounces.

Senator SMOOT. It would if it was a clay serge.

Mr. DAVIS. They have got to determine all that.

Senator SMOOT. That is in the list. They have got to determine exactly what kind of worsted it is.

Mr. DAVIS. They have got to determine the kind of wool that is in it.

Senator SMOOT. That is determined by the name of the worsted.

Senator LA FOLLETTE. And they have got to determine it by a comparison, piece by piece?

Mr. DAVIS. They have got to determine it by a comparison, piece by piece, with imported woolens to see if the finish is the same.

Senator SMOOT. I hope you will not have any more trouble with other goods than you have with worsted or woolen goods, because there is no doubt that that can be done.

Mr. DAVIS. I think the trouble in the woolen line would be less than it would be on a great many other lines.

Senator GERRY. That requires a trained examiner, does it not?

Mr. DAVIS. Yes, sir.

Senator GERRY. And then if you try to expedite matters by increasing your force you would have to put a lot of green men on?

Mr. DAVIS. And they would be worthless.

Senator GERRY. So you really would not be able to save a great deal of time even by increasing your force?

Mr. DAVIS. Probably not, but we could save a certain amount. Among our clerks we could find men sufficiently trained to be of a great deal of assistance to us.

Senator GERRY. But it would be a long process?

Mr. DAVIS. It would be a long process, in my opinion.

Senator GERRY. Which would mean a block?

Mr. DAVIS. I think it would.

The next question that arises is that appraisement is to-day, and always has been, based upon a 10 per cent examination of the

merchandise, on the assumption that if 10 per cent of the merchandise is properly described upon the invoices, if the facts stated upon the invoices are true and the values are correct, it is a fair assumption that the other 90 per cent is also correct. That has been the basis of our appraisement ever since we have had ad valorem duties.

Under this plan it will be necessary, at least, in the beginning, probably for months to come, for the appraiser to see most of the merchandise.

The New York appraisement stores will only hold about 8 per cent of one day's importations—no more. That pretty well crowds the building. If the examiners have got to view the other 90 or 92 per cent——

Senator SMOOT. Why have they got to do it? Are they going to be more dishonest after this bill goes into effect than they are to-day?

Mr. DAVIS. Your invoice is worthless, Senator. The invoice states the price paid for the foreign article. It does not state the American price.

Senator SMOOT. No; we agree to that, but the goods are invoiced, and if they are invoiced they are the same as they are to-day.

Mr. DAVIS. But in order to get at the value of the merchandise in the case that does not come in, the appraiser will have to get the case and open it to get a sample of the goods.

Senator SMOOT. He does to-day.

Mr. DAVIS. No; only the 10 per cent.

Senator SMOOT. Then why does not the 10 per cent answer in this case?

Mr. DAVIS. Because you have an invoice which shows prices paid, and the price paid for an article in the absence of anything else is conclusive as to its value, particularly if the prices of the merchandise before you are correct.

Senator MCCUMBER. Do you not also have the invoice of what the article is?

Mr. DAVIS. The article is described; yes.

Senator MCCUMBER. And if you find that 10 per cent is a fair estimate of accuracy, would it not apply just as much in determining whether the article were of the kind described as it would as to the value?

Mr. DAVIS. The articles in the other cases are different kinds of articles.

Senator MCCUMBER. But they are described.

Mr. DAVIS. They are described; yes, but not sufficiently to appraise without seeing them; and as every one of the appraisements will be litigated, probably, to begin with, the appraiser will have to have a sample of every quality and every kind of merchandise.

Senator SMOOT. Do you mean to tell me that if an invoice comes in just now of 20 different kinds of goods you would take one-tenth of it and just examine two kinds of these goods to find out whether the values are right or not?

Mr. DAVIS. Practically, yes; with a record check against the other items.

Senator SMOOT. Then you entirely rely upon the honesty of the foreign exporter?

Mr. DAVIS. That has been the system. If you want another system you will have to have a standing army to do the work.

Senator SMOOT. I would just as soon use the same system. I do not think our manufacturers are any more dishonest than the foreign manufacturers are, and I will take their word just as quickly as I would that of a foreigner.

Mr. DAVIS. That may be true; but you will find that 99 per cent of prices paid for foreign merchandise is either foreign market value or more.

Senator SMOOT. Then will you have any more trouble under this valuation at all? I can not see that there is a particle of difference in it.

Mr. DAVIS. But we will not have an invoice, Senator. All we do now is to check the values to see if they are correct.

Senator LA FOLLETTE. And you are driven to take samples.

Mr. DAVIS. Under this plan we will have to make invoices; we will have to put down the values of all articles, and at first undoubtedly take samples of all.

Senator SMOOT. You will have an invoice as to the foreign price, just the same as you have got it now. But upon that invoice you have got to put an American valuation for duty purposes. You will have the same invoice that you have now. The only thing that you are required to do on that invoice that you do not do to-day is that you have got to put an American valuation instead of a foreign valuation on it.

Mr. DAVIS. And that is a tremendous task, setting down all of those thousands and thousands of prices upon thousands and thousands of invoices. All that can be done, Senator. I do not say it can not be done. I am only showing you the difficulties that will undoubtedly arise in attempting to do it.

Senator LA FOLLETTE. And you say it will take a standing army to do it?

Mr. DAVIS. If you are going to look at practically all the merchandise, it certainly would.

The CHAIRMAN. Mr. Davis, the great drawback about the present system, as I understand it, is the lack of a sufficient force of appraisers in Europe, is it not, or of investigators, or whatever you call them?

Mr. DAVIS. That, in my opinion, is one of the principal difficulties to-day

The CHAIRMAN. You have only some 7 or 8 or 10 now?

Mr. DAVIS. Six.

The CHAIRMAN. And how many ought you to have?

Mr. DAVIS. At least 15.

The CHAIRMAN. If you had a large force of that kind, say 25, could you not operate quite effectively under the present system?

Mr. DAVIS. I think that if we had a force of 25 we would get an accurate market value of practically all merchandise in the world that has a market value, without a doubt.

The CHAIRMAN. And you would be operating under a system that has been the subject of legal decisions for 50 years?

Mr. DAVIS. Yes, sir.

The CHAIRMAN. More or less.

Mr. DAVIS. Yes, sir.

The CHAIRMAN. So that there would be no new litigation to be introduced.

Mr. DAVIS. No, sir.

The CHAIRMAN. I have nothing more to ask.

Mr. DAVIS. There is another serious question of administration——

Senator SMOOT. Senator Penrose, we will be operating under a system in which we can not put a penalty high enough to take care of the difference in the exchange value of foreign moneys.

The CHAIRMAN. Why?

Senator SMOOT. Because you can not do it. Three hundred per cent will not make the difference between the gold value to-day of a mark and the purchasing value of a mark in labor and goods in Germany.

Senator WATSON. If you did, the American people would misunderstand it and not stand for it at all.

Senator LA FOLLETTE. If you did, they would understand it.

The CHAIRMAN. We do not want to give them something they will not understand.

Senator SMOOT. You would give Austria and Poland and Germany and that class of countries an advantage so that they would shut out England and France and Belgium and Italy. They would have no chance at all to import goods here, as long as Germany and Austria and Poland could make the goods.

Senator LA FOLLETTE. You would give those countries that have been destroyed an opportunity to rehabilitate themselves and buy some of our products.

Senator SMOOT. Germany is in better condition than any country in the world to-day.

Senator LA FOLLETTE. She is in a very fortunate position in one respect, she is not maintaining a standing army or building a navy, thereby placing an extra load upon her taxpayers.

The CHAIRMAN. I simply wanted to ask the witness what he could do under the present system.

Mr. DAVIS. I think the present system can be greatly improved, but I do not think that this is a practical improvement.

Senator DILLINGHAM. Do you base your objection to the proposition in this bill upon the amount of work that it would make the appraisers, or the difficulty?

Mr. DAVIS. The difficulty, first, Senator. I do not say that it can not be done, but I do know the great difficulty which will face us in the beginning. I do know a week's delay or a two week's delay will tie up the import commerce of the United States to a serious extent.

Senator SMOOT. There will be a great deal of work in order to put it into operation. Anybody that knows anything about the customs service knows that; but I take it for granted that if it is decided by this committee there will not be a day lost in the Treasury Department in getting this information, so that by the time the bill is in operation the greater part of that information necessary can be collected. It certainly can be collected upon the ordinary lines of goods that come into this country, the value of which everybody knows, not only in this country, but foreign countries, and which perhaps amount to 75 per cent of all the importations. I recognize the fact that when novelties come in and articles that would be hard to find a comparison for with goods made in this country, it would take some time, and perhaps give the importer some little trouble to get his goods through the customs service in a proper way.

Senator MCCUMBER. Mr. Davis, if you, under the present system, should receive 20 boxes of serge goods, described with the number of

ounces per yard of each kind, and you should open two boxes and should find them correct, would you accept the other 18 as being correct?

Mr. DAVIS. Yes, Senator.

Senator MCCUMBER. And that is your system, examining 10 per cent?

Mr. DAVIS. Yes, sir.

Senator MCCUMBER. Then if you found them correct and relied upon them as to the price, would not you also rely upon the contents of the invoice of the other 18 boxes as to the character; and if you could rely upon the character by an examination of 10 per cent, why would it be difficult, then, to apply the American price simply to those things as described?

Mr. DAVIS. If that was one line of merchandise, Senator, say 10 cases of wool goods, wool cloth of various qualities, undoubtedly the description upon the invoice could be relied upon for the other 8 cases; and if the American prices were known for those various cloths, those prices could be set down upon the invoices. For instance, we have invoices coming in, combination invoices, and there will be almost everything under the sun in the cases—all kinds of merchandise, china in one case, woodenware, perhaps, in another, toys in another, cutlery in another for the large department stores. The examiners do check the values of the cases that do not come in with their records of foreign value. They do do that, and in many, many instances, where they are in doubt, they order in cases for examination. I am speaking of the more or less miscellaneous shipments. On straight lines of merchandise you can depend, as a rule, upon the invoice description for the balance that does not come in.

Senator MCCUMBER. If you have the correct description even of the miscellaneous goods in the other 18 cases and you could rely upon that by a description of two cases, it would seem to me that you could apply the American valuation with no more trouble now than you ascertain whether the foreign valuation is correct.

Mr. DAVIS. That question would be litigated, because the courts have now held that you can not appraise merchandise that you do not see.

Senator SMOOT. But you are doing it.

Mr. DAVIS. No; if we do not disturb the values of the items not viewed there is no contest. If we do, however, we must order in the goods and view them.

Senator MCCUMBER. You simply approve the invoice character of the goods——

Mr. DAVIS. Under this plan we must set down entirely new values. At the beginning of the law and for some time to come probably every one of those values would be litigated. They would be attacked by the importers, or, on the other hand, perhaps by the American manufacturers under the other feature of the bill. So the appraisers, to protect themselves, would have to have samples of the merchandise.

There is another feature that is worthy of attention. We have to-day over one hundred and thirty millions of dollars' worth of merchandise coming in through the mails, parcel post.

Senator DILLINGHAM. Annually, you mean?

Mr. DAVIS. Yes, sir.

The CHAIRMAN. Through the mails?

Mr. DAVIS. Yes, sir, by parcel post—over a hundred and thirty million dollars' worth of merchandise. It is becoming a very serious question. Most of this merchandise is examined in the post offices. The examiners that examine these parcel-post shipments have to depend in a great measure upon the declarations of the values that accompany the merchandise, and experience has shown us that those declarations as a rule represent foreign market value or more, and wherever the examiners suspect that the value is too low—and they have a splendid sense of values—they get the importer of the parcel-post package and get his private invoice to see what he has paid for the merchandise. The private invoice would be worthless to the appraiser under this system. The declaration would be worthless to him.

Senator SMOOT. How does he arrive at the foreign value? Is it not by finding out the value of the goods that the American store is selling?

Mr. DAVIS. No, sir.

Senator SMOOT. How does he get it?

Mr. DAVIS. He has a system of records. He is constantly in touch with the particular expert in the appraiser stores that examine the particular line that comes in regularly. He has his records of the foreign value, but that does not cover all the merchandise. For a great percentage of it he trusts to his sense and the truth of the declaration.

That is a serious situation.

Senator SMOOT. Take fourth-class, third-class and second-class postmasters. They know very little about the value of goods in a foreign country.

Mr. DAVIS. They do not do the appraising. We have our own men to do the work.

The CHAIRMAN. You have mentioned an importation of great magnitude. I suppose the average value of these parcels is comparatively small, is it not?

Mr. DAVIS. As compared with the freight shipments they are comparatively small.

The CHAIRMAN. It must make the expense of collecting the duty very considerable, I should think.

Mr. DAVIS. The expense for parcel-post examinations is heavy.

The CHAIRMAN. Almost out of proportion to anything the Government gets out of it, I would imagine.

Senator LA FOLLETTE. You stated the value at about a hundred and thirty million dollars annually, did you not?

Mr. DAVIS. Yes, sir.

The CHAIRMAN. How would those parcels run in average value?

Mr. DAVIS. I do not know.

The CHAIRMAN. Take the average of the whole aggregation. Have you any idea what it would average—$5 or $1 or $10, or what?

Mr. DAVIS. Diamonds come in the mails.

Senator WATSON. How much revenue did you get from them last year and what did it cost to collect it?

Mr. DAVIS. I have not the figures on that.

The CHAIRMAN. You mean the shipments are of a commercial character that are sent through the post?

Mr. DAVIS. Yes, sir.

The CHAIRMAN. I did not know whether they were what you might call of a social character, that is, some article sent to a friend.

Mr. DAVIS. No, sir; I am not taking into account the tremendous amount of ordinary and registered mail that we also get. All of that would have to be appraised on the American valuation plan, too, but they are small shipments and comparatively of small value.

Another difficulty would be in passengers' baggage all over the United States, amounting to many millions of dollars, with thousands of small shipments coming over our northern and southern borders. That class of merchandise is not handled by experts. We could not have enough experts in the country to stretch all along our northern and southern borders.

Senator SMOOT. They take their word for the values?

Mr. DAVIS. To a certain extent they do. Since we have established the C. V. R. Bureau they are checked up. Before that there was absolutely no check on that class of merchandise.

Domestic comparability I think is extremely difficult to define, but if it were clearly defined I think it is more difficult to practically apply. To value one article from the price of another, the articles, in my opinion, must be identical. If they vary in size, material or structure the comparison ceases for value purposes, unless elements of cost of production in widely dissimilar markets are analyzed so that adjustments in value can be intelligently made.

Senator SMOOT. How do you do it with foreign importations?

Mr. DAVIS. We do not have to compare them, sir.

Senator SMOOT. You have to compare them in order to arrive at a value?

Mr. DAVIS. We do not have to compare them with something else. We have to find out the facts, what they sold for in the open market. Occasionally we do compare an imported article with a similar imported article, imported by somebody else. It has got to be the same thing. Appraising officers in general have neither the time nor the ability for these comparisons, and if they did, probably each appraisement would be litigated every step of the way.

Let me give you one example.

In one case the examiner had an imported Japanese doll. He tried to find out if there was a doll made in the American market comparable and competitive. He found one. If you should lay the two dolls side by side it would be difficult to tell one from the other. They were both made of celluloid. They were both of the same size. They both had the same style of hair and the same style of features. The American made article sells for $32 a dozen. The imported article sells for $22 a dozen. The chances are that the examiner would apply $32 to the $22 article. A close inspection was made of the article, with this result, that the American-made article weighed nearly twice as much as the foreign made article. In other words the celluloid in the foreign article was very, very thin, while the celluloid in the American-made article was much thicker. That looked like an ideal comparison. In finding comparable merchandise you are going to run into that kind of thing all the time.

Senator SMOOT. You can take a piece of 12-ounce cloth and a piece of 14-ounce cloth and lay them upon this table, and I defy any man living to tell how much difference there is between the two pieces of

cloth. You could not look at them and see the difference; you have got to weigh them.

Mr. DAVIS. Nor can you appraise 12-ounce cloth as against 14-ounce cloth unless you take into consideration the finish and weight.

Senator SMOOT. It may be finished in exactly the same way. They may have exactly the same cloth; they may have the same pick, the same number of threads in the warp, but there will be that difference in the spinning of it. That is what makes the difference as between the 12-ounce cloth and the 14-ounce cloth. You have got to weigh it at the time.

Mr. DAVIS. But you could not appraise that doll on the value of the imported article?

Senator SMOOT. Certainly.

Mr. DAVIS. Well, how could you do it?

Senator SMOOT. They are not comparable in that one is heavier than the other, but——

Mr. DAVIS. You could not use the value of the American article and apply it to the imported article.

Senator SMOOT. No.

Mr. DAVIS. Then your comparison ceases.

Senator SMOOT. If the weights were the same?

Mr. DAVIS. You would have to go to Japan to get the cost of the doll.

Senator SMOOT. You could go to the manufacturer in America and ask what a doll of that kind would cost, just the same as a cloth manufacturer can tell you what is the difference between these different pieces of cloth.

Mr. DAVIS. That might be done, but who has the time to do it?

Senator SMOOT. I do not know about the doll, but I know you can get information in a few hours with reference to the cloth.

Mr. DAVIS. The gentleman who has the doll may have a thousand other articles on the same day. Adjustments for differences will take a long time.

Senator SMOOT. Of course, it will take time. This can not be done in 15 minutes. We all know that.

Mr. DAVIS. I am pointing out the administrative difficulties.

Senator SMOOT. What you say is true. It has to be met.

Mr. DAVIS. I think it is true.

The instances where you are going to find comparable articles are going to be few, except as to some articles and raw materials. As to raw materials that take the ad valorem duty, if we have such a thing, or there is such material in the United States, I think that can be readily located and a price readily set.

Senator WATSON. Did you appear before the Ways and Means Committee of the House?

Mr. DAVIS. Not on this bill.

Senator WATSON. You did not appear to answer questions on this particular bill?

Mr. DAVIS. No, sir.

Senator WATSON. You were not examined on this question by that committee?

Mr. DAVIS. No, sir.

Appraising at full domestic valuation requires a material reduction in rates, based for many years past on foreign market values, to escape making such rates prohibitory. Unless these rates are care-

fully analyzed, they may become prohibitory. It is not seen how this can be fairly done unless American prices and foreign prices are known and compared and rates adjusted according to the differences between them.

The appraiser at New York has furnished data, consisting of some fifty articles of importation as closely comparable to domestic articles as he could find, showing the American selling prices of the imported and domestic articles.

The first article is cotton embroidery from Switzerland. The imported article sells for 9 cents; the American article for 8.5 cents per yard. The rate under the act of 1909 was 60 per cent; under this act it is 60 per cent, and under the new bill it will be 37.5 per cent. The amount of duty that would have been collected under the Payne-Aldrich act on the same valuation would have been 2.5 cents; at the same valuation under the 1913 act it would have been 2.5 cents, and under the new bill carrying 37.5 per cent, at the domestic price the duty would be 3.1 cents. Consequently, the rate, which has been reduced from 60 per cent to 37.5 per cent, is not a reduction but an increase of 24 per cent.

Senator SMOOT. That may be true.

Mr. DAVIS. In going through this list, I find these irregularities and inequalities that come about through an attempt to set up rates under this mathematical formula which has been given.

Senator SMOOT. Will you give me those figures again?

Mr. DAVIS. Nine cents a yard was the Switzerland price.

Senator SMOOT. The American price was what?

Mr. DAVIS. Eight and five-tenths cents per yard.

Senator SMOOT. And what is the rate under this bill?

Mr. DAVIS. Thirty-seven and five-tenths per cent. The rate under the old bill was 60 per cent.

Senator SMOOT. Then you say that under the Payne-Aldrich bill it was what?

Mr. DAVIS. Sixty per cent.

Senator SMOOT. Yes; I know that it was 60 per cent, but I mean the amount of money?

Mr. DAVIS. Two and one-half cents a yard.

Senator SMOOT. The Underwood bill was 60 per cent?

Mr. DAVIS. Sixty per cent, bringing the same amount—2.5 cents.

Senator SMOOT. On the Swiss valuation of 9 cents, how do you make 2.5 cents? It is really 5.4 cents.

Mr. DAVIS. Oh, this is the selling price of the American article in the United States. The 60 per cent was taken on the foreign value.

Senator WATSON. Just explain what you mean.

Mr. DAVIS. The amount of duty was 2.5 cents per yard. The 60 per cent was 60 per cent of the foreign value of the article at that time.

Senator SMOOT. If it were 2.5 per cent on that, it would be less than 4 cents a yard.

Mr. DAVIS. You take the——

Senator SMOOT. On the foreign value. That would be 2.40; 60 per cent of 4 cents is 2.40.

Mr. DAVIS. Yes.

Senator SMOOT. So it would be 4 cents a yard.

Mr. DAVIS. A little over.

Senator SMOOT. Did that sell for 9 cents?
Mr. DAVIS. Nine cents.
Senator SMOOT. There is no profit.
Mr. DAVIS. Duty, freight, insurance, importers' overhead, and a fair profit practically doubles the foreign value.
Senator SMOOT. This article sells for——
Mr. DAVIS. At the present time for 8.5.
Senator SMOOT. But I do not want the present time.
Mr. DAVIS. Of course, under the act of 1909 it was lower.
Senator SMOOT. What was the selling price of this same lace under the Payne-Aldrich bill?
Mr. DAVIS. I do not know.
Senator SMOOT. It was not 8.5 cents?
Mr. DAVIS. No; it was less.
Senator SMOOT. More than likely it was about 4 cents.
Mr. DAVIS. It may have been.
Senator SMOOT. It would be 37.5 per cent on that instead of 37.5 as you have it now.
Mr. DAVIS. But wait a minute. The market value would have been lower at that time, too.
Senator SMOOT. Yes; but you are attempting now to compare it one way, and you are bringing it up to these prices—that is, to-day's prices—high wholesale prices. That is not fair.
Mr. DAVIS. The relationship is the same. Sixty per cent of the foreign value is 2½ cents; 37½ per cent of American selling prices is 3.1 cents, a higher rate, not a lower.
Senator SMOOT. If the relationship is the same, then, of course, it ought to be 60 per cent of 9 cents. You have got to work it both ways; you have got to do it in each case just alike.
Mr. DAVIS. Of course, it would be impossible to go back and get the prices in 1909. I have assumed that the relationship, as it relates to the article, has been the same, and I think it is. The foreign price was lower at that time.
Senator SMOOT. Then it would not be applied because in one case it would be 37.5 per cent under this bill and the other way it would be 60 per cent.
Mr. DAVIS. But it would not make a great difference in the equivalent of this particular article.
Senator SMOOT. It would make no great difference wherever the foreign price is greater than the American price, but the principle is this, that if the American price is higher than the foreign price then, of course, with the old rate named in the bill it would result in an increase in the duty. There is no doubt about that. Nobody is denying that at all.
Mr. DAVIS. But I thought the effort was to get the reduced rate to the same equivalent, and the higher rate of 1909——
Senator SMOOT. It will be a lower rate.
Mr. DAVIS. It will be lower or should be.
Senator SMOOT. There is no doubt about that. No one in favor of the American valuation plan will say that.
Mr. DAVIS. My purpose in showing the figures was to demonstrate the inequalities that will come up, to show that the rates under this mathematical formula will make a great many articles prohibitory.

Senator SMOOT. If we use the same old ad valorem rate.

Mr. DAVIS. Yes; if we use the same old ad valorem rate.

Senator SMOOT. That is true.

Senator LA FOLLETTE. You mean the ad valorem rate fixed in this bill, do you not?

Mr. DAVIS. Yes. How can rates be adjusted to fit the true conditions?

Senator SMOOT. On the other hand, you could not put the rate in here high enough to protect certain manufactured goods here against a 1.3 cent mark.

Mr. DAVIS. The value of the mark has gone down, but it takes a great many more marks to buy the articles.

Senator SMOOT. Every gold mark they give they get three times the amount of labor for.

Mr. DAVIS. True. The figures show that the gold value of the German article had gone up for home consumption, and the other value had gone up——

Senator SMOOT. The exportation value, you mean?

Mr. DAVIS. And the home value.

Senator SMOOT. But not as much. If they want to cut the exportation value, they can take the trade. There is no doubt about that.

Senator LA FOLLETTE. Go ahead, Mr. Davis, and give us the figures you have there. We want them in the record.

Mr. DAVIS. I would like to put them in.

I agree with you, Senator Smoot, that in order to get an accurate comparison you would have to get the prices of 1909, but the purpose of the figures is to show the tremendous inequalities that will crop up.

Senator SMOOT. I know that.

The CHAIRMAN. What is the highest rate you figure in the present bill, the bill before this committee, under the system of valuation that has been adopted?

Mr. DAVIS. Here, for istance, is an imitation pearl necklace. The equivalent, applying the same valuation to the 1909 act, makes it 700 per cent higher.

Senator MCCUMBER. Let me see if I understand you. You have taken, however, the cost of that pearl necklace in 1909—the foreign value?

Mr. DAVIS. No, sir; I have taken the value to-day.

Senator MCCUMBER. You have taken the value to-day?

Mr. DAVIS. Yes.

Senator MCCUMBER. And you have compared it, then?

Mr. DAVIS. And applied the 1909 rate to that value to-day to see how much duty it gives us. I have applied the new rate to the same value to see what the result will be and have compared the two.

Senator WATSON. What are your conclusions?

Mr. DAVIS. My conclusion is that the system employed to reduce the rate is not going to fit the conditions.

Senator SMOOT. In some cases?

Mr. DAVIS. In the majority of cases, Senator.

Senator SMOOT. I think "majority" will be right. I think they have got to, as long as the exchange exists as it does in foreign countries to-day. I said yesterday and I say now that the tariff which we pass to-day is not going to stay on the statute books if the conditions

of exchange in the foreign countries are improved within the next three or four years. There will be an amendment to this bill if the American valuation goes into effect.

Mr. DAVIS. How will the application of the American selling prices affect the exchange proposition?

Senator SMOOT. Well, because wherever the exchange is low it will work in this way. For instance, Austria, Poland, and any of the Czecho-Slavic nations can make goods cheaper than it would be possible to if their market and their money were on a parity with our money, or if there were no greater difference than there was under the Payne-Aldrich bill. The country that has a low value of money or has cheap money can make goods more cheaply than the country that has money worth 100 cents on the dollar, as we have.

Mr. DAVIS. Yes; but the low costs would be there just the same.

Senator SMOOT. No; they would not.

Mr. DAVIS. That is, to buy the goods a man would buy at the same price.

Senator SMOOT. We will take Germany as an example. When the German mark was 24 cents, it was 24 cents in gold.

Mr. DAVIS. Yes.

Senator SMOOT. They could not purchase any more labor in Germany with a mark then than they could with 24 cents in gold. To-day they can purchase more than three times as much with gold as a mark will bring in.

Mr. DAVIS. In Germany?

Senator SMOOT. Yes. And in Poland it is just as bad.

Mr. DAVIS. But appraising the American selling price will not alter that?

Senator SMOOT. Yes; because the goods are to be sold in this country.

Mr. DAVIS. But the cost remains the same, and that cost to-day in gold is much higher than in 1914.

Senator SMOOT. The other way it would be the value in a foreign country.

Mr. DAVIS. But if these German goods are the same character of goods as goods coming from England or some other country, you may shut off goods coming from England or some other country.

Senator SMOOT. Yes; that is what you will do.

Mr. DAVIS. Then, you are giving the German a wider field and he can stand higher duties.

Senator SMOOT. And then you let England in. He will always be in a position to cut the market.

Mr. DAVIS. Yes; but I think he will be in the same position under the American price plan because the difference would not bring the Germans up to the American prices. They could still undersell. The Germans would not deliberately raise their prices over American prices, just to let English goods in.

Senator SMOOT. But it will help.

Mr. DAVIS. Yes, it will help; but it will raise the others, too.

Now, the second method of appraisement is this: If the domestic value can not be found to the satisfaction of the appraiser, he then finds the value of the imported articles for sale. I will admit that I do not understand this paragraph in regard to that.

Senator SMOOT. That is section 402.

Mr. DAVIS. Yes. It is to the effect that when such value can not be ascertained to the satisfaction of the appraiser it may be ascertained by taking the value of the imported merchandise on said date for sale, whether or not there shall be an actual sale. That means to me that if there is an actual sale that the sales price would be taken irrespective of what the balance of the paragraph says. Now, if there is not an actual sale, but there is an offer for sale, the offer would be taken, irrespective of what the balance of the paragraph says.

Senator SMOOT. That is, whatever the article was that was offered for sale at that time or on that date, in case there was no sale, then that should be the price.

Mr. DAVIS. But according to the reading of the paragraph that price should not be the accepted valuation until after he had borne in mind the legislative intent of the Congress and reached its fair value.

If that value for the sale, in his opinion, is not a fair one—and just what a fair value is I do not know—he would not necessarily have to take it under this paragraph. Then he is allowed to do almost anything. It says he shall take into consideration, among other matters, the selling price of the domestic article. Well, if he has the selling price of the domestic article, he goes back to the first method and takes that, or he takes into consideration the cost of materials in the domestic article, and he considers that, or he takes the foreign market value, and he either adds expenses or costs and duties, or he does not add them, just as he pleases. I think you cut out a tremendous job for the appraiser.

Senator SMOOT. There are few articles that fall within this class.

Mr. DAVIS. I think there are a great many. There are enough to make it troublesome.

Senator SMOOT. There are not so many articles, I think.

Mr. DAVIS. If the appraiser should take the sale price of the imported article, the tendency would be, provided he takes it gross, to drive every American wholesaler and every American jobber out of business, because that would enable the agent of the foreign manufacturer to come into the United States and sell direct in the United States, because the overhead of the agent would be very much less than the overhead of the American wholesaler. The tendency would be to drive out the American wholesaler and bring in the foreign agent or the branch house, taking only their foreign mill profit.

Senator SMOOT. The foreign manufacturer, if he undertook to do that, would find that those are all the goods that he can sell in this country. No merchant in the United States would buy of him if he undertook to sell goods in this country.

Mr. DAVIS. But it is done widely to-day, not for the same purpose but to disguise the foreign values in a closed market. The foreign agents sell many lines right in this country.

Senator SMOOT. Not to the retailer.

Mr. DAVIS. Oh, yes; often to the retailer.

Senator SMOOT. Then he does not sell to anybody else.

Mr. DAVIS. Plenty of agents sell to the retail stores, but even if he sold to the wholesaler, that would prevent houses out in the Middle West selling to their wholesale trade, because it would have a tendency to lower that import price and would enable him to pocket the difference in the duty, as the duty would be less.

Senator SMOOT. There are three or four ways of arriving at the value. I take it for granted that the American appraiser would be interested in arriving at the true value of the goods.

Mr. DAVIS. The only value he could use would be the sale value in the absence of domestic merchandise.

Senator SMOOT. That is the best value you can possibly have.

Mr. DAVIS. Yes, that is the sale value of the agent.

Senator SMOOT. That would be exactly the same in any case. That would be the sale value on American goods. There is no sale value on foreign goods.

Mr. DAVIS. This provision would have this tendency.

Senator SMOOT. We could make that clearer by changing the wording in such a way that there would be no question about it.

The CHAIRMAN. I want to endeavor to pursue the subject with an open mind. I am merely seeking information. I recognize fully the difficulties of the situation.

I am informed—and I make the inquiry—that there is in the pending bill a duty on dried egg yolks which undertakes an increase of 1,200 per cent over the duty carried in the Payne-Aldrich bill. Do you recall whether that is correct or not?

Mr. DAVIS. Yes, I have heard the facts on that.

The CHAIRMAN. There would be that increase?

Mr. DAVIS. The market value to-day is 16 cents a pound, and the duty under the present bill is 20 per cent ad valorem, making 3.2 cents duty. The rate under the new act is 15 cents a pound, as compared with the duty under this act, of 3.2 cents, or an increase of about 11 or 12 cents.

Senator LA FOLLETTE. That is, if you applied to that product to-day the Payne-Aldrich bill.

Mr. DAVIS. No, the rate under this new bill.

Senator LA FOLLETTE. I understand, but I say you would have the difference that you have mentioned if you should apply the Payne-Aldrich bill and this bill to the values of to-day?

Senator SMOOT. It is less than 500 per cent.

Mr. DAVIS. It is an increase of 11.8 over 3.2.

Senator SMOOT. The difference is four hundred and some per cent. I can give it to you exactly. It is 420 per cent. What is the value of the dried egg yolks to-day?

Mr. DAVIS. Sixteen cents a pound, I am informed. That is the market value.

Senator SMOOT. What was it under the Aldrich bill?

Mr. DAVIS. I do not know.

Senator SMOOT. That would tell a better story.

Mr. DAVIS. Fifteen cents about is nearly 100 per cent.

Senator SMOOT. The rate is altogether too high.

Mr. DAVIS. Yes.

Senator SMOOT. But you would have to have the rate at the time of the bill to get it right.

Mr. DAVIS. That is, compared with the act of 1913.

Senator SMOOT. That is the Underwood bill.

The CHAIRMAN. The representatives of an industry were here the other day seeking a provision for an increase, but they were too late. I do not imagine for a moment that they asked for such an increase as this.

Senator SMOOT. The dye people asked for a greater percentage than this.

Senator LA FOLLETTE. You have more data, have you, Mr. Davis?

Mr. DAVIS. I have suggestions in regard to changes in the present valuation system.

The CHAIRMAN. You say you have suggestions as to the correction of the present system?

Mr. DAVIS. Yes.

The CHAIRMAN. I would like very much to hear them.

Mr. DAVIS. My suggestion is that the American manufacturer come forward with his domestic product and show the comparability of that product to the imported article that is in competition with it. In other words, where there is an article made in the United States practically comparable with an article made in a foreign country, appraise the imported article and no other at the domestic price, but not gross; take out of the domestic price the freight, insurance, and other transportation expenses incurred in bringing the imported merchandise to our shores; the duty and a reasonable profit and expense not to exceed, say tentatively, 8 and 8 per cent. You are then building from the American selling price of the domestic article a pretty fair and constructive foreign market value to be applied to the imported article that is directly comparable to the American-made article, eliminating foreign value and all possibility of undervaluation. In instances where the interested party comes forward to some one—and I should say preferably the Secretary of the Treasury—and shows the comparability, then let the Secretary of the Treasury proclaim this article if it is comparable and all such articles coming from foreign countries, appraising on the value of the domestic article less the deductions. Appraise the balance of importations at the foreign market value except——

Senator LA FOLLETTE. And increase the number of Treasury attachés.

Mr. DAVIS. Certainly, increase the number of attachés. There is another large class of merchandise that comes into this country that is sold in the United States by the agents and branch houses, with foreign markets closed to the American. He can not go to the market and buy. That class of merchandise should be appraised at the American selling price of the imported article. Take out of this price the duty, the expense of bringing the merchandise to our shores, and, if it is not sold, not more than 6 per cent commission. If actually sold, 8 and 8 per cent for profit and overhead. In this way we will be getting the full duty on all the money that is sent back to that foreign manufacturer. To-day we are not getting it in some closed market lines.

This would be my suggestion for the American selling price plan, and I consider it practicable from an administrative standpoint. It would give the American manufacturers protection on the articles they make that are comparable.

Senator SMOOT. You would have under that plan to do not only everything that is required under this law—section 402 of this bill—but you would then have to go further and deduct the freight, the duty, and the expense.

Mr. DAVIS. That is very simple.

Senator SMOOT. But it is that much more than under existing law.

Mr. DAVIS. It would apply to only a relatively small proportion of our imports.

Senator SMOOT. So will this apply to a relatively small proportion.

Mr. DAVIS. This paragraph of the House bill applies to everything that is imported.

Senator SMOOT. That, as you know, applies on a great deal of the merchandise imported into this country.

Mr. DAVIS. Yes; but under my plan we have given the appraiser something to stand on. There is solid ground here. Find the fair value? Keep in mind the legislative intent of Congress? Just what does this mean? We do not know what the legislative intent is.

Senator SMOOT. Your suggestion, I think; that it should be put in the form stated, would be better than the form we have here.

Mr. DAVIS. That is what I think.

Senator SMOOT. That, I think, is true; but I think you are bringing in another equation.

The CHAIRMAN. If the committee changes this valuation and amends the bill along the lines you suggest, Mr. Davis, will it not require a rewriting of the duties rather largely?

Mr. DAVIS. Yes, it will mean going back to the former basis.

The CHAIRMAN. It will mean rewriting the bill, will it not?

Mr. DAVIS. I think you will have to make the changes anyway.

The CHAIRMAN. Wouldn't that delay the passage materially?

Mr. DAVIS. I think, Senator Penrose, you would have to do it in either event. I think you will have to rewrite it in order to fit any American selling price plan.

The CHAIRMAN. Do you mean to rewrite the rates? If so, how?

Mr. DAVIS. Figure them out on an actual basis and not on a mathematical formula.

The CHAIRMAN. You mean to state that they are not properly described in the bill?

Mr. DAVIS. I do not think they fit actual conditions.

The CHAIRMAN. Do you mean to say that we will have to go over them all?

Mr. DAVIS. I think to properly reduce the rate you must compare foreign values with American selling values.

The CHAIRMAN. You do not mean this committee would have to do that; you mean your department?

Mr. DAVIS. Our department could do the preliminary work for your committee, if we had the men.

Senator SMOOT. We could not pass on this until we got that information.

The CHAIRMAN. Then we have quite a large task ahead of us?

Mr. DAVIS. I think you have.

The CHAIRMAN. Oh, I thought we would get through pretty soon. Have you anything further to say to the committee, Mr. Davis?

Mr. DAVIS. No, sir.

The CHAIRMAN. The committee is supposed to sit until 5 o'clock. If you have anything further to state, or if you desire to submit any extension of your remarks, so that they may be incorporated in your statement, you may do so.

Mr. DAVIS. I would like, Mr. Chairman, to submit the tabulation of comparable prices that I have prepared.

The CHAIRMAN. We would like to have it; we would be very glad to have it.

Mr. DAVIS. Then I would like to insert the tabulation at this point.

(The tabulation referred to is as follows:)

*United States sale prices of imported and domestic articles and comparative rates of duty.*

| Merchandise. | Country of export. | Wholesale selling price in United States. | | Rates of duty. | | |
|---|---|---|---|---|---|---|
| | | Imported article. | American article. | 1909 | 1913 | New bill. |
| Cotton, embroidery | Switzerland | 9 cents per yard | 8½ cents per yard | 60 per cent | 60 per cent | 37½ per cent. |
| Cotton, lace | Germany | 15½ cents per yard | 15½ cents per yard | ....do | ....do | 42 per cent. |
| Cotton, table damask | Ireland | 86 cents per yard | 56 cents per yard | 40 per cent | 25 per cent | 28 per cent. |
| Scissors, 5-inch | Germany | $7 per dozen | $6.50 per dozen | 75 cents per dozen and 25 per cent. | 30 per cent | 20 cents each and 35 per cent. |
| Pocketknives, "Boy Scout" | ....do | $9 per dozen | $10.50 per dozen | 20 cents each and 40 per cent. | 55 per cent | 20 cents each and 30 per cent. |
| Surgical instruments, artery forceps. | ....do | $9.18 per dozen | $13.20 per dozen | 45 per cent | 20 per cent | 60 cents per dozen and 35 per cent. |
| Earthenware, 7-inch plate, transfer, etc. | England | $3 per dozen | $2.63 per dozen | 60 per cent | 40 per cent | 28 per cent. |
| Smokers' articles, pipes | France | $48 per gross | $54 per gross | ....do | 50 per cent | 45 per cent. |
| Furniture, willow | Belgium | $5 each | $5 each | 45 per cent | 25 per cent | 40 per cent. |
| Grease-proof paper | Germany | 14 cents per pound | 14 cents per pound | 2 cents per pound and 10 per cent. | 35 per cent | 2 cents per pound and 15 per cent. |
| Earthenware, Rockingham teapot. | England | $5.50 per dozen | $4.20 per dozen | 40 per cent | 30 per cent | 28 per cent. |
| Brushes, artists', red sable | Germany | $1.05 per dozen | 84 cents per dozen | ....do | 35 per cent | 30 per cent. |
| Mirrors, 144 square inches, 5-inch round. | ....do | $2.15 per dozen | $2.60 per dozen | 45 per cent | 30 per cent | Do. |
| 16-ounce herringbone cheviot (men's). | England | $3.95 per yard | $2.875 per yard | 44 cents per pound and 55 per cent. | 45 cents per pound and 35 per cent. | 30 cents per pound and 24 per cent. |
| Artificial silk | England | $2.65 per pound | $2.65 per pound | 30 per cent | 35 per cent | 23 per cent. |
| Wool dress goods | France | $2.80 per yard | $2.75 per yard | 11 cents per meter and 55 per cent. | ....do | 30 cents per pound and 24 per cent. |
| Baskets, willow | Belgium | $10.29 per dozen | $10.29 per dozen | 35 per cent | 25 per cent | 40 per cent. |
| Asbestos cloth | England | 85 cents per pound | 90 cents per pound | 40 per cent | 20 per cent | 42 per cent. |
| Spun silk yarn | France | $4.34 per pound | $4.30 per pound | 35 per cent | 35 per cent | 28 per cent. |
| Celluloid dolls | Japan | $21 per gross | $33 per gross | ....do | ....do | 40 per cent. |
| Artificial silk braid | Switzerland | 75 cents per piece | 62½ cents per piece | 45 cents per pound and 60 per cent. | 60 per cent | 45 cents per pound and 37½ per cent. |
| Chamois skins | Belgium | $16 per dozen | $14 per dozen | 20 per cent | 15 per cent | 15 per cent. |
| Hats, men's straw | England | $36 per dozen | $21 per dozen | 35 per cent | 40 per cent | 40 per cent. |
| Brushes, fiber, nail | Germany | $2.90 per gross | $4.85 per gross | 40 per cent | 35 per cent | 35 per cent. |
| Harmonicas | ....do | $16.50 per gross | $33 per gross | 45 per cent | ....do | Do. |
| Rubber ball, toy | ....do | $18.81 per gross | $17.10 per gross | 35 per cent | ....do | 40 per cent. |
| Flavoring extract | Switzerland | $4.35 | $4.75 | | | |
| Plain glass stemware, 9-ounce goblets. | Belgium | $2.40 per dozen | $3 per dozen | 45 per cent | 30 per cent | 30 per cent. |
| Umbrella frame | Germany | $10.75 | $12 | 50 per cent | 35 per cent | 35 per cent. |
| Paper wall pockets of paper | ....do | $91 per 1,000 | $93 per 1,000 | 35 per cent | 25 per cent | 28 per cent. |
| Metal material for jewelry | Austria | $24 per 1,000 feet | $27 per 1,000 feet | 60 per cent | 50 per cent | 45 per cent. |
| Imitation pearl necklace (beads) | France | $3 | $4.50 | 35 per cent | 35 per cent | 40 per cent. |

*United States sale prices of imported and domestic articles and comparative rates of duty*—Continued.

| Merchandise. | Country of export. | Wholesale selling price in United States. | | Rates of duty. | | |
|---|---|---|---|---|---|---|
| | | Imported article. | American article. | 1909 | 1913 | New bill. |
| Precious stones, cut, unset | France | $2 per carat | $2.50 per carat | 10 per cent | 20 per cent | $20 per cent. |
| Medicinal preparations, nonalcoholic. | Switzerland | $3.45 per pound | $10.50 per pound | ¼ of 1 cent and 10 per cent. | 15 per cent | 25 per cent. |
| Men's collars | England | $4 per dozen | $4 per dozen | 40 cents dozen and 20 per cent. | 30 per cent | 28 cents dozen and 17 per cent. |
| Beaded bags | France | $24 each | $21 each | 60 per cent | 50 per cent | 40 per cent. |
| Needles, machine | Germany | $35 per 1,000 | $29.50 per 1,000 | $1 per 1,000 and 25 per cent. | 20 per cent | $1.15 per 1,000 and 25 per cent. |
| Handkerchiefs | England | $3.30 per dozen | $3.25 per dozen | 55 per cent | 40 per cent | 36 per cent. |
| Fish, tuna | Italy | $26 per case | $26 per case | 30 per cent | 25 per cent | 20 per cent. |
| Musical instruments (cornet) | Austria | $12 each | $18 each | 45 per cent | 35 per cent | 35 per cent. |
| Musical instruments (violin) | Germany | $2.50 each | $5 each | do | do | $1.50 each and 35 per cent. |

| Merchandise. | Country of export. | Amounts of duty. | | | Increase of rates over— | |
|---|---|---|---|---|---|---|
| | | 1909 | 1913 | New bill. | 1909 | 1913 |
| Cotton, embroidery | Switzerland | 2½ cents | 2½ cents | $0.031 | 24 per cent | 24 per cent. |
| Cotton, lace | Germany | $0.036 | $0.036 | $0.0644 | 78 per cent | 78 per cent. |
| Cotton, table damask | Ireland | $0.2408 | $0.1505 | $0.1568 | 34 per cent [1] | 4 per cent. |
| Scissors, 5-inch | Germany | $1.40 per dozen | 78 cents per dozen | $4.67½ per dozen | 232 per cent | 499 per cent. |
| Pocketknives, "Boy Scout" | do | $3.936 per dozen | $2.11 per dozen | $5.55 per dozen | 41 per cent | 163 per cent. |
| Surgical instruments, artery forceps. | do | $1.154 per dozen | $0.513 per dozen | $5.22 per dozen | 352 per cent | 917 per cent. |
| Earthenware, 7-inch plate, transfer, etc. | England | $0.924 | $0.616 | $0.7364 | 20 per cent [1] | 19 per cent. |
| Smokers' articles, pipes | France | $12 per gross | $10 per gross | $24.30 per gross | 102 per cent | 143 per cent. |
| Furniture, willow | Belgium | $1.18 each | $0.66 each | $2 each | 69 per cent | 203 per cent. |
| Grease-proof paper | Germany | $0.0283 per pound | $0.029 per pound | $0.041 per pound | 44 per cent | 41 per cent. |
| Earthenware, Rockingham teapot. | England | $1.332 per dozen | $1 per dozen | $1.176 per dozen | 11 per cent [1] | 17 per cent. |
| Brushes, artists', red sable | Germany | $0.1452 per dozen | $0.127 per dozen | $0.252 per dozen | 73 per cent | 98 per cent. |
| Mirrors, 144 square inches, 5-inch, round. | do | $0.5782 per dozen | $0.3855 per dozen | $0.78 per dozen | 36 per cent | 76 per cent. |
| 16-ounce herringbone cheviot (men's). | England | $1.545 per yard | $1.153 per yard | $0.99 per yard | 35 per cent [1] | 14 per cent. [1] |

| | | | | | | |
|---|---|---|---|---|---|---|
| Artificial silk | England | 72 cents per pound | 84 cents per pound | 61 cents per pound | 18 per cent less | 38 per cent less.[1] |
| Wool dress goods | France | $1.13 per meter | 62 cents per meter | 83 cents per meter | 35 per cent[1] | 34 per cent. |
| Baskets, willow | Belgium | $2.15 per dozen | $1.54 per dozen | $4.12 per dozen | 91 per cent | 167 per cent. |
| Asbestos cloth | England | 17 cents per pound | 8.9 cents per pound | 42 cents per pound | 147 per cent | 353 per cent. |
| Spun silk yarn | France | $1.06 per pound | $1.06 per pound | $1.12 per pound | 5½ per cent | 5½ per cent. |
| Celluloid dolls | Japan | $3.71 per gross | $3.71 per gross | $13.20 per gross | 256 per cent | 256 per cent. |
| Artificial silk braid | Switzerland | 31 cents per piece | 23 cents per piece | 31 cents per piece | do | 35 per cent. |
| Chamois skins | Belgium | 42.27 per dozen | $1.70 per dozen | $2.10 per dozen | 7½ per cent[1] | 24 per cent. |
| Hats, men's straw | England | $5.05 per dozen | $5.78 per dozen | $8.40 per dozen | 66 per cent | 45 per cent. |
| Brushes, fiber, nail | Germany | 57½ cents per gross | 50½ cents per gross | $1.70 per gross | 200 per cent | 236 per cent. |
| Harmonicas | do | $3.60 per gross | $2.80 per gross | $11.55 per gross | 220 per cent | 312 per cent. |
| Rubber ball, toy | do | $4.47 per gross | $4.47 per gross | $6.84 per gross | 53 per cent | 53 per cent. |
| Plain glass stemware, 9-ounce goblets. | Belgium | 54 cents per dozen | 36 cents per dozen | 90 cents per dozen | 66⅔ per cent | 150 per cent. |
| Umbrella frame | Germany | $2.81 | $1.97 | $4.20 | 50 per cent | 114 per cent. |
| Paper wall pockets of paper | do | $10.50 per 1,000 | $7.54 per 1,000 | $24.18 per 1,000 | 128 per cent | 220 per cent. |
| Metal material for jewelry | Austria | $5.20 per 1,000 feet | $4.73 per 1,000 feet | $12.15 per 1,000 feet | 134 per cent | 180 per cent. |
| Imitation pearl necklace (beads) | France | 22.5 cents | 22.5 cents | $1.80 | 700 per cent | 700 per cent. |
| Precious stones, cut, unset | France | $0.128 per carat | $0.256 per carat | $0.50 per carat | 290 per cent | 95 per cent. |
| Medicinal preparations, nonalcoholic. | Switzerland | 21.6 cents per pound | $0.324 per pound | $2.625 per pound | 1,115 per cent | 710 per cent. |
| Men's collars | England | $0.837 per dozen | $0.6555 per dozen | $0.96 per dozen | 14½ per cent | 46½ per cent. |
| Beaded bags | France | $5.76 | $4.80 each | $8.40 each | 46 per cent | 75 per cent. |
| Needles, machine | Germany | $4.565 per 1,000 | $2.85 per 1,000 | $8.525 per 1,000 | 86 per cent | 200 per cent. |
| Handkerchiefs | England | $1.23½ per dozen | 90 cents per dozen | $1.17 per dozen | 6 per cent[1] | 30 per cent. |
| Fish, tuna | Italy | $5.55 per case | $4.625 per case | $5.20 per case | 6.7 per cent | 12½ per cent. |
| Musical instruments (cornet) | Austria | $2.43 each | $1.89 each | $2.20 each | 10 per cent[1] | 17 per cent. |
| Musical instruments (violin) | Germany | 54 cents | 42 cents | $1.92 each | 255 per cent | 357 per cent. |

[1] Indicates that the rate in the new bill, based on American selling price, is a reduction of the 1909 rate on foreign value.

Mr. DAVIS. Senator Smoot does not think that using the prices of to-day shows the irregularities with respect to an ad valorem equivalent.

Senator SMOOT. Oh, do not misunderstand me. I have gone over the bill in detail enough to know that some rates have to be changed.

Senator LA FOLLETTE. It would be helpful if you could review your figures and make them applicable to the conditions when the Payne-Aldrich bill went into effect. Give all the examples that you have given there.

Mr. DAVIS. I can give these examples right here. I think the relationship remains the same.

Senator LA FOLLETTE. You think it does?

Mr. DAVIS. Yes, I think the relationship remains the same and that the same parity remains. I think that the application of the rates of that act to the values and the comparison of them with the rates under the new act will tell the story.

The CHAIRMAN. If Mr. Fix is here, he may want to say a few words to the committee now. Of course, the committee recognizes that he is an expert in these matters, and it would want to hear him fully. It seems to be the consensus of opinion of the committee that he should not be heard until to-morrow morning, when he will have more time.

I desire to state now to the committee that I have been notified by the Treasury Department that the Secretary of the Treasury will be here on Thursday morning with his responses to various inquiries relating to the funding bill. During that period we will suspend the hearings on this bill. The witnesses who were to be here on Thursday—some 10 or 12 in number—will be notified to be here on Monday instead of Thursday.

The committee stands adjourned.

(Thereupon, at 4.40 o'clock p. m., the committee adjourned until to-morrow, July 27, 1921, at 10.30 o'clock a. m.).

## Wednesday, July 27, 1921.

The committee met, pursuant to adjournment, in the committee room, Senate Office Building, at 10.30 o'clock a. m., Hon. Boies Penrose presiding.

Present: Senators Penrose (chairman), McCumber, Smoot, La Follette, Watson, McLean, Reed, and Gerry.

The CHAIRMAN. The committee adjourned yesterday with Mr. Davis, of the customhouse of New York, appearing as a witness. Mr. Davis, you are here this morning to continue, are you?

Mr. DAVIS. Yes, sir.

### STATEMENT OF GEORGE C. DAVIS, SPECIAL AGENT IN CHARGE, PORT OF NEW YORK—Resumed.

The CHAIRMAN. The committee wants to give you all the time you desire, Mr. Davis.

Before you go on in your own way I want to say this: On yesterday afternoon I made a memorandum of several questions that I would like to ask you formally.

The first question is: Will you refer to the tabulation of prices that you offered yesterday and explain why the reduced rates in the present bill will bring about a result in the amounts of duty higher than the duties collected under the rates in the Payne-Aldrich bill?

I understood you yesterday to state that would be largely the effect.

Mr. DAVIS. Yes, sir.

The CHAIRMAN. Will you explain that more fully?

Mr. DAVIS. As I understand the proposition, it is to assess an equivalent for the Payne-Aldrich rate on the selling prices in the United States that would not bring about a higher result than if the Payne-Aldrich rate were assessed to-day on the foreign market value. That is what I have done in this tabulation, which consists of some 40 articles, selected more or less at random, and selected with a view to getting comparable domestic articles.

The CHAIRMAN. Senator Walsh, since you have just come in, I will say that this is an important statement showing why, in the opinion of Mr. Davis, the rates calculated under this system adopted in the House bill will result in higher duties than under the Payne-Aldrich bill. He has some 40 articles.

Senator WALSH. I can see that that is an important statement.

Mr. DAVIS. The tabulation shows if the rate in the Payne-Aldrich bill were assessed on the market value of to-day it would bring about certain amounts of duty, which are all tabulated in the column headed "Amounts of duty" and under the figures 1909, the date of the Payne-Aldrich bill.

The tabulation also shows that if the rate of the Underwood bill, the act of 1913, were figured on the market value of to-day it would bring about certain amounts of duty; and those are tabulated in the column headed "Amounts of duty," under the figures 1913.

The Payne-Aldrich equivalent appearing in the House bill, arrived at through a mathematical formula, is then applied to the price of the comparable domestic article, and the amount that that brings is set down in the column headed "Amounts of duty" under the title "new bill"; and the results, applying the equivalent of the House bill, instead of showing a reduction in those rates, bring out the following inequalities.

It is shown, for instance, that the House bill reduces the rate in some cases as much as 36 per cent. That is in a small number of cases—five. But in 35 other cases the rate is increased from 24 per cent to as much as 1,115 per cent.

The CHAIRMAN. Have you a list of those articles?

Mr. DAVIS. Yes, sir; in this tabulation.

The CHAIRMAN. Have you put that in the record yet. Is it in the stenographer's notes?

Mr. DAVIS. They were put in the record on yesterday afternoon.

The CHAIRMAN. That is what I thought. Have you shown the increase in the duty on each article?

Mr. DAVIS. I have opposite each article the increase that is made under the act of 1909 and also the increase under the act of 1913.

Senator WATSON. And this bill under the American valuation plan.

Mr. DAVIS. Yes, sir.

Senator MCCUMBER. The increase is the ad valorem increase?

Mr. DAVIS. The increase is the ad valorem increase, expressed in this way. For instance, let me take this——

Senator WALSH. Take some one article for an illustration.

Mr. DAVIS. I take an item of cotton table damask from Ireland.

The imported articles sell on the American market for 86 cents a yard. The American article that the examiner has compared it

with sells on the American market at 56 cents a yard. Applying the rate of duty, 40 per cent under the Payne-Aldrich law, to the foreign market market value, would bring 24 cents duty.

Applying the rate of the 1913 act, 25 per cent, it would bring about 15 cents in duty.

Applying the rate under the new bill, which under the mathematical formula has been reduced to 28 per cent would bring about a duty of 15 cents, as compared with the amount of duty under the 1909 act of 24 cents; consequently, a rate is reached below the Payne-Aldrich equivalent.

Senator McCUMBER. You, in that table, are arriving at what the specific duty on a particular article will be under the ad valorem rate.

Mr. DAVIS. I am using the table to show how utterly impossible it is to adjust rates under a mathematical formula, because when you come to apply these rates on actual prices you do not get the results, or anywhere near the results, that you expected.

Senator McCUMBER. What I would like to find out is whether you have a table that would show the ad valorem rate of the Payne-Aldrich bill if that rate had been applied at that time on an American valuation and then what the ad valorem rate at the present time is as applied on the American valuation, so as to see whether the ad valorem rates in this bill are higher or lower than the Payne-Aldrich bill. Now, if you have such a table, I would like to know it.

Mr. DAVIS. I have not the foreign value prices of 1909, nor have I the domestic prices of 1909, and they would probably be impossible to get.

Senator McCUMBER. You would have to make that comparison?

Mr. DAVIS. I think this table shows the comparison.

Senator SMOOT. I think you can pick out some items where the American valuation is less than the foreign valuation, just as you did in this case.

Mr. DAVIS. I have given this item to show that the rate has been reduced too much. There are 35 instances showing the reverse.

Senator SMOOT. In such cases there is no question but that it would be lower. I have no doubt but that you can find cases, just as you say, that are unreasonably high. You say you have given 40 articles there?

Mr. DAVIS. Yes, sir.

Senator SMOOT. You can find two or three hundred articles.

Mr. DAVIS. And bring the same results.

Senator SMOOT. But that can not be. I know that taking the Payne-Aldrich bill on the prices to-day and taking the House rates on the American plan, it can not bring those figures. Some of them are as near together as it is possible to figure them.

Mr. DAVIS. Take the domestic price of the comparable article.

Senator SMOOT. To-day. You haven't given it as of 1909. You haven't given the foreign valuation or the American valuation, but you can take what the Payne-Aldrich bill would do if it were the law to-day.

Mr. DAVIS. If it were the law to-day?

Senator SMOOT. Yes.

Mr. DAVIS. If it were the law to-day you would assess the Payne-Aldrich rate on the market value of to-day.

Senator SMOOT. Certainly you would.

Mr. DAVIS. That is what you want to bring about?

Senator SMOOT. Certainly.

Mr. DAVIS. If you are going to assess a Payne-Aldrich rate equivalent to a higher valuation it must be a very much reduced actual rate.

Senator SMOOT. You have to take the ad valorem rates.

Mr. DAVIS. No doubt, but if you reduce under the mathematical formula, you get an increase instead of a reduction.

Senator SMOOT. You say "mathematical formula." We can figure that out to a cent. In one case there is no doubt a reduction would be made. This bill does not have a regular percentage of reduction in all cases. The House bill does not do that.

Mr. DAVIS. It seems to in the majority of cases.

Senator SMOOT. Only as to classifications, not as to items at all. If there is a mistake made here, the Senate Finance Committee can soon change those rates. No one doubts but that if the ad valorem rates were the same in this bill as in the Payne-Aldrich bill it would increase the rates, I suppose, on an average of about 100 per cent.

Mr. DAVIS. Yes, sir.

Senator SMOOT. There is no doubt about that in the world.

Mr. DAVIS. Is this true, that in order to find out what the equivalent rate should be you must have the American selling price of the domestic article and the price of the imported article to compare them in order to find what the rate should be?

Senator SMOOT. You have got to have that.

Mr. DAVIS. That is impossible. You can not get it.

Senator SMOOT. You can not get that on every item.

Mr. DAVIS. You can not get it on thousands and thousands of articles coming into this country.

Senator SMOOT. We can get them near enough so there will not be a difference of 1,100 per cent.

Mr. DAVIS. Well, here are the differences. These are based on the actual figures.

Senator SMOOT. There may be items there. I do not dispute that.

Mr. DAVIS. They range 600 per cent, 700 per cent, 500 per cent, and so on.

Senator SMOOT. Those things must be corrected.

The CHAIRMAN. I would like to have you insert in the record a definition of just what you mean by the term "mathematical formula."

Mr. DAVIS. Mr. Burgess, in his testimony, explained it. I am using that formula. It appears to be the one that was used.

They took the foreign cost as 100 per cent. To that they added the rate of duty which, let us say, is 60 per cent, which gives 160 per cent. Then they took 160 and divided it into 60, which gives in turn 37.5 per cent, which becomes the equivalent rate, if applied on the American valuation plan, to the 60 per cent rate and if applied to the foreign market value, but they have not taken into consideration the freight, insurance, profits, and all the various items that make the landed cost.

Senator WATSON. Why do you cling to that formula?

Mr. DAVIS. I do not cling to it. I say that it can not be used.

Senator SMOOT. Nobody intends to use it, so far as I know, in this committee. I do not think this committee has any idea of materially increasing the rates of the Payne-Aldrich bill.

The CHAIRMAN. How many of these rates in the House bill that has come over here have been fixed arbitrarily by the so-called mathematical formula?

Mr. DAVIS. I think the majority of them have. I notice they take the 60 per cent rate that under the formula should be reduced to 37.5 per cent, but in some instances you find the rate is not 37.5 but 42 per cent, which makes it worse.

Then I notice they have taken the ad valorem rate of the Payne-Aldrich bill, reduced it to the formula to get the lower rate, but on top of that they put a specific duty. I do not know what that would bring about.

Senator SMOOT. It would bring about an increased rate.

Mr. DAVIS. I mean in amount.

Senator SMOOT. We can find out what the equivalent is.

The CHAIRMAN. I would like to ask you to explain the effect of the application of the rates in the new bill upon the merchandise that would be affected. What effect would it have upon the regular selling value?

Mr. DAVIS. When you apply the reduced rates of this bill to the American selling price of the imported article, it brings about an entirely different result than applying the rates of the bill to the price of the domestic article; I have prepared a tabulation to show this. I have had a sufficient number of copies made for the members of the committee. This table should not be confused with the domestic tabulation I inserted in the record yesterday.

The CHAIRMAN. This will also be inserted at this point in your remarks.

*Comparison of duty under the acts of 1909 and 1913 upon foreign-value basis and H. R. 7456 upon import value for sale.*

Taking the foreign price unit at 100 per cent, or $1, adding 5 per cent for transportation charges and insurance, an average of 25 per cent for overhead and profit, duty under the acts of 1909 and 1913 upon the foreign value basis and duty under the new act upon the import value for sale price works out as follows:

| Item. | Act of 1909. | Act of 1913. | New act. | | |
|---|---|---|---|---|---|
| Decorated china: | | | | | |
| Foreign value | $1.00 | $1.00 | Duty | 40 per cent.. | $1.20 |
| Freight and insurance | .05 | .05 | Overhead and profit | 25 per cent.. | .75 |
| Duty, at 60 per cent on foreign value.. | .60 | .55 | Cost, insurance, and freight | 35 per cent.. | 1.05 |
| | 1.65 | [1] 1.60 | | | |
| Overhead and profit (33⅓ per cent)... | .55 | .53 | New American price. | 100 per cent.. | 3.00 |
| American selling price, or 25 per cent of selling price | 2.20 | 2.13 | | | |
| Manufactures of metal: | | | | | |
| Foreign value | 1.00 | 1.00 | Duty | 35 per cent.. | .92 |
| Freight and insurance | .05 | .05 | Overhead and profit | 25 per cent.. | .66 |
| Duty, at 45 per cent on foreign value.. | .45 | .20 | Cost, insurance, and freight | 40 per cent.. | 1.05 |
| | 1.50 | [2] 1.25 | | | |
| Overhead and profit (33⅓ per cent).... | .50 | .42 | New American price. | 100 per cent.. | 2.63 |
| American selling price, or 25 per cent.. | 2.00 | 1.67 | | | |
| Laces: | | | | | |
| Foreign value | 1.00 | 1.00 | Duty | 42 per cent.. | 1.34 |
| Freight and insurance | .05 | .05 | Overhead and profit | 25 per cent.. | .80 |
| Duty, at 60 per cent foreign value.... | .60 | .60 | Cost, insurance, and freight | 33 per cent.. | 1.05 |
| | 1.65 | [3] 1.65 | | | |
| Overhead and profit (33⅓ per cent)... | .55 | .55 | New American price. | 100 per cent.. | 3.19 |
| American selling price, or 25 per cent.. | 2.20 | 2.20 | | | |

[1] 59 per cent. [2] 20 per cent. [3] 60 per cent.

From the above figures it will be noted that while the rates of the new act appear to be lower than those of the Payne-Aldrich law of 1909, reduced to meet the higher American valuation basis, they become, as a matter of fact, very much higher when applied.

| | Act of 1909: Duty on foreign value taken at $1 or 100 per cent. | New bill: Duty on American selling price built from same foreign value basis of $1. |
|---|---|---|
| Decorated china..... | Rate 60 per cent, duty 60 cents. | Rate 40 per cent, duty $1.20; increase 100 per cent. |
| Manufactures of metal | Rate 45 per cent, duty 45 cents. | Rate 35 per cent, duty $0.92; increase 104 per cent. |
| Laces..... | Rate 60 per cent, duty 60 cents. | Rate 42 per cent, duty $1.34; increase 123 per cent |

The increases over the act of 1913 would be still higher: China, 118 per cent; metal, 360 per cent; laces, 123 per cent.

The CHAIRMAN. What is the general conclusion arrived at?

Mr. DAVIS. Taking the foreign price unit at 100 per cent or $1 and adding 5 per cent for transportation charges and insurance—the merchandise that I use in European merchandise, and I am taking an arbitrary amount for transportation—an average amount, taking an average of 25 per cent for overhead and profit, and considering the duty under the acts of 1909 and 1913 upon this foreign value basis and the duty under the new act upon the American selling price of the imported article, it works out as follows.

I shall use decorated china as an example. This is decorated china from Europe. The foreign value is 100 per cent or $1. The freight and insurance would be 5 cents. The duty at 60 per cent ad valorem under the act of 1909 would be 60 cents, bringing the landed price to $1.65.

The merchant wants to make 25 per cent to cover expenses and profit on the selling price, which is 33⅓ per cent of this landed price, so you add 55 cents and you reach his American selling price of $2.30.

But you can readily see that that can not be the American selling price of the imported article upon which the appraiser will appraise in the absence of a comparable and competitive domestic article, because the new rate of duty figured on that price would raise the selling price. So I attempted to show in the last column how the importer, or the examiner, would work out what the new price should be.

I take the known quantities. The duty under the new act is 40 per cent of the selling price, but we do not know what the selling price is yet. The overhead and profit amount to 25 per cent of the selling price, but we do not know the selling price. The c. i. f. cost is the only known quantity in money. Duty, 40 per cent, overhead and profits 25 per cent, that makes 65 per cent. Inasmuch as the selling price must be 100 per cent, the c. i. f. cost therefore becomes 35 per cent. If the c. i. f. cost is 35 per cent of the selling price, such price therefore becomes $3, as against $2.30 when the duty was based on the foreign price of $1.

Manufacturers of metal in the above table, a wide class of imports, shows an increase of 104 per cent. On laces, which amount to many millions of dollars each year, the increase runs up to 123 per cent. Applied to the present act, it shows an increase on china of 118 per cent; metal, 360 per cent; and laces, 123 per cent. So it shows that it is absolutely impossible to adjust rates under this mathematical formula.

The CHAIRMAN. Is that all you have to say in response to that inquiry?

Mr. DAVIS. That is all I have to say in response to the adjustment of rates.

The CHAIRMAN. If the committee should decide to adopt the House American-valuation plan, how long, in your opinion, would it take the Treasury Department to gather the data to administer the law?

Mr. DAVIS. The Treasury Department, in gathering that data, would undoubtedly have to use their special agents' service. The examiners could assist a great deal, but they could not leave their daily work to go out to make investigations, so we would have to depend more or less upon our special agents' service.

I have just received a letter from my office in New York stating that the men in New York—we have 32—are working day and night now on smuggling and are investigating the various claims of dumping under the emergency act. It will be impossible for the Treasury Department to turn our special agents loose at this time and give them this other task. It would be impossible to say to the examiners in New York, "Drop your daily duties and go out and gather this information." They can get a certain amount of it, but I do not think they can get enough to build up intelligent rates upon this valuation place.

The CHAIRMAN. Could you be furnished with an additional force?

Mr. DAVIS. Yes; we could.

The CHAIRMAN. How many more men would you need to add and what would be the expense, speaking roughly? I do not expect an accurate estimate.

Mr. DAVIS. I think if we had 25 or 30 men to turn loose right away we might do it.

The CHAIRMAN. Those men would average how much compensation? What would be the total wage?

Mr. DAVIS. To get men of sufficient intelligence to handle the proposition and men with sufficient knowledge of merchandise to determine comparability, I think you would have to pay at least ten or fifteen dollars a day.

The CHAIRMAN. What would be the total increase amount?

Mr. DAVIS. Provided we could get the proper men, 25 at, say, $12 a day for three months would amount to $27,000. With this force we might gather in most of the big lines enough foreign and domestic and also American import values upon which to determine how much to reduce the Payne-Aldrich rates to fit the higher valuation basis.

The CHAIRMAN. How long would it take under present conditions?

Mr. DAVIS. I would not want to say under six months with our present force.

The CHAIRMAN. Within six months you could probably do it?

Mr. DAVIS. Yes. Of course the main point is, could we get men with sufficient training to gather the information, if we hired men to do it quickly?

The CHAIRMAN. That is what I want to know.

Mr. DAVIS. Could we get men with sufficient experience to go out and gather the information that we require? We might get them from other services, such as the Department of Commerce or the Tariff Commission. I understand the Tariff Commission, as Mr. Page stated, could assist.

As an example of the time it takes, let me say this: I have secured a tabulation of 40 items. Forty items is nothing compared with the items coming into this country, but it has taken the New York examiners three weeks to get the information they have now on the 40 items. They all say that these articles that they have used may be comparable, but when you try to pin them down as to whether the article is really comparable, they say, "Well, I do not know; it is as close as I can get to it."

The CHAIRMAN. This information has to be kept up to date?

Mr. DAVIS. Absolutely.

Senator MCLEAN. If you follow the present plan you have got to get the foreign valuation?

Mr. DAVIS. Yes; but we do that fairly well now.

Senator MCLEAN. Would not there be a great many difficulties in securing the foreign valuation under the existing chaotic conditions there?

Mr. DAVIS. The principal difficulty we encounter is lack of help.

Senator MCLEAN. Would it cost any more to get the domestic valuation than the foreign valuation, and to get it accurately?

Mr. DAVIS. At the beginning I think it would, but after the problem had been worked out probably it would not cost any more to get the American information than it would the foreign information, but it must be remembered that under the terms of this bill we must get both.

The CHAIRMAN. One more question and then I shall be through. I think you touched on it yesterday, but I should like to have you explain clearly just what changes in the valuation method, in your opinion, could be made in order to expedite and to put into effect at once an adequate tariff system in the United States.

Mr. DAVIS. Why, I think everybody that has the interests of the American manufacturer at heart, as I certainly have and as I am sure all of our customs men have, would like to have a valuation system that would give them adequate protection against foreign competition.

The plan in this bill is to take the full domestic price for comparable products and apply such prices to the imported article. Before you can use this price it is admitted rates must be fairly accurately reduced.

I think I have shown the difficulties in reducing the rates. If you can reach the same result without reducing the rates of duty, would it not be preferable?

I think I also brought out yesterday that if you attempt to put this scheme into effect suddenly and require the present force to get the necessary information on a given day it will soon become evident that they can not find it on that day, or the next or the next. Now, what is going to happen in regard to the second, third, fourth, and fifth days' work? The merchandise will pile up in this country. What will be the result? You will either have to repeal the bill or the Secretary of the Treasury will have to take some drastic action to release the merchandise without appraisement.

Isn't it far better, if we are to use a domestic price at all, to devise some system to put into effect gradually?

The system that I suggest, so far as appraising domestic merchandise is concerned, is that if any manufacturer makes an article

that has its counterpart in the foreign article, let it be given to the Secretary of the Treasury so that its comparability may be determined before anything is done. After that fact has been established instruct all appraisers to appraise the foreign article and this article alone at the price of the domestic article whose comparability has been established. Not gross, however, but less duty, transportation charges of the foreign article, and expenses and profit, not to exceed, say tentatively now, 8 and 8 per cent to reach a constructive foreign market value.

Senator REED. Constructive foreign or domestic value?

Mr. DAVIS. A constructive foreign value secured from the value of the comparable domestic article, less deductions. I don't think anybody would object to it.

Gradually, as these comparable articles come forward—there are claims that there are a great many of them, but I do not think there are—and comparability is established in a sensible manner, you could apply domestic prices with deductions. They will go into effect gradually. It would not disturb the machinery of the customs service a particle. As to all other merchandise, it should be appraised at the foreign wholesale market value, as it is to-day.

There is another class of merchandise, however, that must be treated in a different manner.

Senator REED. Before you leave that topic, I would like to ask you a question. Are you going to leave that topic?

Mr. DAVIS. I won't if you have any questions.

Senator REED. I do not want to interrupt the chairman.

The CHAIRMAN. I am through, Senator.

Senator REED. Let me see if I understand you. I have not had the benefit of your testimony. I have been unable to be here. However, you have this morning briefly discussed the question of raising the American value. I understand you to suggest a plan different from that in the bill?

Mr. DAVIS. Yes, sir.

Senator REED. And different from the present law?

Mr. DAVIS. Yes, sir.

Senator REED. Not that you recommend it, but you suggest it as a plan which might gradually put into effect the American plan.

Mr. DAVIS. If you desire it; yes, sir.

Senator REED. Yes; you do not stand sponsor for the change.

Mr. DAVIS. No, sir; but I think it would work quite fairly.

Senator REED. You, as I understand it, propose that we shall continue to make values as at present and ascertain the foreign prices by the methods now existing?

Mr. DAVIS. Yes.

Senator REED. That is step No. 1.

Mr. DAVIS. Yes, sir.

Senator REED. If an American manufacturer brings to you a particular article which is substantially identical with a foreign article with which he is competing, you suggest a plan of ascertaining the value of that particular foreign article by taking the price of the American article?

Mr. DAVIS. Yes, sir.

Senator REED. The selling price?

Mr. DAVIS. Yes.

Senator REED. And not the cost?
Mr. DAVIS. The selling price.
Senator REED. And you deduct from that 8 per cent for profit?
Mr. DAVIS. First I would take off the duty.
Senator REED. All right. I do not care which end we begin with. First you would take out the duty. Second you would take out 8 per cent profit?
Mr. DAVIS. Well, I would take out the freight, the insurance, and the cost of bringing it over.
Senator REED. Let me get it in order. First you would take out the duty; you would subtract the duty?
Mr. DAVIS. Yes, sir.
Senator REED. Then what would you do next?
Mr. DAVIS. I think the exact way would be to take the freight and insurance first.
Senator REED. All right; let us get it. Freight and insurance.
Mr. DAVIS. Then duty.
Senator REED. Then duty.
Mr. DAVIS. Then 8 per cent for expense and 8 per cent for profit.
Senator REED. Then you would take the residuum, that which was left after this subtraction, as the foreign value?
Mr. DAVIS. Yes, sir.
Senator REED. And thereafter treat that as the foreign value?
Mr. DAVIS. Yes, sir.
Senator REED. Don't you know that would not give you the foreign value at all?
Mr. DAVIS. No; I do not.
Senator REED. It can not give you the foreign value.
Mr. DAVIS. I think it would approximate it very closely.
Senator REED. Well, let us see. The first trouble with your equation, in my judgment—and I will state it that way, intending it however, as a question—is that you are taking the selling price of the American manufacturer.
Mr. DAVIS. Yes.
Senator REED. The American manufacturer may be selling at a loss, or he may be selling at a profit of two or three hundred per cent.
Mr. DAVIS. Yes.
Senator REED. So that the first thing you start out with is not an article of the value as determined by the cost of production, but as determined by the ability of the American merchant to get a price.
Mr. DAVIS. That is true.
Senator REED. That is true, is it?
Mr. DAVIS. Yes.
Senator REED. And the price which he gets will depend upon a multitude of conditions. This is a very uncertain thing, is it not?
Mr. DAVIS. Yes, sir.
Senator REED. For instance, he may be hard up and have to unload his stock, in which event he might be selling at cost or below cost.
Mr. DAVIS. Yes.
Senator REED. He might even be selling below the cost of foreign production?
Mr. DAVIS. Yes, sir.
Senator REED. On the other hand, he might be so situated that he could sell his article at a very high profit?

Mr. DAVIS. Yes, sir.

Senator REED. That is true, is it not?

Mr. DAVIS. All those things are true, Senator.

Senator REED. All those things are true. So that your equation, when you work it out, means this, that you not only start from an unknown quantity, but from an unknown quantity which constantly fluctuates and which furnishes no basis of real value?

Mr. DAVIS. You never could get at real cost by using an artificial basis.

Senator REED. No. As you have elements in your equation which are constantly fluctuating and which do not necessarily bear any relation to the real cost, your equation is based on something worse than quicksand, is it not?

Mr. DAVIS. I merely offer that, Senator, as a suggestion, assuming Congress would desire the American selling price, and merely from the standpoint of offering something that is possible of administration.

Senator REED. That may be possible of administration by your office, but it does not give us an equitable result.

Mr. DAVIS. It does not get at the true duty at the ad valorem rate on the open world value of the imported article, that is sure. It only approximates it.

Senator REED. Yes. There is another element in it, is there not, namely, that it places the control of the duty itself in the American manufacturer—not the rate of duty, but the amount of duty?

Mr. DAVIS. Only to an extent.

Senator REED. Well, to an extent.

Mr. DAVIS. A very slight extent.

Senator REED. For instance, an American manufacturer or a combination of American manufacturers, or an American manufacturer of a specialty which he controls, if he advanced his price 10 per cent could thereby advance the rate of duty 10 per cent, could he not?

Mr. DAVIS. Yes.

Senator REED. And if he could advance the price of his article 20 per cent he could advance the rate of duty 20 per cent?

Mr. DAVIS. Yes; but inasmuch as the cost of the foreign article remains the same, if he advanced his price, his price would be 100 per cent, but the advance on the foreign article would only be 20 per cent, if that were the rate of duty, so that the foreign article would undersell him.

Senator REED. I am talking about the proportion of advance in the duty.

Mr. DAVIS. Yes.

Senator REED. If he advances the price 20 per cent the duty goes up 20 per cent and if he advances it 30 per cent the duty goes up 30 per cent, is that true?

Mr. DAVIS. That is true.

Senator SMOOT. It is the duty upon the advance.

Senator REED. I understand that perfectly. The duty on the advance goes up 20 per cent. Of course, you would at one time or another approach a point where the foreign article could come in.

Mr. DAVIS. Yes.

Senator REED. But it remains true that if you take the American valuation every time the American merchant can advance the price of his article he advances the tariff by the same rate of percentage.

Mr. DAVIS. Let me give you an illustration.

Senator REED. That is true, isn't it?

Mr. DAVIS. To a certain extent.

Senator REED. Well, isn't it true absolutely? I know what you have in your mind. I would like to get out what I have in mine. We will say, for instance, that the price of an article to-day is $1.

Mr. DAVIS. Yes.

Senator REED. The duty is 50 per cent, or 50 cents.

Mr. DAVIS. Yes.

Senator REED. The American price on the article is raised to $2. I will take a very simple illustration and one which will work against my plan. The duty upon that article would be $1, would it not?

Mr. DAVIS. Yes.

Senator REED. He gets, then, an additional 50 cents protection; although he has raised his article $1 he gets 50 cents of protection. He has got to continue that process until he has reached a point where his rise of prices has become so great that the percentage upon the duty, the duty being less than the article, and the percentage being figured on that smaller sum—the price has become so high that the duty can be paid with all its increases and the article would still come in?

Mr. DAVIS. I do not quite agree with you. The landed cost of a foreign article, we will say, is $7.50.

Senator REED. The what?

Mr. DAVIS. The landed cost. The American selling price of the domestic article is $10, we will say.

Senator REED. Very well. You have a very small tariff protection there.

Mr. DAVIS. You can make it larger or smaller, as you wish.

Senator REED. All right; we will take your figures.

Mr. DAVIS. Now, we know that to start with, and we set a rate of 25 per cent, which gives us $2.50, figured on the $10.

Senator REED. Yes.

Mr. DAVIS. All right. Now, you add $2.50 to the $7.50, which included the man's profit, and you bring it up to $10. Then they are on a competitive basis.

Senator REED. At that time.

Mr. DAVIS. At that time. You say that the American manufacturer is going to pyramid his prices. Let us see. He puts it up to $12. Then the duty would be 25 per cent of $12, or $3.

Senator REED. Yes.

Mr. DAVIS. You add $3 to $7.50 and you get $10.50 and undersell him at once.

Senator REED. That is true in that kind of an article, but there are plenty of articles——

Mr. DAVIS. He would undersell.

Senator REED. If he raised it that much, but there are plenty of articles where the tariff is 50 per cent, are there not?

Mr. DAVIS. Yes.

Senator REED. And plenty where it is 75 per cent?

Mr. DAVIS. Yes.

Senator REED. And plenty where it is 100?

Mr. DAVIS. Yes.

Senator REED. You have assumed in your statement that there is no difference between these articles. You assumed a case where

there was a difference of only 25 per cent and the tariff was 25 per cent.

Mr. DAVIS. Yes.

Senator REED. But if you take an article where the tariff is 200 or 300 per cent, the case would not work out the same way, would it?

Mr. DAVIS. The ratios would work out differently.

Senator REED. The ratios would work out differently. That is it exactly.

So that it is true that on the American valuation every time the American raises his price, automatically the tariff is increased by a percentage equal to the percentage of his raise of price?

Mr. DAVIS. Yes; that is true, provided he can sell it after he gets it raised.

The CHAIRMAN. Have you concluded, Senator Reed?

Senator REED. That concludes that line of questions. The witness was going on with another topic.

The CHAIRMAN. He can be recalled.

Mr. DAVIS. Mr. Chairman, in this substitute plan that I have suggested there is another feature to it, and that is whenever the foreign markets are closed to the American buyer, in the case of consigned goods. The agent or branch house is situated in this country and all business has to be transacted with the foreigner in this country, who is satisfied with a small mill profit. He has transferred part of his overhead over into this country and avoided paying duty on an expense which belongs in the foreign country. I think this class of merchandise should take the American selling price of the imported article, after subtracting the duty, the freight and the insurance, and in case of a commission not more than 6 per cent or for actual purchases by the agent not to exceed 8 and 8 per cent. If the foreign manufacturer is not satisfied with this plan let him open his market.

Senator REED. Why could you not get at it in another way? Why could you not ascertain these overheads which have been transferred over here and add them to the foreign cost?

Mr. DAVIS. You could do that, but I think in my way you get it much quicker and better, because the items that I speak of are all known and right before you; while the items you speak of will have to be investigated.

Senator REED. The items you speak of are what?

Mr. DAVIS. The duty is known; freight and insurance also known; the arbitrary 8 and 8 per cent is known, because the law says so.

Senator REED. Then, why not take the foreign price and add to it these three known quantities?

Mr. DAVIS. You are not sure of the foreign price; the market is closed.

Senator REED. The only difference is in one case you take the American valuation and make three subtractions from it, and in the other case you take the foreign valuation and make three additions to it.

Mr. DAVIS. We are doing that to-day with great success in regard to consigned goods, subtracting other items from the American price where there is no home market value.

Senator REED. If there is no home market value, there is no objection, but where there is a home market value you can add these items just as well as you can subtract them from the American value.

Mr. DAVIS. Oh, yes.

The CHAIRMAN. Does not the fact remain that you could proceed to administer a tariff law under the present system of appraisement if you had a sufficient number of investigators abroad in Europe?

Mr. DAVIS. We could if we had a sufficient force and they were allowed a sufficient amount of money to travel upon so they did not have to go down in their pockets and pay their own expenses. When you send a man to a foreign country for three or five years he has to take his family with him.

The CHAIRMAN. Accepting all that, if you had 60 or 70 men over in Europe adequately paid, with travel allowance, could you not administer a tariff law under the present system?

Mr. DAVIS. Absolutely; with some slight improvements over our present system to cover closed markets.

The CHAIRMAN. And the total aggregate expense would not be very great?

Mr. DAVIS. No, sir.

Senator LA FOLLETTE. I understood Mr. Davis to state yesterday that we now have only 6, and that if we had 12——

Mr. DAVIS. I would say 15.

The CHAIRMAN. We will give them 50.

Mr. DAVIS. Say 15 to 25.

Senator LA FOLLETTE. Twenty-five would cover the ground perfectly?

Mr. DAVIS. If we had 60, as Senator Penrose says, we could cover the whole world without any question, and we would get results.

Senator LA FOLLETTE. And that would, as a matter of fact, result in comparatively a very light charge against the Government?

Mr. DAVIS. But a slight charge.

Senator LA FOLLETTE. When you take into account this plan where you have to have, as you said yesterday, an army of experts to make your comparisons and comply with the law.

The CHAIRMAN. This last plan to which I called your attention would cost less money than the execution of the plans under the pending bill, would it not?

Mr. DAVIS. By far.

Senator REED. Would not the information which these agents who were sent over in foreign countries obtained be of very great use outside of the mere matter of fixing tariff valuations? Would not the information that they collect with reference to trade conditions and prices in foreign countries be of great use to this Government outside of the mere tariff question?

Mr. DAVIS. It certainly would, because the information that they would collect would have to be accurate and before a price was accepted the books would have to be turned to and the actual transactions where merchandise was sold at that price would have to be known. If the information was not gathered in that way it would be worthless at time of contest before our Board of United States General Appraisers. The information our men gathered could be depended upon and would be accurate for the use of anybody who desired to make use of it.

The CHAIRMAN. As I understand, the Government and American business men are now overwhelmed with publications from several departments alleging to convey much of this information. I am advised that it is worthless largely on account of its inaccuracy and general character.

Mr. DAVIS. Principally on account of its general character, Senator, not its inaccuracy.

The CHAIRMAN. It is fine for publicity work in Patagonia or some such place, but of little or no use in selling shoes.

Mr. DAVIS. On the other hand, our man in France is nearly a year behind in his work.

Senator SMOOT. Mr. Davis, you recognize the fact, do you not, that American institutions are at a disadvantage on account of the difference in foreign exchange?

Mr. DAVIS. Yes, sir; but whenever you take the German price of to-day at the great number of marks required to buy the article and you reduce it to United States gold at a cent and a third, and you compare that gold value with the gold value of 1914, you find that the gold value for German merchandise is much higher.

Senator SMOOT. Not nearly as much higher as the American goods on account of the extreme cost of making them.

Mr. DAVIS. Probably that is true, Senator.

Senator SMOOT. I do not think anyone will question that.

Mr. DAVIS. I have not made any tests, however.

Senator SMOOT. But do you think it is possible to put in a straight specific duty in case there are specific duties, or ad valorem duties in case there are ad valorem duties, that will protect the American manufacturers in this country against goods that will come from Germany?

Mr. DAVIS. No, sir; but if you use my plan of putting the domestic price into effect gradually, if any American manufacturer can come forward and show these eyeglasses, that we will assume were made in Germany, to be comparable to his article we will use his price, less deduction, and no one need worry over exchange.

Senator SMOOT. But what I wanted to get at was this: Your testimony so far would lead one to believe, outside of your plan that was suggested, and that was merely a suggestion, that the rates of duty in the Payne-Aldrich bill, if carried in this bill here, would be sufficient to provide for the difference of exchange in cost of manufacture.

Mr. DAVIS. Many times over.

Senator SMOOT. There is another question involved in this.

Senator REED. One moment. I want to have that question and answer read to me.

Senator SMOOT. He said "Many times over"; that it would require many times more than the rate in some cases, and in others it could be taken that the Payne-Aldrich rates were many times too high.

Senator REED. What did you mean?

Mr. DAVIS. I mean that the reduction which has been brought about by using this formula that I explained is not the right kind of reduction. It is more than adequate to cover the difference. Consequently, if you use this alleged lower rate, as a matter of fact, you are really using a rate that is very much higher than the Payne-Aldrich rate, and, consequently, you would cover any difference of exchange many times over.

Senator REED. What do you mean by "this alleged lower rate"?

Mr. DAVIS. They take the 60 per cent rate of the Payne-Aldrich law and add that to 100 per cent, which is supposed to be the foreign cost, and they get 160. They then divide 160 into 60 per cent and

get 37.5 per cent, and that becomes the new rate. But when you come to apply that rate of 37.5 per cent on actual price——

Senator REED. The American price?

Mr. DAVIS. Yes—you are getting an amount of duty far in excess of what you would have gotten on 60 per cent on the market value.

Senator REED. You mean the European value?

Mr. DAVIS. Yes, sir.

Senator SMOOT. I will say to the Senator from Missouri that he was not here when this system was explained that had been adopted by the House. Of course, I understood the answer that the witness made because it was based upon that former statement.

The CHAIRMAN. I want to say that by the consent of the committee there are several business men here to be heard and some of them come from a considerable distance, others reside nearby. I think it would be a hardship to postpone hearing those gentlemen who have come from a distance, and if the committee is through with the examination of the customs experts for the present—and they can be recalled at any time—we will now call upon some of the eight or ten gentlemen who want to be heard on the valuation question. I will first call on Mr. Thomas H. Eddy, representing Marshall Field & Co.

## STATEMENT OF THOMAS H. EDDY, CHICAGO, ILL., REPRESENTING MARSHALL FIELD & CO.

The CHAIRMAN. Mr. Eddy, you reside in Chicago?

Mr. EDDY. I do, sir.

The CHAIRMAN. And you represent Marshall Field & Co.?

Mr. EDDY. I am on the managing staff of Marshall Field & Co.

The CHAIRMAN. Will you state concisely to the committee your views on the subject of American valuation?

Mr. EDDY. I might preface my remarks by stating that we appear rather in a dual role, as we are large domestic manufacturers as well as heavy importers. We have manufacturing plants in seven different States of the Union.

Senator WATSON. Have you manufacturing plants abroad also?

Mr. EDDY. We have none abroad. We buy in the open market abroad.

Senator SMOOT. Your importation business, however, is the main part of your business?

Mr. EDDY. Not at all. Our manufacturing is several times our imports.

Senator SMOOT. What kind or class of goods are you making?

Mr. EDDY. We are making muslin underwear, silks, rugs, various kinds of cotton goods, ginghams, domestics, sheets, pillows, pillow cases, bed spreads, towels, knitting cotton, laces, lace curtains, etc.

Senator SMOOT. Do you manufacture the article that makes the pillow cases?

Mr. EDDY. Yes; we spin and manufacture from the raw cotton in our southern mills.

The CHAIRMAN. How many States are your manufacturing plants located in?

Mr. EDDY. They are located in seven States.

The CHAIRMAN. Can you state some of the principal States in which you are located?

Mr. EDDY. Yes; New York, New Jersey, Pennsylvania, Virginia, North Carolina, Indiana, and Illinois.

The CHAIRMAN. Now, will you go on in your own way and state your views on this American valuation system?

Mr. EDDY. In considering this question I divide section 402 into two parts, the first referring to comparable and competitive goods of the United States. It is an essential and necessary part of our business that we sell for future delivery; for example, our goods being sold in the spring for delivery in the late summer and fall.

So far as our foreign business is concerned, our buyers go to Europe, and under the proposed plan we see no way of buying in the market with any degree of certainty as to what our costs would be when they would be determined by the wholesale price in this country of some goods of which we may have no knowledge, and these costs to be determined upon a factor of that kind when we are selling our goods in advance of the arrival of the merchandise here. We can not know the amount of duty nor our costs until the goods actually arrive and pass through the customhouse under this plan.

We feel pretty strongly that such imports as might come under this class would be very largely reduced, if not wiped out altogether.

I would further say that if we could import any under these conditions, it would be necessary to protect our interests to practically protest or appeal upon every item that was valued on this basis.

Senator WATSON. Are any of your imports on the free list?

Mr. EDDY. We have only jute burlap. That has been on the free list.

Perhaps the most serious objection from our standpoint is to the second part of section 402. This section apparently covers commodities which are not comparable or competitive with domestic products. Under this portion of the section as drawn the way would be open to foreign manufacturers to close their markets abroad to purchasers like ourselves, shipping their goods to a selling agent in this country who, by fixing his price for sale, would practically determine the amount of duty assessable upon his article. The foreign manufacturer will have his foreign mill profit together with a profit in this country over his selling expenses and still control the market. These profits instead of coming into the hands of the American merchants will go abroad.

All previous tariff acts have had this feature of consigned merchandise in mind, and I think that the section as drawn will largely nullify anything that Congress has done and the work of the Treasury officials in protecting our industries here against such competition.

The CHAIRMAN. Did you present these views to the Ways and Means Committee of the House?

Mr. EDDY. Substantially so; yes, sir.

The CHAIRMAN. Well, it apparently failed to make an impression on them.

Mr. EDDY. It apparently did; yes, sir.

Senator MCLEAN. Do you import articles which compete with the articles which you manufacture?

Mr. EDDY. In some degree. We largely are manufacturing staple articles, although we do import some—handkerchiefs, bedspreads, some muslin underwear.

Senator MCLEAN. Are these fairly comparable with the articles that you produce?

Mr. EDDY. Not entirely so.

Senator MCLEAN. Most of your importations are noncompetitive goods, are they not?

Senator WATSON. That is, noncompetitive with what they make in this country?

Senator McLEAN. Yes.

Mr. EDDY. With what we make, or what others make?

Senator McLEAN. What you make.

Mr. EDDY. In a large measure; yes, sir.

Senator McLEAN. Can you give the committee any idea of the percentage of your foreign importations compared with your total annual turnover?

Mr. EDDY. Would you clarify that question?

Senator McLEAN. What percentage of your annual turnover of goods do you import?

Mr. EDDY. Do you mean by that the foreign value or the landed value?

Senator McLEAN. Well, either.

Mr. EDDY. You would have to take the landed value, because that is our cost.

Senator McLEAN. Take either one.

Mr. EDDY. Around 10 per cent, ranging from 10 to 15 per cent in different years.

Senator McLEAN. So that you manufacture here 90 per cent of your sales?

Mr. EDDY. Well, we are buying in the open market as well as manufacturing.

Senator McLEAN. Goods that are produced in this country?

Mr. EDDY. We are buying in the open market in those, too.

The CHAIRMAN. Do you bring much stuff over here by the post?

Mr. EDDY. Probably not as much, Senator, as many others do, because we have our established offices abroad, and they look after the consolidation of shipments, so that we probably have a less amount of that than many other people.

Senator McLEAN. I suppose the articles you manufacture here come in competition with foreign goods?

Mr. EDDY. In a measure they do; that is the general class of competition.

The CHAIRMAN. Have you any amendments to suggest to this part of the bill, or do you object to the whole proposition?

Mr. EDDY. I have a little more to add, Senator, if I may.

The CHAIRMAN. Go on.

Mr. EDDY. While we all believe in a fair measure of protection for American industries, and we are satisfied with any reasonable rates that may be fixed, provided they are levied in a clear, straightforward way, we feel that the bill as drawn meets neither requirement.

For the information of the committee we have selected a number of imported articles in the statement I wish to submit herewith.

I took at random a number of items which we are importing, showing the rate and amount of duty which we are paying under the present law, our landed cost, and our selling price. Then we have estimated the amount which we would have to sell these articles for to produce the same profit to ourselves and pay the duty as under the Fordney bill. In another column we have figured out the percentage equivalent of these amounts of duty to the foreign value.

Senator SMOOT. Will you put that full statement in the record?

Mr. EDDY. I will file it in the record.

(The statement above referred to is as follows:)

*Comparison of selling prices and duty under present law with those under Fordney bill.*

| Merchandise. | Country. | Foreign cost. | Amount of 1913 duty. | Landed cost, including duty. | Percentage on sales price to cover business expenses and profits. | Present selling price. | Duty under new tariff. | Selling price under new tariff, figured to give same percentage of profit. | Equivalent to foreign cost. |
|---|---|---|---|---|---|---|---|---|---|
| | | | | | *Per cent.* | | | | *Per cent.* |
| Leather gloves, women's | France | 202 francs per doz | $2 doz | $17 doz | 24 | $22.50 doz | 37½ p. ct.=$14.60 | $39 doz | 100 |
| Do | do | 218 francs per doz | $2 doz | $18.50 doz | 23 | $24 doz | 37½ p. ct.=$15.75 | $42 doz | 100 |
| Cotton hosiery, children's | Germany | 162 marks per doz (50 p. ct.) | $1.22 doz | $4.70 doz | 22 | $6 doz | 35 p. ct.=$2.80 | $8 doz | 110 |
| Do | do | 122 marks per doz. (50 p. ct.) | $0.92 doz | $3.68 doz | 18 | $4.50 doz | 35 p. ct.=$2.10 | $6 doz | 115 |
| Cotton handkerchiefs, embroidered. | Switzerland | 4.60 francs per doz. (60 p. ct.) | $0.47 doz | $1.54 doz | 23 | $2 doz | 42 p. ct.=$1.26 | $3 doz | 158 |
| Do | do | 11.25 francs per doz. (60 p. ct.) | $1.15 doz | $3.77 doz | 11 | $4.25 doz | 42 p. ct.=$2.35 | $5.60 doz | 122 |
| Linen handkerchiefs, embroidered. | Ireland | 9/3 per doz. (60 p. ct.) | $1.14 doz | $3.33 doz | 22 | $4.25 doz | 42 p. ct.=$2.52 | $6 doz | 132 |
| Cotton handkerchiefs, hemstitched. | do | 4/6½ per doz. (30 p. ct.) | $0.28 doz | $1.32 doz | 29 | $1.85 doz | 30 p. ct.=$0.78 | $2.60 doz | 84 |
| Cotton warp sateen, unbleached | England | 13d. per yd. (27½ p. ct.) | $0.06 yd | $0.38 yd | 33 | $0.57 yd | 29 p. ct.=$0.25 | $0.85 yd | 104 |
| Cotton chamoisuede gloves, 2-clasp. | Germany | 190 marks per doz. (35 p. ct.) | $1 doz | $3.95 doz | 21 | $5 doz | 40 p. ct.=$3.04 | $7.60 doz | 106 |
| Cotton chamoisuede gloves, 24 inches. | do | 330 marks per doz. (35 p. ct.) | $1.73 doz | $6.86 doz | 19 | $8.50 doz | 40 p. ct.=$5.12 | $12.80 doz | 104 |
| Wool gloves, women's | | Emergency | $0.90 | | | | 36 c. lb.=$0.72 | | |
| Do | Germany | 155 marks per doz. (40 p. ct.) | $0.93 | $5.07 doz | 22 | $6.50 doz | 30 p. ct.=$2.82 | $9.40 doz | 152 |
| Cotton, embroidered voile | Switzerland | 4.50 francs per yd (60 p. ct.) | $0.46 yd | $1.45 yd | 27 | $2 yd | 42 p. ct.=$1.34 | $3.20 yd | 177 |
| Linen tablecloths | Ireland | 15/3 each (35 p. ct.) | $1.09 each | $4.83 each | 20 | $6 each | 28 p. ct.=$2.02 | $7.20 each | 65 |
| Linen napkins | do | 13/3 each (35 p. ct.) | $0.95 each | $4.19 each | 18 | $5.10 each | 28 p. ct.=$2.17 | $7.75 each | 80 |
| Brushes (toilet) | France | 294 francs per gross (35 p. ct.) | $8.13 gross | $34.10 gross | 24 | $45 gross | 35 p. ct.=$22.05 | $63 gross | 98 |
| Cotton braids | Germany | 101.30 marks per gross (60 p. ct.) | $0.91 gross | $3.04 gross | 24 | $4 gross | 42 p. ct.=$2.62 | $6.25 gross | 172 |

Senator WATSON. Will you give two or three illustrations from that statement?

Mr. EDDY. They vary from 65 per cent, which is the percentage that this new law would bear to the foreign cost, to 177 per cent.

The CHAIRMAN. Name a few of the staples.

Mr. EDDY. French leather gloves would run about 100 per cent.

Senator REED. What do you mean by that, 100 per cent above the present tariff?

Mr. EDDY. No; 100 per cent of the foreign cost, the price that we would pay abroad. Cotton hosiery, one item 110 per cent; another item 115 per cent.

Senator WATSON. You said you had there for 1909 and 1913 the tariff you now pay?

The CHAIRMAN. Do you consider the hosiery rate too high?

Mr. EDDY. As fixed under this bill it is 110 to 115 per cent. I would say that would be too high.

Senator SMOOT. Is that on the foreign value?

Mr. EDDY. Yes, sir.

Senator SMOOT. Added to that would be the freight——

Mr. EDDY. No; I am just comparing the amounts of duty. That is merely a comparison of the amounts of duty.

Senator SMOOT. Then, you have to take out of that the freight and the expense of selling, and so forth?

Mr. EDDY. On leather gloves, on which we paid $2 a dozen, we would have to pay $14.60, raising our price from $22.50 to $39. On another item, on which we pay $2 a dozen now, we would then be called upon to pay $15.75 and to raise our price from $24 to $42.

Senator REED. What is that item?

Mr. EDDY. Leather gloves. On cotton hosiery, one item the duty would amount to $1.22 under the present law, under the proposed law $2.80; and we would have to advance our price from $6 to $8 a dozen. On another item of hosiery the duty would amount to 92 cents a dozen and under the proposed law $2.10, and we would have to advance our price from $4.50 to $6 a dozen.

Senator REED. Now, wait a minute. Will you tell me why, if the duty is advanced from 92 cents to $2.10, you have to advance your price to from $4.50 to $6?

Mr. EDDY. Well, we are paying $1.18 more duty, and we are figuring the same percentage of profit on the investment as we figured before.

Senator REED. But how do you get it then?

Mr. EDDY. I do not understand you, Senator.

Senator REED. May I have that paper to use for a moment? I take now the item of leather gloves. I am going to read this, with the permission of the committee. "Leather gloves, women's. Country, France. Fcs." What does that mean?

Mr. EDDY. Francs.

Senator REED. "Foreign cost, 202 francs per dozen. Duty $2. Landed cost $17." Now, that means that these gloves cost you landed in this country $17 a dozen, does it not?

Mr. EDDY. Yes, sir.

Senator REED. I continue reading: "Present selling price $22.50." That means that you would sell those gloves, which cost you landed here $17, for $22.50, and you make a profit of $5.50. The new duty is 37½ per cent figured on the $22.50, and you carry that out at $14.60

Senator SMOOT. It is not that.

Mr. EDDY. It is 35 per cent duty.

Senator SMOOT. That would be $7.72 as the duty.

Senator REED. You have carried it out here as $14.60.

Mr. EDDY. I can not remember the tariff, but there is a provision in there for certain specific rates of duty, but not less than 37½. I can not explain that to you without checking up the items.

Senator REED. Well, you can very readily see that 37½ per cent duty figured on $22.50 will not give you $14.60. We run into a manifest mistake in figures, it seems to me.

Senator SMOOT. That is only a mistake of 100 per cent, but that is not as much as the balance of it.

Senator REED. There may be some other duty to add in there, but, if so, it is not shown in the table.

Mr. EDDY. It is not shown in the table here. That is right, Senator; that would figure out around 50 per cent duty on the gloves.

Senator REED. Mr. Chairman, I beg to suggest that before this table goes into the record the witness be permitted to stand aside and check up his statement so that he can speak to us with accuracy, because I find that in these hearings the value is largely lost, owing to the fact that we get a lot of things mixed up and have a lot of cross-examination instead of clear statements.

The CHAIRMAN. I think in reading the record the last 10 minutes of this hearing would be quite confusing.

Senator SMOOT. Not nearly as confusing as the figures presented.

The CHAIRMAN. I have no doubt of that.

Senator MCLEAN. Are these articles which you are calling attention to articles which you imported?

Mr. EDDY. Yes, sir.

The CHAIRMAN. Do you produce any of them in this country yourself?

Mr. EDDY. Not these articles.

The CHAIRMAN. Then you speak as an importer in this matter?

Mr. EDDY. On this particular thing, yes; sir.

Senator SMOOT. This table simply shows this: That for the additional tariff that he speaks of here—and he claims it to be $22.50 as the selling price on account of the additional tariff—it is to be sold for $39. That is a difference of $16.50, and the tariff is $7.72.

Mr. EDDY. That is an estimated figure. It would follow any tariff, and the tariff would follow, all the way through, the selling price as well.

If the duty is changed, the selling price would change also, because this is merely an estimate.

The CHAIRMAN. Would it not be a good idea for you to take these figures and revise them and appear before the committee later?

Mr. EDDY. I should like to appear before the committee again this afternoon, if possible.

Senator REED. When you go to revise the table I beg to suggest that you bring back the original with you.

The CHAIRMAN. It has been ordered to be printed in the notes. The committee will be in session until 5 o'clock this afternoon, Mr. Eddy, and if you will come back with your data in accurate shape we shall be glad to hear you. Have you any further statement to make to the committee now?

Mr. EDDY. Yes, Senator, I have a statement showing the foreign prices of imported commodities, the price which we paid in 1914 and similar goods imported in the fall of 1920 and 1921, the first reduced at the normal rates of exchange and the second reduced at the current rates of exchange, which will show the change in the level of prices.

Senator MCLEAN. Data from what countries?

Mr. EDDY. They are from France, England, Germany, Japan, Switzerland; all countries.

The CHAIRMAN. Do you desire to have that printed in the record?

Mr. EDDY. Yes, sir.

The CHAIRMAN. It will be printed then.

(The statement above referred to is as follows:)

*Comparison of foreign prices of imported commodities, 1914 and 1920-21.*

| Department. | Description. | Country. | 1914 | | | 1920-21 | | |
|---|---|---|---|---|---|---|---|---|
| | | | Foreign price. | Rate. | Dollars. | Foreign price. | Rate. | Dollars. |
| | | | | Per cent. | | | Per cent. | |
| 3 | Wool crêpe, 43 inches | France | 1.67 francs | 0.193 | 0.32¼ | 19.26 francs | 0.06½ | 1.25½ |
| 4 | Silk fabrics, 8½ millimeters (36 inches). | Japan | 9.10 yen | .50 | 4.55 | 10.30 yen | .50 | 5.15 |
| 4 | Silk fabrics, 4½ millimeters (27 inches). | do | 8.50 yen | .50 | 4.40 | 11.40 yen | .50 | 5.70 |
| 4 | Cotton velveteen, 44 inches | England | 4s. 9d | 4.86 | 1.15½ | 11s. 2d | 3.75 | 2.09½ |
| 4 | Cotton velveteen, 27 inches | do | 3s. 4d | 4.86 | .81 | 5s. 7½d | 3.75 | 1.05½ |
| 4 | Cotton velveteen, 24 inches | do | 2s. ½d | 4.86 | .49¼ | 5s. 2d | 3.75 | .97 |
| 15 | Cotton hose | Germany | 8.40 marks | .24 | 2.02 | 195 marks | .015 | 2.93 |
| 15 | do | do | 8.80 marks | .24 | 2.11 | 225 marks | .015 | 3.38 |
| 15 | do | do | 6.20 marks | .24 | 1.49 | 220 marks | .105 | 3.30 |
| 15 | do | do | 8.40 marks | .24 | 2.02 | 290 marks | .105 | 4.35 |
| 15 | do | do | 5.60 marks | .24 | 1.34 | 195 marks | .105 | 2.93 |
| 15 | do | England | 15s. 6d | 4.86 | 3.77 | 41s. 6d | 3.75 | 7.78 |
| 15 | do | do | 10s. 6d | 4.86 | 2.55 | 29s | 3.75 | 5.44 |
| 15 | Wool hose | do | 12s. 8d | 4.86 | 3.08 | 30s. 9d | 3.75 | 5.77 |
| 16 | Ladies' cotton chamois suede gloves. | Germany | 5 marks | .24 | 1.20 | 160 marks | .01½ | 2.40 |
| 16 | do | do | 8.75 marks | .24 | 2.10 | 350 marks | .01½ | 5.25 |
| 16 | Ladies' cotton lisle suede gloves. | do | 5.50 marks | .24 | 1.33 | 160 marks | .01½ | 2.40 |
| 16 | do | do | 9 marks | .24 | 2.16 | 350 marks | .01½ | 5.25 |
| 16 | Ladies, cotton lisle chamoisette gloves. | do | 4.75 marks | .24 | 1.14 | 225 marks | .01½ | 3.38 |
| 16 | do | do | 9.40 marks | .24 | 2.26 | 400 marks | .01½ | 6.00 |
| 18 | Linen damask, 72-inch | England | 2s. 9½d | 4.86 | .68 | 9s. 4d | 3.75 | 1.75 |
| 18 | Linen cloths 3/4 | do | 3s. 2½d | 4.86 | .78 | 15s. 6d | 3.75 | 2.91 |
| 18 | Linen napkins 22/22 | do | 6s. 3d | 4.86 | 1.52 | 20s. 2d | 3.75 | 3.78 |
| 18 | Plain linen, 36-inch | do | 9½d | 4.86 | .18¾ | 19½d | 3.75 | .36½ |
| 18 | Linen damask | do | 2s. 1d | 4.86 | .50¾ | 8s. 5d | 3.75 | 1.58 |
| 18 | Linen napkins | do | 3s. 9d | 4.86 | .91¼ | 13s. 3d | 3.75 | 2.49 |
| 18 | Linen crash | do | 2½d | 4.86 | .05½ | 10½d | 3.75 | .10½ |
| 19 | Ladies' lamb shoes, 16 button, overscam. | Germany | 50 marks | .24 | 12 | 1,424 marks | .015 | 21.36 |
| 19 | Ladies, real kid, 2 clasps, overscam. | do | 24 marks | .24 | 5.76 | 800 marks | .015 | 12.00 |
| 19 | do | France | 35.25 francs | .193 | 6.80 | 280 francs | .065 | 18.20 |
| 19 | do | do | 40 francs | .193 | 7.72 | 303 francs | .065 | 19.70 |
| 19 | Ladies' real kid, 2 clasps, pique. | do | 40 francs | .193 | 7.72 | 311 francs | .065 | 20.22 |
| 19 | do | do | 47.50 francs | .193 | 9.17 | 370 francs | .065 | 24.05 |
| 19 | Ladies' real kid, 8-button, overseam. | do | 50 francs | .193 | 9.65 | 420 francs | .065 | 27.30 |
| 19 | Ladies' real kid, 12-button, overseam. | do | 60 francs | .193 | 11.58 | 503 francs | .065 | 32.70 |
| 19 | Ladies' real kid, 16-button, overseam. | do | 89 francs | .193 | 17.18 | 603 francs | .065 | 39.20 |
| 19 | Ladies' real kid, 20-button, overseam. | do | 101 francs | .193 | 19.49 | 813 francs | .065 | 52.85 |
| 21 | Watches | Switzerland. | 11.80 francs | .193 | 2.28 | 24.50 francs | .16 | 3.92 |
| 21 | do | do | 16.25 francs | .193 | 3.14 | 28.75 francs | .16 | 4.60 |
| 21 | do | do | 32.25 francs | .193 | 6.22 | 48.50 francs | .16 | 7.76 |
| 21 | Pearl beads | France | 11.40 francs | .193 | 2.20 | 20.80 francs | .065 | 1.35 |

*Comparison of foreign prices of imported commodities, 1914 and 1920-21*—Continued.

| Department. | Description. | Country. | 1914 | | | 1920-21 | | |
|---|---|---|---|---|---|---|---|---|
| | | | Foreign price. | Rate. | Dollars. | Foreign price. | Rate. | Dollars. |
| | | | | *Per cent.* | | | *Per cent.* | |
| 23 | Hair nets, silk | France | 5.65 francs | 1.93 | 1.09 | 25 francs | 0.065 | 1.63 |
| 23 | Needles | England | 8s. 6d | 4.86 | 2.07 | 15s | 3.75 | 2.81 |
| 31-32-36 | Cotton lace | do | 7d | 4.86 | .14½ | 22½d | 3.75 | .34½ |
| 31-32-36 | do | do | 7d | 4.86 | .14½ | 20½d | 3.75 | .32½ |
| 31-32-36 | Wash blonde net, cotton | do | 7½d | 4.86 | .14½ | 20d | 3.75 | .31½ |
| 31-32-36 | Cotton cable net | do | 5d | 4.86 | .10½ | 13½d | 3.75 | .21½ |
| 31-32-36 | Cotton point de esprit lace | do | 4d | 4.86 | .08½ | 13d | 3.75 | .20½ |
| 31-32-36 | Silk illusion net | do | 8½d | 4.86 | .17½ | 24½d | 3.75 | .38½ |
| 31-32-36 | Silk net | do | 21½d | 4.86 | .43 | 46½d | 3.75 | .73 |
| 31-32-36 | Cotton yarn, 98/2 | do | 2s. 10½d | 4.86 | .69½ | 9s. 5d | 3.75 | 1.76½ |
| 31-32-36 | Cotton yarn, 160/2 | do | 3s. 2d | 4.86 | 1.25½ | 16s. 6d | 3.75 | 3.09½ |
| 31-32-36 | Lace | France | 0.075 francs | .193 | .01½ | 0.376 francs | .065 | .02½ |
| 31-32-36 | do | do | 0.1175 francs | .193 | .02½ | 0.385 francs | .065 | .02½ |
| 31-32-36 | do | do | 0.04 francs | .193 | .0077 | 0.19 francs | .065 | .01½ |
| 31-32-36 | do | do | 0.0765 francs | .193 | .01½ | 0.485 francs | .065 | .03½ |
| 31-32-36 | Maline net | do | 0.26 francs | .193 | .05 | 1.45 francs | .065 | .09½ |
| 31-32-36 | Chiffon | do | 0.80 francs | .193 | .154½ | 3.60 francs | .065 | .23½ |
| 31-32-36 | Chiffon veiling | do | 0.74 francs | .193 | .143 | 2.80 francs | .065 | .18½ |
| 33 | Cotton lace curtains | England | 6s. 5d | 4.86 | 1.56 | 17s | 3.75 | 3.19 |
| 33 | do | do | 9s | 4.86 | 2.19 | 21s. 7d | 3.75 | 4.05 |
| 33 | do | do | 6s. 5d | 4.86 | 1.56 | 15s. 6d | 3.75 | 2.91 |
| 33 | Cotton madras | do | 5d | 4.86 | .10½ | 16½d | 3.75 | .25½ |
| 33 | Cotton Irish point curtains | Switzerland | 11.80 francs | .193 | 2.28 | 36.75 francs | .16 | 4.23 |
| 33 | do | do | 15.50 francs | .193 | 2.99 | 38 francs | .16 | 6.08 |
| 33 | do | do | 15.10 francs | .193 | 2.91½ | 39.15 francs | .16 | 6.26½ |
| 41 | Toys | Germany | 9.75 marks | .24 | 2.34 | 232.50 marks | .015 | 3.49 |
| 44 | Handkerchiefs, linen | Ireland | 7½d | 4.86 | .15½ | 27½d | 3.75 | .42½ |
| 44 | Dress linen | do | 6½d | 4.86 | .13½ | 25d | 3.75 | .39 |
| 44 | Cotton, pearline lawn | England | 4½d | 4.86 | .09½ | 10½d | 3.75 | .16½ |
| 44 | Cotton, organdie | Switzerland | 0.99 francs | .193 | .19½ | 1.77 francs | .16 | .28½ |
| 44 | do | France | 1.25 francs | .193 | .24½ | 9.75 francs | .065 | .63½ |
| 46 | 36-inch linen cambrics | Ireland | 6d | 4.86 | .12½ | 23½d | 3.75 | .37 |
| 46 | do | do | 6½d | 4.86 | .13 | 23½d | 3.75 | .37 |
| 46 | 38-inch linen cambrics | do | 7½d | 4.86 | .15½ | 26½d | 3.75 | .41½ |
| 46 | do | do | 8d | 4.86 | .16½ | 30½d | 3.75 | .47½ |
| 46 | do | do | 8½d | 4.86 | .18 | 33½d | 3.75 | .52½ |
| 46 | do | do | 9½d | 4.86 | .19 | 37½d | 3.75 | .58½ |
| 46 | do | do | 11d | 4.86 | .22½ | 39½d | 3.75 | .62 |
| 46 | do | do | 12d | 4.86 | .24½ | 41½d | 3.75 | .64½ |
| 46 | 42-inch linen cambrics | do | 13½d | 4.86 | .27½ | 47d | 3.75 | .73½ |
| 46 | 38-inch linen cambrics | do | 14½d | 4.86 | .30½ | 48½d | 3.75 | .75½ |
| 46 | 39-inch linen cambrics | do | 9d | 4.86 | .18½ | 28½d | 3.75 | .44 |
| 46 | 36-inch sheer linens | do | 9½d | 4.86 | .19 | 30½d | 3.75 | .47½ |
| 46 | 39-inch sheer linens | do | 11½d | 4.86 | .22½ | 35½d | 3.75 | .56 |
| 46 | do | do | 12½d | 4.86 | .25½ | 39½d | 3.75 | .62 |
| 46 | do | do | 15½d | 4.86 | .31½ | 44½d | 3.75 | .69½ |
| 46 | do | do | 16½d | 4.86 | .33½ | 47½d | 3.75 | .74 |

Mr. EDDY. I would like also to just insert in the record a telegram which was sent by the merchants and bankers of Chicago to their Representative before the bill was passed. It is as follows:

Under American-valuation plan which forms the basis of the Fordney tariff bill, H. R. 7456, merchants can not determine the cost of imported merchandise prior to its actual arrival and clearance through the customhouse. Goods can not be sold in advance of delivery without knowledge of costs; purchases abroad would practically cease, with consequent loss of revenue to Government. The rates provided in the bill when applied under the American-valuation clause unwarrantably increase costs which the consumer must bear. While we all believe in a fair measure of protection to American industries, this bill is designed solely in the interest of the domestic producer who fixes the amount of duties his competitor is obliged to pay. It gives him absolute control of the market, enabling him to advance prices without foreign competition. The American-valuation plan is especially unreasonable and unwarranted when viewed in the light of our rapidly declining imports. The reduction in our purchasing abroad is seriously affecting our international trade. Shipments of our surplus products to foreign countries is rapidly declining. The American-valuation plan if enacted into law will go far to destroy our foreign trade, for if we do

not buy we can not sell. We believe that in the interest of the general industries of the country and the consuming public this bill should be defeated, and urge you as our Representative to vote against the measure.

Marshall Field & Co.; Carson, Pirie, Scott & Co.; John V. Farwell Co.; Chas. A. Stevens & Bros.; Mandel Bros.; Pitkin & Brooks; Rothschild & Co.; The Fair; Hart, Schaffner & Marx; Albert Pick & Co.; Gage Bros. & Co.; Montgomery Ward & Co.; Butler Bros.; Sears, Roebuck & Co.; Merchants' Loan & Trust Co., by E. D. Hulbert, president; Illinois Trust & Savings Bank, by John J. Mitchell, chairman; Corn Exchange National Bank, by Ernest A. Hamill, president; National Bank of the Republic, by W. T. Fenton, first vice president; Union Trust Co., by F. H. Rawson, president; W. A. Wieboldt & Co.; E. Iverson & Co.; E. H. Knoop & Co.; Loren Miller & Co.; Laboratory Materials Co.; Berghoff Importing Co.; Illinois Watch Case Co.; Boston Store; Lyon & Healy; Irvin-Smith Co. (Inc.); Burley & Co.; Jacobi, Williams Jamieson Co.; D. B. Fisk & Co.; G. W. Sheldon & Co.; Peter Van Schaak & Son; A. B. Fielder & Sons; Francis T. Simmons & Co.; Tonk Bros. Co.; Wm. Lewis & Son; Worms & Loeb; Morris Wooll Silk Co.; A. L. Randall Co.; Chicago Mercantile Co.

Separate telegrams sent to the following: Martin R. Madden, James R. Mann, Elliott W. Sproul, John W. Rainey, Adolph J. Sabath, John J. Gorman, M. A. Michaelson, Stanley H. Kunz, Fred A. Britton, Carl R. Chindblom, Ira C. Copley, Charles E. Fuller, John C. McKenzie, and Richard Yates.

The CHAIRMAN. Did you make any effort to come to Washington to be heard? Did you or your associates mentioned in this telegram make any effort to come to Washington to be heard?

Senator LA FOLLETTE. This telegram was addressed to their Representatives.

The CHAIRMAN. I understand that. I want to know, Mr. Eddy, whether, in addition to this telegram, you made any effort to come here and appear before the Ways and Means Committee?

Mr. EDDY. We did not appear at the hearings. We filed briefs.

Senator REED. Are you through, Mr. Chairman?

The CHAIRMAN. Yes.

Senator REED. When you bring in these tables this afternoon, Mr. Eddy, I wish you would add to them the retail price at which you retail these goods. You have said that the tables state the foreign price, the costs of transportation to this country and delivery to you, and your wholesale price which would give us your wholesale profits. Now, I would like to have the retail price also. You handle them in retail in your store, do you not?

Mr. EDDY. Yes, sir; but I doubt if I would be able to give them offhand.

Senator REED. I am very curious to know whether you could not use the wire and get us the retail prices at which you have been selling these particular goods. I am going to be frank with you. I want to find out some reason why a cow's skin sells for $1.25 and a pair of shoes sells for $12 and their retailer says he is not making any money and the wholesaler swears he is not.

Senator WATSON. And the jobber swears he is not.

The CHAIRMAN. You pay for the style of the shoe, maybe.

Senator REED. I do not. I buy anything I can get on my feet.

The CHAIRMAN. Have you any further statement to make to the committee, Mr. Eddy?

Mr. EDDY. No, sir.

The CHAIRMAN. We will next call Mr. Rafter, representing the Lace and Embroidery Association of America.

STATEMENT OF JOHN R. RAFTER, NEW YORK CITY, REPRESENTING THE LACE AND EMBROIDERY ASSOCIATION OF AMERICA.

The CHAIRMAN. What is your name?

Mr. RAFTER. John R. Rafter.

The CHAIRMAN. Are you an attorney?

Mr. RAFTER. Yes, sir.

The CHAIRMAN. Do you represent this association as an attorney?

Mr. RAFTER. Yes, sir.

The CHAIRMAN. Well, the committee much prefers to hear the principals in these businesses.

Senator SMOOT. Mr. Rafter has been here representing them before.

The CHAIRMAN. I know you have been here a number of times for them. It is infinitely more forcible with the committee if we have the people who produce the fabrics, but still I do not cast any reflection on your ability as an attorney. You may go on in your own way and state what you want to.

Mr. RAFTER. Mr. Chairman and gentlemen, the Lace and Embroidery Association of America has a membership which embraces 40 businesses in New York City, and I believe 1 outside, in Philadelphia.

The CHAIRMAN. Excuse me one moment, Mr. Rafter. Do you reside here in Washington?

Mr. RAFTER. No, sir; I reside in New York.

The CHAIRMAN. There are a number of gentlemen here in their own person, and it seems to me the committee ought to hear them.

Mr. RAFTER. I shall be very glad to defer to anybody.

The CHAIRMAN. All right, if you will then defer, or could you dispense with taking up the time of the committee by filing a brief?

Mr. RAFTER. I would much prefer, Senator, to be permitted to speak on the subject, if I may.

The CHAIRMAN. Well, later in the day we will hear you. Is Mr. R. S. Oliver, representing the A. B. Hendrik Co., of New Haven, Conn., present? Evidently Mr. Oliver is not present. We will now hear Mr. Jacob de Jong, if he is present.

STATEMENT OF JACOB DE JONG, NEW YORK CITY, PRESIDENT OF THE FLOWER AND FEATHER MANUFACTURERS OF AMERICA.

The CHAIRMAN. Whom do you represent, Mr. de Jong?

Mr. DE JONG. Mr. Chairman, I am president of the Flower and Feather Manufacturers of America, and I am president of the Associated Home Work Industries of the State of New York.

The CHAIRMAN. You are in the business yourself?

Mr. DE JONG. I am one of the largest manufacturers myself, and I believe that to a certain extent I am partly responsible for the condition that we are confronted with now. I am one of those who prevailed upon the Ways and Means Committee to adopt some means by which we American manufacturers could continue in business.

The CHAIRMAN. You make both flowers and feathers?

Mr. DE JONG. Yes, sir; we do. I advocated several propositions in the emergency bill. After careful study I knew of no other method by which conditions that prevailed throughout the world to-day could be remedied, as far as domestic industry is concerned, except through levying duty on the real value of any article imported.

I admit that, to a certain extent, the method of assessing ad valorem duty on American valuation presents obstacles and difficulties. We all realize that. But I believe that if that method had been in operation for a hundred years, or since our present method is in operation, it would be more perfect and answer the purpose better than our present system, because under the system of assessing ad valorem duties on foreign valuation our tariff laws are nullified, because there is no certain method for an appraiser or customhouse official to base value on any merchandise that comes from Germany or Czechoslovakia, as far as its home valuation is concerned. The currency in that country that produces commodities and necessities has a greater power to produce those commodities and necessities than if you translate that currency into American or world standards, and yet you have to compete with it.

I am surprised, Mr. Chairman, that men in important concerns in this country, such as Marshall Field & Co., send representatives here, although, on their own admission, they import but 10 per cent of the articles in which they deal. Then we must assume that 90 per cent constitutes domestic goods. What motive or object can they have for the sake of getting a lower reduction on that 10 per cent to sacrifice 90 per cent of their business? Have they the interest of the domestic industry at heart? I have seen many importers come here and say they are manufacturers. They came before the Ways and Means Committee also. I have in mind a concern whose principal business is importing and who are interested in factories in Germany and who I am told are opposed to this method.

Senator REED. Opposed to which method?

Mr. DE JONG. The American valuation system.

Senator REED. What is the name of that concern who is interested in factories in Germany that appeared before the Ways and Means Committee?

Mr. DE JONG. Who is vitally interested in the importing business?

Senator REED. No; who was before the Ways and Means Committee and who has factories in Germany, as you said?

Mr. DE JONG. The firm of George Borgfeld & Co., in which Mr. Doherty, who was formerly a customs inspector and a United States official, is now in their employ, is one of those firms that are bitterly fighting American valuation.

Senator REED. Have they factories in Germany and in other foreign countries?

Mr. DE JONG. It is my belief, from the information that I have, that that firm is directly or indirectly interested in factories in Germany.

Senator REED. You made a positive assertion a few minutes ago. Now you say that your belief is that they are directly or indirectly interested. That is quite a different statement. Upon what do you base your belief?

Mr. DE JONG. I have transacted business with them, and they have told me that they controlled certain products made in Germany, and that I could buy them cheaper there than anywhere else.

Senator REED. From them?

Mr. DE JONG. Yes.

Senator REED. It is a common thing for men in trade to claim that they have some advantage and can give their customers some advantage.

Mr. DE JONG. I think I have seen factories in Germany with the firm name of George Borgfeld & Co. on them.

Senator REED. I move that we call this firm in here and settle this question.

Mr. DE JONG. Mr. Doherty is here.

Senator WATSON. I think we would get at the facts better if this witness would go on and give the reasons he is for this measure.

The CHAIRMAN. Let the witness make his statement and make it brief. Let him state what his views are and then we will proceed.

Mr. DE JONG. The proposition that confronts us now and confronts the Senate committee is the adoption of the method of American valuation in the assessment of duties. I realize that unless your committee can agree or unless the Senate can agree upon that method, there will not be any tariff bill for a long time, because all the schedules are based on the principle of American valuation. We manufacturers naturally realize that. It is a question then for us to see whether the American valuation is such a tremendous detriment or is such a dangerous experiment that this country dare not put it in operation.

In my country where I was born—and I was born in Holland—the system of assessing ad valorem duties has always been on value in Holland itself. To my mind I know of no reason why we can not ascertain the American wholesale market values as easily as we can ascertain the foreign market values throughout the world without having the people to ascertain them. There are but six men connected with the Treasury Department scattered throughout the world, and but one in Germany and one in Japan. How can we possibly ascertain the home-market value in these countries?

The CHAIRMAN. We are talking of putting 25 men on that work.

Mr. DE JONG. That would not make any difference. If you put 50 men in Germany I do not think you could ascertain the market values of all products that Germany sends here. I have in mind an article that I want to show this committee. Here is an artificial flower that is shipped from Germany at 40 marks a dozen. That is about 50 cents a dozen. They are not shipped in single dozens, but thousands and tens of thousands of dozens. That is the manufacturer's price which he arranges with the importer. What is the German wholesale value of this article when the material actually in this particular article costs in Germany more than that price? If you do not figure the cost of labor in Germany at all, even though it is practically so small that it does not figure so much in the cost of production, the material actually used in this article costs more than the German price made to the American importer, because they have been accumulated during the war.

The CHAIRMAN. Are those flowers made in the homes?

Mr. DE JONG. They are all made in the homes and partly by children. I am president of the Associated Home Work Industries of the State of New York. We have endeavored to cut out all child labor in our industries in New York.

Senator WATSON. Do you know what the raw material in that article costs?

Mr. DE JONG. As a manufacturer I could figure out to the slightest detail the cost of the raw material.

Senator WATSON. I want to know how you know what the raw material in that article costs in Germany?

Mr. DE JONG. Because I import some of the raw material from Germany.

Senator WATSON. You say that the raw material in that costs more than——

Mr. DE JONG. It costs more than the price at which it is sold.

Senator WATSON. In other words, they are selling at a loss?

Mr. DE JONG. They are selling below the cost of even the raw material.

Senator REED. That is to say, that a man takes raw material that costs a certain amount and puts an infinite amount of labor on it and then sells it for less than the raw material before he touched it? That is what you mean to say?

Mr. DE JONG. I mean to say that this material has been made up in Germany during the years of war by the women and children. It has been accumulated in enormous quantities.

The CHAIRMAN. They are sending us their accumulated stock?

Mr. DE JONG. They are. Most all countries with which Germany heretofore did business have prohibited the importation of this article. France has done so. Finland has put a duty on it of 1,400 marks a kilo.

The CHAIRMAN. Would the duty we have in the House bill keep this fabric out of the country?

Mr. DE JONG. The duty of the House bill based upon American valuation? This would not, to my mind, prevent the importation of the goods.

The CHAIRMAN. Would it protect the American industry?

Mr. DE JONG. It would to the extent that we could meet the German manufacturer of this article in our own market on an equal basis.

The CHAIRMAN. How much protection would it give you?

Mr. DE JONG. The protection under the American system would nicely conform to articles which are undervalued and which are not undervalued. When an article is sold in the American market at the legitimate price the duty would not be so much, but where it is sold at an illegitimate price, where an article like this costs to produce in this country by the American wholesale value $4.50 a dozen and the duty is based on that, it will give us sufficient protection.

If the intent and purpose are that the American manufacturer can meet the foreign competitor in our own markets on an equal basis, with the difference which the tariff could cover being only the advantage that he has in cheaper labor, the American manufacturer fears competition from no part of the world.

Senator WATSON. What percentage would you have to put on that article imported from Germany to protect you under the existing law?

Mr. DE JONG. I have a letter here from the importer of that article, which, with your permission, I should like to read. It is as follows:

NEW YORK, *January 24, 1921.*

Mr. JACOB DE JONG,
*President Associated Flower and Feather Manufacturers of America,*
*New York City.*

DEAR SIR: By request of Mr. A. Gerstenzang, of your tariff committee, I present herewith the following information to be used, if you so determine, in your efforts to produce a revision of the tariff on our products.

In June, 1920, I placed, through an agent abroad, an order for 3,000 dozen artificial flower wreaths, samples of which I am submitting to you under separate cover; the

German manufacturer charging me for these goods the uniform price of 35 marks per dozen f. o. b. Hamburg, Germany. The market value of German marks at that time was $1.72 per hundred marks.

These goods arrived, and in October, 1920, I reordered to the extent of 3,000 dozen more, but at the advanced price of 50 marks. The value of marks had, however, by this time depreciated to $1.15 per hundred, making the price as figured in our currency even cheaper than the first shipment.

We have recently received the second lot of merchandise, and are now negotiating another order for 10,000 dozen more of the same wreaths at 40 marks per dozen.

I need not tell you that these goods found a very ready sale here in spite of the recent depression in business, and I do not hesitate to say that even if a duty of 400 per cent were imposed on this merchandise neither I nor any other responsible manufacturer could or would attempt to make up goods to compete with these at that cost.

Very truly, yours,

ISIDORE BURROS.

The CHAIRMAN. Is this a large industry in the United States?

Mr. DE JONG. The industry in the United States before the war, in 1914, was, to a certain extent, limited. During the war, when Germany could not send these goods here and we did not get any of these goods from Germany, it developed tremendously; it increased from a working force of, perhaps, 3,000 to over 10,000.

The CHAIRMAN. Where is it located?

Mr. DE JONG. It is located in the city of New York, 85 per cent of it. The output increased from, perhaps, $5,000,000 to $20,000,000.

The CHAIRMAN. Were you an importer before the war?

Mr. DE JONG. I have always been a manufacturer for 25 years of these articles in this country, and the article here is an article that I originated in this country. It is an American product.

The CHAIRMAN. There is no reason why you should not have been an importer, you understand?

Mr. DE JONG. I do import certain goods, but I am a manufacturer, because I do not import except some of the materials, like silks and other things I use in the manufacture of my goods. This class of goods was never made by Germany before the war. This was taken over by importers and copied by the Germans.

Senator REED. Before you get into that I want to ask a few questions. You talk pretty fast. I am going to ask you to answer these questions categorically. This article which you have shown us and about which you have talked so much is called what? By what name is it known?

Mr. DE JONG. An artificial flower wreath.

Senator REED. What is it used for?

Mr. DE JONG. The decoration of ladies' and children's hats.

Senator REED. You have displayed an article. What is that article sold for in Germany when it is landed here?

Mr. DE JONG. At the present rate of the mark, 40 marks a dozen. That would be in Germany under the present rate of the mark about 50 cents.

Senator REED. This wreath comes here and is delivered here at about 50 cents a dozen?

Mr. DE JONG. It is delivered here at the German price of that much. Naturally, the duty has to be paid.

Senator REED. That is duty free. What is the present duty?

Mr. DE JONG. Sixty per cent.

Senator REED. So that the article would cost 80 cents, would it?

Mr. DE JONG. The article would cost, at the present rate of the mark, duty paid, and covering everything, roughly, about $1.20 a dozen, including cartage, cases, boxing, express, and so forth.

Senator REED. $1.20 a dozen landed here?

Mr. DE JONG. Yes, sir.

Senator REED. And that is after the tariff has been paid?

Mr. DE JONG. That is after the tariff has been paid.

Senator REED. Do you make this article in the United States?

Mr. DE JONG. We make a similar and comparable article in competition to that.

Senator REED. What do you sell it for?

Mr. DE JONG. At the present time an article like that we would sell for $4.50 a dozen.

Senator REED. Are you selling it at a fair and reasonable profit or at a high and exorbitant profit?

Mr. DE JONG. We are selling it at a fair and reasonable profit.

Senator REED. How long a time have these German goods—and I am speaking now of this wreath and similar articles—been brought into this country from Germany?

Mr. DE JONG. Since the armistice.

Senator REED. Notwithstanding the fact that these importations have been made at the price you state, you still have been able to sell your goods at a fair profit, realizing $4.50 a dozen for them?

Mr. DE JONG. No; we have not been able to sell our goods. We laid off our hands and practically closed our establishment.

Senator REED. But you could sell them at $4.50 a dozen and you can not sell them at less than that?

Mr. DE JONG. We can sell them at $4.50, but not if the importer can land them at $1.20. We can make a fair profit of $4.50.

Senator REED. What do you call a fair profit?

Mr. DE JONG. Twenty per cent.

Senator REED. Then, how much tariff have you got to have to make it possible for you to compete with this German article on the European valuation? I do not want to get this American valuation into it at all.

Mr. DE JONG. Do you mean under the present system?

Senator REED. Yes.

Mr. DE JONG. I see what you want. Senator, you naturally realize——

Senator REED. Now, that is a simple question. It does not require any argument.

Mr. DE JONG. If the mark is 1.25, as it is to-day, the conditions are different than if the mark is 1.80 or 2 cents.

Senator REED. I am going to treat this with the market just exactly where it was when we started out with this illustration.

Mr. DE JONG. You mean where the mark is to-day?

Senator REED. Where the mark was at the time you made those figures.

Mr. DE JONG. And in order for us to compete with it?

Senator REED. Yes.

Mr. DE JONG. The duty would practically be the difference. Take $4.50, our selling price, less 20 per cent profit, and the duty would be that difference. Or if you want to include the profit, then the duty would be the difference with the profit.

Senator REED. Then, it would be the difference between $4.50 and 50 cents?

Mr. DE JONG. It would be the difference between $4.50 and the import price of $1.20.

Senator REED. But the $1.20 includes the 60 per cent duty.

Mr. DE JONG. The $1.20 includes the 60 per cent duty.

Senator REED. But I want to get rid of the duty. The article is produced in Germany at 50 cents.

Mr. DE JONG. Yes; sold to importers at 40 marks.

Senator REED. We are not considering the duty now.

Mr. DE JONG. The duty on that article would be 400 per cent.

Senator REED. Let us get back to the question I am asking. I do not want to have to spend days on it. The article cost 50 cents in Germany?

Mr. DE JONG. Yes, sir.

Senator REED. The freight and boxing and handling to land it in this country would be how much?

Mr. DE JONG. Fifteen to twenty per cent.

Senator REED. Then it would be landed here for 50 cents outside of any duty. This German article that can be landed here for 60 cents you sell for $4.50, and you want a tariff that will enable you to get $4.50 for it.

Mr. DE JONG. No, sir.

Senator REED. So you want a tariff on that article of $3.90, on an article that costs 60 cents to land here.

Mr. DE JONG. That particular article is not a legitimate article.

Senator REED. Why is it not legitimate?

Mr. DE JONG. It can not be made in Germany for that price.

Senator REED. I am not discussing that.

Mr. DE JONG. It is the exception that paralyzes our industry.

Senator REED. The exception is the thing you want to present, and hence you want a tariff high enough to prevent the exception which you say will paralyze your industry. How much of that variety of goods which you want this tariff on is there? How many people are there engaged in making it now in the United States?

Mr. DE JONG. About 200 manufacturers.

Senator REED. How many people are employed making these wreaths?

Mr. DE JONG. There are about 10,000.

Senator REED. What are the gross sales?

Mr. DE JONG. The gross sales of these 200 manufacturers?

Senator REED. For these articles now that we are talking about.

Mr. DE JONG. For what time?

Senator REED. What are their gross sales per year now?

Mr. DE JONG. The gross sales per year before the German article came into competition were perhaps in the neighborhood of $18,000,000.

Senator REED. Of this particular article?

Mr. DE JONG. No; the entire line of artificial flowers and feathers.

Senator REED. But when you speak of the entire line of artificial flowers you are speaking of things similar to the sample you have produced?

Mr. DE JONG. Everything in that line.

Senator REED. There are 10,000 people employed?

Mr. DE JONG. Ten thousand people.

Senator REED. And the American people pay about $18,000,000 at wholesale. Is that right?

Mr. DE JONG. For the product; yes.

Senator REED. And there are only 10,000 people in it for $18,000,000. How much do you pay those 10,000 people in salaries?

Mr. DE JONG. An average of $22 a week.

Senator REED. How much would that be? Can you tell me?

Mr. DE JONG. I did not bring the figures with me, but I have them. The pay roll in my establishment is about a quarter of a million dollars.

Senator REED. But your establishment that you are talking about is not engaged alone in making these flowers, is it?

Mr. DE JONG. That is the only thing.

Senator REED. You pay $22 a week.

Mr. DE JONG. On an average.

Senator REED. Does that include office pay roll and everything else?

Mr. DE JONG. No; that includes the actual girl workers. The floor leaders get $50 and $60 and $100. The shipping clerks get $20 and $25. Others get in proportion. I am speaking of the girls that actually do the work. Colorers get up to $100.

Senator REED. You pay, then, on an average of about $3.66 a day, and there are 300 working days in the year. Do they work 300 days?

Mr. DE JONG. No; they work on an average of 47 hours a week.

Senator REED. Will you give me the wages when you return after recess, the wages of these 10,000 people, per annum?

Mr. DE JONG. Do you mean before this class of goods came in?

Senator REED. Yes; when you were running at full speed. And I want to know the number of people employed and the wages paid to them now.

Mr. DE JONG. All right.

The CHAIRMAN. The committee, under the program, will stand adjourned until half past 2 o'clock this afternoon, when the other gentlemen who are here to be heard will have an opportunity, I hope.

(Whereupon, at 12.30 o'clock p. m., the committee took a recess until 2.30 o'clock p. m.

AFTER RECESS.

Senator MCCUMBER. Mr. de Jong, you may resume your statement.

STATEMENT OF JACOB DE JONG—Resumed.

Mr. DE JONG. Mr. Chairman and gentlemen of the committee, I understand the argument has been made that $130,000,000 worth of goods are imported through parcel post, and that there is no real provision or method to assess duties on them as they come practically at all post offices. In reference to that I want to introduce to your committee a circular received from a flower manufacturer in Germany, which has been mailed to thousands of American merchants, and that states that he is ready to submit and send us photographs of all his samples and sample quantities of German flowers, an assortment valued at 1,500 marks, consisting of flowers,

fruit, leaves, etc., ranging from 15 to 70 marks a dozen. Fifteen marks a dozen for German flowers under the present rate of the mark is less than 20 cents a dozen and less than 2 cents for each flower.

He states further, and this is in English:

Order your sample collection to-day and inclose check with order, and I ship all the goods by parcel post free of packing, insurance and delivery charges, and therefore you do not need any broker. By arrival of the goods in your country you will receive a notice from the post office in your district saying the amount of duty you have to pay, which is very little, and you simply get your package.

With that amount of goods in our land coming in through parcel post it presents a difficulty that is to be considered.

Under the new administrative provisions of the bill as passed in the House there is a provision for that. I will read it to you; it is section 506. [Reading.]

Merchandise treated as not imported. Merchandise not exceeding $100 in value, merchandise damaged by fire or marine casualty on the voyage of importation, articles imported through the mails.

It further provides that the Secretary of the Treasury may provide such regulations as to govern such imports, and therefore under the provision of this new law the Secretary of the Treasury may provide a certain method by which such parcel post packages should pay the proper duty.

As to the principle that practically is on trial here to-day, the assessing of duties on American valuation, if we look closer into it, affect a very small percentage of our imports, and when you take into consideration that the present system under which we are now working acts practically as an embargo on the manufacturred goods of those countries which have a higher labor cost, and if we by statistics see that the very countries which we practically exclude from our markets on certain articles are our largest customers, we realize the situation more clearly. During 1921 our largest customer was the United Kingdom, with $1,825,000,000; the next is Canada, with $871,000,000; France with $676,000,000, Cuba with $515,000,000, Japan with $377,000,000, Italy with $371,000,000, and Germany with $311,000,000, and so on.

There you have the list of our largest customers, and where we consider the vital——

Senator McCUMBER (interposing). Are these exports to or exports from?

Mr. DE JONG. These are our exports to foreign countries, and the reason I state these figures is that under our present system of levying duties regardless of depreciation of foreign currency, we practically exclude those countries which are our largest customers from dealing with us on certain goods. Germany has replaced France in practically 75 per cent of the merchandise that France formerly exported to our country. In our line alone not many years ago France exported to the United States a far larger amount than Germany, but since the war and since the armistice Germany has practically driven the French producers in our class of goods from our markets, and she to that extent controls the American market.

Now, if we have in mind that we desire to continue our exports and that we must import manufactured goods in order that foreign

nations will be able to pay for the raw material or such as they need from us, I believe our first consideration is for those countries who are our largest customers and who we are most vitally interested in, so far as our exports are concerned.

As to the imports of articles which are naturally vitally concerned in the present method that is proposed for levying duties, the largest amount of such imports is sugar, which is in excess of $1,000,000,000; and as far as the American valuation is concerned that practically can be left out of consideration.

The next largest imported article is raw silk, $284,000,000. As far as the American valuation is concerned, those imports would not be affected.

The third largest item is coffee, $252,000,000. As far as American valuation is concerned, it will not interfere with those imports.

The fourth is hides and skins, $243,000,000. The question of duty on that is perhaps still open to a certain extent. To my mind the American valuation on that item plays no important part.

The next largest item is india rubber, unmanufactured, $242,000,000. Surely that is not within the range of any disturbance so far as American valuation is concerned.

The next largest item is cotton, manufactured, $138,000,000, which is mostly imported under a compound duty, partly specific, and to a certain extent ad valorem, and is only slightly affected by the American valuation.

The next largest item is wool, unmanufactured, $126,000,000, not at all affected practically by American valuation.

Eighth among the chief import articles are the articles returned which are the growth, produce, and manufacture of the United States, to the extent of $96,000,000, which certainly is not affected.

The ninth article is wood pulp, $89,000,000, not affected.

The next is burlap, $89,000,000, which is but slightly affected; furs and skins slightly affected, $88,000,000.

Tobacco, manufactured, $81,000,000, is not in the slightest degree affected.

Wheat, $75,000,000, is not.

Flaxseed, or linseed, $74,000,000, is not.

And thus we go on, practically through $5,270,000,000 of our total imports—four billion and a half will not be in the slightest degree affected by reason of American valuation.

So then we come to other items which have to be taken in consideration in regard to the American valuation, and if you distribute it amongst the countries it is surprising to know that our largest imports from any one country is Cuba, with $721,000,000. The business with Cuba in regard to those imports of $721,000,000 would not be in the slightest affected by the adoption of American valuation.

Canada, $611,000,000. Canada would be benefited by the American valuation, and, in fact, the United Kingdom, with $513,000,000, would be benefited; Japan perhaps not, but so on through the list we find no serious obstacle so far as the fundamental imports and exportation interest of this Nation is concerned in the application of American valuation.

New York as a port receives $2,890,000,000 of our imports, or more than 55 per cent, and it was conceded and recognized that among

those imports in the port of New York all articles which come under the classifications and will be affected by American valuation are practically centered in that port. In other words, the trouble and difficulty that will be presented by the adoption will be centered in the city of New York, and there is no doubt in my mind that the force necessary for the proper ascertaining of American value in the imports in the city of New York does not offer insurmountable difficulties.

The question has been raised, "How can the importers continue in business under the American valuation system?" I have given that serious and careful consideration. I have compared some of the schedules of the Underwood bill with this new bill, and I have found in such articles where the difference in labor and fabrication is large the duties under the American valuation will be perhaps larger than under the general rates of the Underwood bill, but in no case in excess of the difference between the cost of production in the country from whence those articles are imported, compared with the cost of production in our own country. And as we have agreed not only in the Republican platform, but in the last election and by every assertion that has been made by the most responsible man in our Government, that the domestic manufacturer is entitled to that degree of protection that he can meet his foreign competitor on equal terms in our own markets, we must agree that no American can object that the duty should be fixed at the difference in the cost of production.

We, as American manufacturers, can meet all the world in competition. We could meet those low countries if we could produce our labor on the same level. But what would America gain if we reduced our working people to the lowest level? Suppose we followed the example of Germany; deliberately depreciated our currency in order that we can export our products to all parts of the world at a lower price? Germany's policy necessarily requires that she keep her currency valuation down, because with that depreciated currency she gets production, she pays her labor, and the fact must be apparent to every thinking man who has studied the situation that to-day Germany has an advantage.

I have the latest issue of the most important papers of Germany—Dresden, Leipzig, Berlin, and all centers, which I get daily—and they are filled with advertisements. Some of the factories have more American orders than they can possibly fill. Some factories have orders to run six months ahead. In our own particular line of business every importer in the United States and those that have never imported that class of goods before have taken a trip to Germany, and they have placed their orders for the spring of 1922 for these German products, and all the manufacturers in our line of business in Germany are overwhelmed with orders; in fact, enough to carry them through the season of 1922.

And, Mr. Chairman and gentlemen of the committee, you as Senators of the United States, whom I know have at heart the interests of this Nation, there has not been given an order to an American manufacturer in our line for similar goods for the next spring's season's business as far as I know; and, nevertheless, those same buyers that all flocked to Europe for those cheaper German goods to replace the American products were only too glad and too happy that when the German product could not be imported into the United States that

the domestic manufacturers created an organization, invested capital, built plants, in order that they should supply fairly the demand of these wholesalers in America for that class of goods. I do not think that any wholesaler in America will say that the flower manufacturers and feather manufacturers in the United States have taken the slightest advantage of the situation during the war. We have produced the most perfect goods, better than any that we have imported. True, we could not sell them as cheap as Germany can produce them with the mark at 1¼ cents. But we sold them at a close profit. We made the business prosperous, and the millinery business during that period had the most prosperous, the most profitable experience that it ever realized since its existence. While to-day, with all the cheap German goods piled from the floor to the ceiling in all the importing houses and filling up the warehouses the demand is practically nominal.

My experience is that higher tariff in no sense prevents the importations; that the cheaper a foreign article can be landed in this country, the poorer business conditions prevail. It is the nature of the people of this country that a cheap article destroys the prosperity of our industry. I have never seen this country prosperous when goods and merchandise were dragged to the lowest level.

I have seen this country prosperous and grow to be so prosperous that it became the creditor of all the world when the goods were the highest that the nation ever knew. I think McKinley was right when he stated that "cheap goods make a cheap country," and while I am on that subject, Mr. Chairman and gentlemen, assuming we can land all these German goods so cheap, and have our working people out of employment, our industry stagnated, where is the public that is going to buy those cheap goods, whether an article that used to cost 50 cents can be sold for 10 cents, the working man and woman will have to have 10 cents to buy it with.

Senator McLEAN. After you have driven the American out of business the German goods would not remain at the low prices?

Mr. DE JONG. The German manufacturers in our line have a very strong combination. They are now determined to conquer our market. They can do it, because they have the tremendous advantage of cheap labor, and in this class of goods labor cost of production is 75 per cent of the value of the article. So we in our line are confronted with the greatest difficulty.

The German, when he has destroyed our organizations, naturally under such conditions will raise his prices. Germany could before to-day have raised its currency to a fairer basis. France, suffering, bleeding, practically prostrate, a nation that has suffered more, as well as Belgium, has maintained its currency on a fairer basis than Germany, because they do not print so much. Germany continues that currency. From 2,000,000,000 paper marks in circulation it has increased it to nearly 88,000,000,000 marks, and I see by the German papers to-day the more the people of Germany are employed in industry and the more paper currency it requires to pay them, the more the Germans print, and the lower that currency gets. You will readily see that by the conditions that prevail. Germany is busy now; she is prosperous, and yet the mark is at a lower level than last year this time, and at a lower level than it was when she was not busy. It is to her interest to have that situation exist now.

Mr. Chairman and gentlemen, so far as the application of the American valuation system is concerned, there has been a great deal of discussion and difference. The opposition comes from the importers; it does not come from the manufacturers of this country. The opposition comes from some of the appraisers, whom I believe are sincere and honest in their testimony.

The advocates are the American manufacturers and the real advocates, Mr. Chairman and gentlemen, are the millions and millions of working people in this country.

While I have no authority to speak for them, and while I do not assume to speak for them, when I leave this hearing and go back to my factory in New York, where my employees are on half time, in order that I may still perhaps see the light to come, I will watch these proceedings, and unless, Mr. Chairman and gentlemen, something is done to overcome this great depression of foreign currency, we as domestic manufacturers will have to discontinue a business that has been built up for 20 or 30 years. There is no question about that.

Just before leaving I spoke to three or four of the largest manufacturers in our line, and every one was unanimous that they were going to stick it out until January, and if they can not get orders and can not get reasonable prices—and we are willing to work close—they would have to discontinue.

Senator McLEAN. Do you think the revision of the tariff is as important as the revision of the revenue law?

Mr. DE JONG. I think the revision of our taxation system is not as important for the future welfare of this Nation as the tariff. What difference does it make what taxation you adopt, whether you have an income tax, excess profits tax, an excise tax, or sales tax, who are you going to tax? If it is true that the ultimate consumer pays all the taxes, where is he going to get the money to pay them with when he is out of work? The subject that first must be attended to is that American industries can thrive and exist, and that people can be employed.

Senator McLEAN. You think the patient ought to have a little more nourishment before we open new arteries?

Mr. DE JONG. I think before you can tax the American people by new methods, you better give them the opportunity to earn the money by which they can pay the taxes that are thus to be imposed. Going to the application of the American valuation, while it may present some difficulties in the beginning, any article that is not comparable or competitive with foreign goods, as far as the American article is concerned—for a moment we will leave that out of the question—so far as the imported article is comparable and competitive there is no question about the appraisers arriving at the wholesale American cost. Why should there be? So, as far as the comparable and competitive article is concerned, there is not any great difficulty. They claim that the difficulty arises where there is no comparable or competitive article. The provision, as the new bill states, gives the Treasury Department the power to make such regulations as can be easily enforced. Any importer who imports merchandise does know the price at which he is going to sell it, for that is the fundamental principle of all business. As an importer of merchandise, I know if it cost me so much, and the duty is so much, I can sell it for so much, and I can compete for so much, even if the article has never been imported into this country.

I will give you an instance: I have a cloth here known as "artificial plush." This was used in our industry to a great extent during the war. It was manufactured in this country by only two concerns. Germany never made it. Since the armistice the German manufacturer was over here. He took a sample of this domestic artificial plush to Germany; in fact, he took it to Crefeld, in Westphalia. He came to me, as I am a large user of that article, and as I have always used the domestic article, and offered me a price $1 below the then prevailing price of the American market.

Senator McLEAN. What unit?

Mr. DE JONG. A yard. I informed Sydney Blumenthal, who is one of the largest manufacturers of pile fabrics in this country, and Mr. Winpfheimer, of Winpfheimer & Bro. I told them, "I am going to order some of this cloth, and I am going to show it to you when it comes in." The price was fixed at $4. When the domestic manufacturers found out that the German maker was going to sell at that price, they reduced it, and the result is to-day that the market price in this country of that cloth is $3.50 a yard.

Senator McLEAN. Right there, I want to offer a suggestion. It has been claimed here that if we adopt the American valuation plan it will permit of pyramiding the prices in this country.

Mr. DE JONG. No. I will give you an instance right here, Senator.

Senator McLEAN. Yes. If we publish the American valuation on the wholesale price, will not the tendency be to decrease the retail price rather than increase it?

Mr. DE JONG. I will demonstrate that to you, using this cloth as an example. The American value of that cloth is $3.50; the German price is 150 marks a yard. In the Underwood bill artificial silk fabrics are under an ad valorem duty of 60 per cent. At 150 marks a yard, at the present rate of exchange, 1.30, the German cost is about $2; duty at 60 per cent would be 1.20, making a total landing cost 3.20 under the present Underwood bill.

In the new bill, as passed by the House, and at American valuation, let us see what the result is: Under the new bill the duty is compound, 45 cents a pound and 37½ per cent ad valorem. I took the trouble to weigh this merchandise, and I weighed it in comparison with the domestic article as printed on the goods, and I find it weighs a little less than 8 ounces, and this comes under the provision which is 45 cents a pound, which makes 22 cents a yard. Add to that 37½ per cent of the American valuation of $3.50, and it would make it 37½ per cent of $3.50, or $1.52, and add 22 cents, making the total cost under the American valuation $3.52.

You see that if the American manufacturer should raise the price on that to $5 what would be the result. The duty would be so much increased naturally, but the German article would still be only 150 marks, and he could undersell the domestic manufacturer, and he would not have a chance; we would not think of buying it of him; we would import it.

Senator McLEAN. I can see that. But we know that the spread between the wholesale price of goods and the retail price is indefensible in many cases. Will not the effect of adopting the American plan be to publish to the world wholesale prices and make it unconscionable for a great many dealers to charge the retail prices they now charge?

Mr. DE JONG. If we ascertain through Government energy and supervision the wholesale market price of every commodity and article in this country, and once that is firmly established, gentlemen, you could write a tariff bill in four weeks without any difficulty whatsoever, giving careful consideration to the amount of revenue that the Government needs, giving protection reasonable in every respect to the domestic manufacturer, and having due regard to fixing the duty at such a rate that the importer can import it to the greatest extent that will do the least pos ible harm to domestic production. That is the natural result.

And what would be the further result? With men like Hoover and others, we could, through governmental instrumentality, ascertain the reasonable wholesale market prices of our commodities and articles in this country—the whole world will have to follow our example and our own manufactured products could be shipped throughout the world on this principle and could meet in competition with products of any nation.

What have we now? We have an impossible situation. I have an article here that is manufactured in Germany that is also manufactured in France. It is identical, it is comparable, it is competitive. It cost double as much to make it in France by reason of labor conditions; it cost half so much to make it in Germany. We buy it in Germany, but can you tell me on what fundamental principle of justice and fairness we should charge France double the amount of duty for the privilege of selling their goods in our market compared with the German? Is it not contrary to all the dictates and intelligence of American justice and fairness to those who want to do business with our market?

Senator GERRY. But you just stated that that imitation plush was sold for the same price by the Germans and by ourselves; did I understand you correctly?

Mr. DE JONG. No. The price in Germany is 150 marks, about $2 under the present rate of exchange. I want to say——

Senator GERRY (interposing). Did you not state that it sold here for $3.50?

Mr. DE JONG. $3.50 a yard.

Senator GERRY. And that the American goods were also now selling for $3.50 a yard?

Mr. DE JONG. American goods also offered at $3.50, the wholesale market price.

Senator GERRY. You are selling at the same price?

Mr. DE JONG. No; $2 is the German price.

Senator GERRY. That was the point I was not clear on.

Mr. DE JONG. I am getting a shipment of these goods made by a manufacturer in Germany, the only people in Germany making this article to-day. It was never made in Germany before. He fixed the German price at 150 marks. He gave me practically to understand that if I wanted to control this article that he would arrange a price with me.

I want to ask you gentlemen what is the foreign wholesale market value of this cloth—the price that the German individual manufacturer arbitrarily fixes? Well, suppose it is not sold in the German market at all, and the American appraiser when it comes to the customhouse wants to ascertain what the wholesale price in Germany is,

when the article is not sold, is not it between myself and the German manufacturer to fix the price arbitrarily? And in spite of all your custom laws, and all the power that you have at your command, and this perhaps undervalued 100 per cent, you have not the evidence at your command to prove undervaluation. How is the appraiser here going to ascertain what the wholesale market price of this cloth is in Germany? Suppose another manufacturer makes it and offers it at 200 marks and two or three others make it and charge 200 marks, and I go to this man and take the entire output at 100 marks, which is the wholesale market price in Germany? And yet when my article comes in at 100 marks, the appraiser lets it go through. To-day everything passes the customhouse unless the appraiser has information to base real foreign value on.

There is not any question about that, gentlemen. Whether the article is undervalued or not, it passes the customhouse. I do not say it is deliberate, fraudulent undervaluation. I do not believe it. I believe the American importers, as well as the American manufacturers, have a sense of honor. But if I get this at 100 marks from a legitimate manufacturer, although the wholesale market value in Germany is 200 marks, the law does not presumably enable the appraiser to ascertain the wholesale market value in Germany. I simply pay the manufacturer and make out a sworn invoice that 100 marks is the German wholesale market price, because I believe it to be so, and what is the customs official going to do about it?

We manufacturers in New York, and our employees, including many girls, marched in the Harding parade, and I marched at the head of them, and we shouted for future American prosperity and protection; were reviewed by the Vice President. Of those employees, many bought Liberty bonds, and among the manufacturing employees a great many pay income taxes. The entire thing is up to you, gentlemen, as far as our industry is concerned.

Senator McLEAN. The income tax will not worry you.

Mr. DE JONG. We will not need to pay any. We do not have to pay any. We are losing money. You can not collect it from a business man who is losing money; you have got to collect it from a man who is earning money. I have an article printed in a German paper, the Berlin Tageblatt, about this very question concerning the tariff, and it states that the Republicans are fighting among themselves over the bill, and that the chances are it looks like there will not be any tariff bill for a year to come. That is the situation.

Senator WATSON. I do not think you need to discuss that question. The matter before us is only one of American valuation.

Mr. DE JONG. I will confine myself more directly to the application of it, as I have been a strong advocate in New York of this.

I know of no other method by which the depreciated currency can be overcome. The provision I suggested, that the duty should be paid on one-third of the current value of foreign currency, was thrown out, although Canada, not as strong a protective country as ours, adopted afterwards a law that duty must be paid on German goods at the rate of 50 per cent of the actual market value of the foreign currency. In other words, German goods can not be imported into Canada unless they pay a duty of 12 cents the mark.

Senator McLEAN. The importer pays 50 cents to the Germans and pays the other 50 per cent into the British treasury, and they send

him a receipt for the rest of it, and if the German gets anything, the other 50 per cent of it, he gets it out of the German Government?

Mr. DE JONG. Yes; he is supposed to get it out of the German Government.

The application of the American valuation is a new policy, and to a certain extent revolutionary. It is not as revolutionary as the conditions that confront us, in view of the world situation. Nothing ever existed as revolutionary as the conditions with which the world is confronted to-day. This application of American valuation is in no sense as revolutionary as that. If it is an antidote for a serious condition, so much the better.

Can it be sensible, and can it be properly applied?

As I stated before, to my experience and thinking—and I have been active in four different tariff revisions—to ascertain the wholesale American value of an article, if it is made in America, takes the customhouse appraiser 10 minutes to find out what the wholesale market value in this country is, as he is supposed to be a specialist, and he knows he only has to ask Sidney Blumenthal or other manufacturers, "What is it?" and that is the price at which it will enter.

Senator WATSON. At these other tariff revisions in which you participated, you did not advocate the American valuation?

Mr. DE JONG. No; conditions then did not seem to warrant it.

Senator WATSON. You do it now because of the rate of exchange?

Mr. DE JONG. I do it now because I know of no other method that can be applied to remedy the situation.

Senator MCLEAN. How are you going to fix a tariff that will protect us against Germany that will not operate as an embargo against the countries where the currency is at par?

Mr. DE JONG. Senator, we are confronted with conditions that you can not fix. You can not fix an ad valorem duty on a great many of these manufactured goods that will work in the same method and in the same percentage two years from now as it will now. In other words, the conditions that confront you prevent you from fixing an ad valorem duty that will cover until you can rewrite the tariff.

Senator MCLEAN. Did you hear the proposition advanced by Mr. Davis?

Mr. DE JONG. I did.

Senator MCLEAN. What did you think of that?

Mr. DE JONG. You mean the proposition in regard to the American valuation in an easy way?

Senator MCLEAN. Graduated.

Mr. DE JONG. I think it is sound. I would suggest that the Treasury Department issue an entry slip, which should accompany the foreign sworn invoice as to the actual price paid, regardless of what the wholesale price is over there, and that entry slip should state by the importer the price which he pays, the amount of duty, the cost of landing, the cost of containers and the price at which he is going to sell it, and on that he pays duty.

I defy any importer here who imports an article from any part of the world who does not know what that article is going to cost to land and does not know what he is going to sell it for under this new method as well as the present system. In fact, under the American-valuation system he is surer and more certain what that cost is, as currency changes will be greatly obliterated.

I have imported a certain article from Germany, and I gave the manufacturer an order for a large quantity when the mark was 1.50. I received a shipment when the mark was 1.80, and I paid that. I received a shipment of the same identical goods and the mark was 1.20. How does any importer know what the German goods cost him to land? There is no such thing; it is a gamble and speculation, because there is no stability in foreign currency.

Under the American system he will anyhow be relieved of that gamble, because he knows just exactly what his duty is going to be when he buys the goods on the other side, and if he does not know what the price is going to be in the wholesale market, then why should he import the article?

From that point of view the method can be immediately applied. The new law provides that if the entry that is made is unsatisfactory to the appraiser that he notifies the importer and the importer has 10 days' time to get together with the appraiser. If he still finds fault, it goes to the Board of General Appraisers, and they can take testimony from American manufacturers and from other importers, and they can arrive in 20 days at the actual market value of any article, and that is binding according to the new law, because that is a matter of fact. It is not a matter of law and appeal; that is not necessary, because it establishes it under the law and by regulation.

Senator McCUMBER. I simply want to state that you have spoken for nearly an hour this afternoon and our time is limited. We have a certain number of witnesses which we must get through with, and I would ask you to be just as brief as you can.

Mr. DE JONG. Mr. Chairman, as I view the situation just now, the position is this: The House has passed the bill. Mr. Fordney, Mr. Longworth, and Mr. Tilson, and others, in their earnest desire, and with no other intention than to protect home industries, the principle of the Republican Party, have included in the bill the American valuation. All the rates are based upon it. This hearing is held, I presume, for the purpose that your committee can report to the Senate the adaptability of that, because if you decide against the American valuation you will have to rewrite the entire bill. That is the nature of the situation.

Senator McCUMBER. We all understand that.

Mr. DE JONG. Now, if the bill is thus changed by the Senate and the American valuation is thrown out and the rates are rewritten, it would take months and months of labor. It took the Ways and Means Committee six months. It is voluminous; it is a great piece of work.

It then goes to conference in the House, having been adopted by a majority larger than any tariff bill ever received on a policy or method for the application of levying duty upon a certain system, they either would have to surrender or have to insist that that is the only and true policy that they know, and we have a situation that there will not be any tariff legislation for a long time to come.

I hope your committee will see its way clear to adopt it.

I think we can try it. I predict, gentlemen, that the dangers, as far as they confront us, are very slight, and it is my firm opinion, as a man of experience, that once this system is thoroughly established that the strongest advocates will be the importers, because they

will then control the importing of those goods instead of everybody importing them.

In conclusion, gentlemen, I hope that this bill will pass the Senate with the American valuation. I will stake my reputation on it that the method can be applied if the Government sees fit to apply it.

I just want to give you one instance. I complained to the Treasury Department about those flowers having been imported under the dumping act. A representative from the Treasury Department visited me. I showed him the article we manufactured in comparison with it. I showed him my calculation, and how I arrived at the wholesale price of my article, and this representative of the Treasury Department told me that for the first time he commenced to realize how the Treasury Department can take action. As far as I remember, and as long as I have been in business, I have never, as a domestic manufacturer, been in contact with the customhouse department, nor have any appraisers in the customhouse, been in contact with the American manufacturers. Mr. Davis has stated here that as an American he is in favor of giving Americans protection. He is certainly not opposed to the American manufacturers. These appraisers have never been in contact with us. In one hour they can learn more in our factories and from our books and our calculations about real values than they have learned in a hundred years from foreign valuation.

One man in Germany is supposed to ascertain foreign valuations; six men in the entire world. It is an utter impossibility. I thank you.

Senator McCUMBER. We are much obliged to you.

**STATEMENT OF PATRICK H. QUINN, PROVIDENCE, R. I., REPRESENTING AMERICAN LACE MANUFACTURERS' ASSOCIATION.**

Mr. QUINN. Mr. Chairman, I am an attorney, but I am not appearing here in my professional capacity. I am president of the American Lace Manufacturers' Association. I come from Providence, R. I.

Earlier in the day Mr. Rafter appeared and was temporarliy excused by the chairman on the theory that he appeared as professional counsel for the Lace and Embroidery Association. I would just like to call your attention to the fact that the Lace and Embroidery Association does not include the lace manufacturers. They import lace. There is that difference between the organization represented by Mr. Rafter and the one represented by myself.

The lace manufacturers of the United States are engaged in an industry that largely came into existence under the Payne-Aldrich tariff law. For one year it took off entirely the duties on lace machines, and a number of us who earn money by practicing law and doing other things were innocent enough to invest in lace machinery, and we have been trying to pay for it ever since.

The industry is distributed in seven states—Rhode Island, Connecticut, New Jersey, New York, Pennsylvania, Ohio, and Illinois. Those are the seven States of this country where these lace machines are located. A very large representation is in Senator Gerry's State, probably 40 per cent of the levers go through machines in this country to-day are in Rhode Island.

A great deal has been said here in the way of suggestions, principally by Senator Smoot and Senator McLean, as to whether any man appearing before this committee had anything else to suggest as a substitute for the American valuation plan that would fit present conditions. I have awaited an answer to that question. The question was asked, too, before the Ways and Means Committee, and the only approach to an answer to that question has been made by Mr. Davis, of New York, who has, as I understand it, suggested the American valuation plan, but who says, "Give it to us in small doses; cut off the tail of the dog in inch pieces so that it will not hurt so much." His plan is nothing else than the plan that has been proposed and is entitled "the American valuation plan."

In the very few minutes that I shall take to address you, Mr. Chairman, I want to say that entirely aside from my affirmative answer to Senator Smoot's and Senator McLean's questions, I know of no other plan whereby you can construct a tariff to-day that will give us the same protection against Germany that it would give us against England or France. Entirely aside from that, I want to go on record as absolutely supporting the American plan for assessing an American tariff scientifically, legally, practically, and from an American standpoint. To my mind it is the proper method.

I have listened with an open mind in the House and here for objections to this plan, and I beg you to understand, Mr. Chairman, that I am discussing it entirely aside from the standpoint of schedules. It seems to me that the hearing has drifted sometimes to a discussion of schedules.

I am not prepared or qualified to discuss schedules with you. I would support the American plan regardless of whether you are framing a so-called protective tariff or a tariff for revenue only.

Mr. Davis is undoubtedly a very able representative of one branch of our Treasury Department, and he showed by his answers to Senator Reed this morning that he is not biased in the matter when he disposed of Senator Reed's suggestion that has been made so many times that American manufacturers could pyramid prices. Notwithstanding that, to my mind it was almost humiliating to have an able representative of our Customs Service express so very little confidence in the ability of Americans to do in this country what the average salesman can do in any line without effort.

Fortunately for me, because I can not discuss many branches of the tariff, he selected, in his opening remarks, the lace industry. He made a statement to you that was, or might have been, intended to overwhelm you with the notion of the amount of work these men have to do there and with the tremendously increased amount of work they would have to do under this plan. He said, referring to the lace industry, "In the customhouse we sometimes have to have in mind 500,000 different numbers." Now, that was a staggering statement on the face of it. It would lead you to suppose, if you knew nothing about the lace industry, that it represented an inhuman task. What is the fact? Those numbers do not mean much. The lace manufacturer gives a different number to every pattern he makes on his machines, and there are thousands of numbers given to the same width of lace made of the same yarns, the same texture, the same weight, woven on the same machine and sold at the same price.

Senator SMOOT. It is simply a change in pattern?

Mr. QUINN. Surely.

Senator SMOOT. The same as we do with woolen goods.

Mr. QUINN. One piece of lace 1½ inches wide might have fisheyes, another might have a diamond design, and still another a shamrock, or something of that sort as a figure in the lace.

Senator WATSON. Nevertheless that would necessitate a comparison, would it not?

Mr. QUINN. Not a comparison as to value.

Senator WATSON. No; but in order to find out whether they were comparable.

Mr. QUINN. Yes. But when you found that it was 32-carriage lace, and we speak of it in that way——

Senator WATSON. But they would have to find it out first?

Mr. QUINN. Yes.

Senator WATSON. I understood him to say that that was a great deal of work, but not that it could not be done. He said there was a great deal to do in making these tariffs. While I am in favor of the plan, I can conceive that there would be a great volume of work.

Mr. QUINN. If he meant to suggest for a moment that the 500,000 numbers meant 500,000 comparisons, or if the Senator from Indiana believes that to be the case, I will say that it is not so.

Senator SMOOT. Mr. Davis did not mean that, I am sure. He said, as you have since stated, that there may be in one figure 500 different patterns costing exactly the same to make. The only question is as to the construction and pattern.

Senator WATSON. Let me ask Mr. Davis right here just what he did mean.

Mr. DAVIS. I meant just exactly what I said.

Senator WATSON. You meant what you said, but what did you say, and what did you mean when you said it?

Mr. DAVIS. Of course, the figures I gave of 500,000 cover a wide range of numbers coming from various sources. They have different numbers. It is true that laces of the same width may be valued at the same price. However, there are different patterns. One manufacturer charges a certain price for his particular pattern as distinguished from the price charged for the same width by some other manufacturer. To prove what I have said is correct, if this gentleman will go to the New York appraisers' office and go to Mr. Yardley, he will find that he is using 14 different books for the purpose of recording this great range of numbers.

Mr. QUINN. Fourteen books?

Mr. DAVIS. Yes.

Senator SMOOT. Let us take one manufacturer. Take the lace manufacturer represented by the witness here.

Mr. DAVIS. Yes.

Senator SMOOT. He has a lace that is 1½ inches wide. Perhaps he is making 40 patterns of that lace.

Mr. DAVIS. Yes.

Senator SMOOT. Those 40 patterns cost the same.

Mr. DAVIS. By one manufacturer.

Senator SMOOT. That is what I say. They would not try to compare the same kinds of patterns with the laces that he has and have 40 different values?

Mr. DAVIS. But this examiner has not only got to take the prices of one factory but the prices of all the factories and find out which is the proper market value for the different laces of the different widths, and consequently he has to consider all those prices. I am not an expert on laces.

Senator SMOOT. I suppose the lace people mark their lace just as we would mark woolen goods—the same stock, the same weave, the same weight, the same finish, and the same price. We have a lot number for that class, but every style in it has a different number.

Mr. DAVIS. Yes.

Senator SMOOT. But the value is exactly the same; the cost is the same; the selling price is the same. You do not go into the question of each one of these styles.

Mr. DAVIS. I merely based my statement on the fact that the examiner is recording thousands and thousands of these numbers on 14 large books; that is, he is recording the prices, and he is using five clerks to do it. His range is running into 500,000. Just what the details are I do not know.

Senator MCLEAN. That is under the present system?

Mr. DAVIS. That is under the present system.

Senator MCLEAN. We are trying to find out the foreign value.

Mr. QUINN. I was just about to make the observation that Senator McLean made. That is the burden under the present system. Let me say to you in answer to that that there are three or four men in the room interested in this matter, and these men could provide you with two or three salesmen who in a week's time would be able to furnish you the accurate selling price of every kind of lace that has passed through the customshouse in the past six months. It is perfectly absurd to tell those of us who try to sell goods that it is impossible to find the American selling value of lace.

Senator MCLEAN. How long would it take you to furnish that information? It would not take more than 24 hours?

Mr. QUINN. I say that a couple of lace salesmen in New York, which is the principal market for lace in this country, inside of a week's time could furnish you the market value of every kind of lace sold in New York.

Although I do not appear as a lawyer, I can not entirely disassociate my lawyer ideas of things from the argument of this question, and from the standpoint of a lawyer it seems to me pitiful that an American tariff law should depend for its honest enforcement and complete enforcement upon evidence to be collected in scores of foreign countries where we have absolutely no power to compel the production of that information and where when we get that information we get it notwithstanding the smoewhat natural antipathy of the foreign manufacturer, the foreign trade organization, the foreign boards of trade, as will be shown by a letter introduced by Mr. Burgess and in opposition to the foreign governments themselves.

Now, let us collect this information at home, where we have control. You talk about sending, in answer to the question of the honored chairman of the committee, a number of men to do this work. It has been suggested that we send over a number of men. Senator La Follette said a dozen, Mr. Davis mentioned 15, while the chairman was going to allow 50 to go to Europe to collect this evidence. How

are you going to collect it against this opposition? How are you going to enforce it? It has been suggested that we demand their books, and when they refuse we exclude them from our ports. That would be an embargo; to say the least, it would be an offense to a friendly nation. I think we should not take such extreme measures as that.

Senator SMOOT. There would be retaliation.

Mr. QUINN. It would be at least that. I say let us have this basic foundation for our tariff structure, whatever it is to be, and then let us construct our schedules accordingly.

I have listened very carefully for the objections to this bill. Senator McCumber the other day suggested something that was certainly an honest and well-founded objection to the bill if it existed, and it was followed up to-day by Senator Reed.

You will remember that Mr. Marvin gave substantially the same answer in reply to a question by Senator McCumber. Mr. Davis went into detail this morning and showed the impossibility of American pyramiding of prices and continuation of competition with foreign articles. I think it was Senator La Follette who suggested possible difficulty when you could find no competitive or comparable article. The bill has a provision in regard to that. Take the selling price of the imported article.

I make another suggestion that I have not heard before: If it takes too long to get at this, take the sworn statement of the importer as to what he intends to sell the article for. We now take his statement on the invoice. That is all we have.

Senator SMOOT. To-day the importer is compelled to make an affidavit as to the value of his goods?

Mr. QUINN. Yes, that is true.

Senator SMOOT. What reason is there why there should not be, also, an affidavit made as to the American valuation of the goods?

Mr. QUINN. There is no reason. That would not impose any additional burden upon him, and I see no reason why the invoice should not contain, annexed to it, a sample of the goods. Why shouldn't the importer annex to and make a part of his sworn inventory samples of what is contained therein. He has samples.

Senator SMOOT. They know what those goods will be sold for in America. Make that a statement that is sworn to, and that will settle it.

Mr. QUINN. You bet they know. No one buys in Europe to-day without having determined first what he is going to sell for in this country.

I think it was Senator Watson who suggested to Mr. Culberson early in the hearing yesterday that there had been an approach to this plan tried in the early days of our national existence, and Mr. Culberson thought that the plan in vogue was not at all comparable to that proposed in the present House bill, and so he and others have called this American plan revolutionary.

I think the language of the tariff bill under Washington was very similar to that of the present bill. Let me quote this briefly. It provided that—

Ad valorem duties shall be assessed upon imported merchandise in accordance with the value thereof at the time and place of importation.

What difference is there?

This plan has been advocated before. It is not something that falls upon us out of a clear sky. If I am correctly informed by my reading—I do not mean reading Congressional Records, but reading current literature and newspapers—it is a fact that Henry Clay advocated this system in the early thirties. I think it was in 1833. President Fillmore advocated it in 1852, and an Assistant Secretary of the Treasury under President Arthur, as late as 1882, advised it. So do I advise it. I believe that the question you have asked so often, Senator Smoot, and that has also been asked by Senator McLean, is capable of but one answer under the present depreciated condition of currency; but I do not rest my support of the American valuation plan upon that ground. I would be for it if conditions were normal. I agree with Mr. de Jong that before it has been in vogue 100 months it will be better enforced than the present system, which has been in vogue for 100 years.

Senator McCUMBER. We thank you very much, Mr. Quinn.

## STATEMENT OF H. A. PHILLIPS, REPRESENTING THE AMERICAN FABRICS CO., LACE MANUFACTURERS, BRIDGEPORT, CONN.

Senator McCUMBER. Whom do you represent, Mr. Phillips?

Mr. PHILLIPS. The American Fabrics Co., lace manufacturers, Bridgeport, Conn.

Senator McCUMBER. Do you also represent the American Lace Association?

Mr. PHILLIPS. Yes; and the American Fabrics Co., lace manufacturers of Bridgeport, Conn.

Senator McCUMBER. We will be very glad to hear from you, Mr. Phillips. We hope that you will be able to give your testimony without duplicating the testimony that has already been given.

Mr. PHILLIPS. I shall be very glad to try to do that.

We are for the American market value because we believe it to be easier of administration and more accurate of administration, and that it will give the American producer more reliable protection on account of its stable basis. It will equalize the duties from all countries.

It will not raise nor lower the duties, in our opinion. It will simply change the basis for ad valorem duties.

Duties to be collected depend entirely upon the rates.

The formula which I have heard advocated by Mr. Burgess I believe to be correct. I believe Mr. Davis's interpretation is entirely wrong. Mr. Davis stated that laces in the Payne-Aldrich law assessed at 60 per cent ad valorem are now assessed 123 per cent higher under the 37.5 per cent ad valorem on the American valuation. By what process of reasoning he arrives at those figures, I do not know, but I do know this, if I offer an article made in our plant for $1 and I offer this article at $1 to the jobber, he will tell me, as one did tell me actually only two days ago, that he has cut out all the domestic lace manufacturers. By that he means that he does not need, nor will he buy, from them any longer. And, I may say, he is perfectly reasonable. I asked him why? He said that with 37.5 per cent duty, American valuation, on $1 he can buy these goods more cheaply in the foreign markets.

Thirty-seven and one-half per cent American valuation equals 60 per cent foreign market value, and if you keep your prices higher than that you can not sell your goods in this country any longer; and that is true.

The difference in the laces as between our selling prices and the foreign manufacturers' prices is a great deal more than 37.5 per cent. The rate is too low. But we will take that up later when we have the opportunity.

I have in mind just now an article which we try to sell for $1 and which costs in Europe 28 cents; 37.5 per cent duty would be 37.5 cents. Add 28 and 37.5 and you will find that the total cost to the importer is 65.5 cents. No one would buy our goods at $1. Therefore, the article is out of the market.

Senator McCUMBER. Does that 65.5 cents include the freight, and so forth?

Mr. PHILLIPS. The freight and insurance on laces, as well as the other costs, amount practically to nothing, because they are very easy to transport. You could transport them 10 times around the earth and the freight charges would amount to practically nothing. The highest for that that the importer generally figures is 5 per cent. If we add 5 per cent it would make it about 3 cents more.

We can not sell this article any longer against competition. Therefore, we must lower our selling price. In order to compete we must lower it to 45 cents, and that is away below our cost of production. Forty-five cents would be our selling price in order that we might compete with the foreign manufacturer. You take 37.5 per cent of 45 cents, which gives you 17 cents. You then add 28 cents, which gives you 45.

Therefore, Mr. Davis's interpretation of it would be wrong.

If we made the selling price 60 cents we would still be out of the market. In other words, we could not sell.

The present law does not provide that you have to take the American manufacturer's supply. It must be the market price. The article must be on the market. Should we make it 60 cents, then we have this picture—37½ per cent of 60 cents is 22.5 cents. Add to that the foreign manufacturer's price of 28 cents, and you have 50.5 cents. Therefore, the foreigner undersells us.

I do not blame my good customer for telling me, "I have cut all domestic lace manufacturers," because even if the American plan goes into effect with 37.5 per cent instead of 60 per cent, we can not compete.

As to the administrative difficulties, I can not see any reason why the American valuation plan should not be easier of administration than the other. Everything new requires a new method. The American valuation plan in three months after its enactment will prove easy of administration. The appraisers need a few new methods and regulations.

Textiles are practically all sold by numbers. Attach a sample card to the invoice and you have the article. The appraiser need not open every case. That can be done with a great many other articles. There are plenty of experts available at the present time, especially in the textile industry, to help the appraisers in case they need help. Speaking for the lace association, I wish to say that we shall be pleased to furnish anything they want for the American manufac-

turers. We can not furnish the foreign market price; neither can the appraiser; neither can any Government official go to Europe and find out the foreign market value. It has not been done in 100 years and is not going to be done in the next 100 years.

Senator WATSON. Is your factory running now?

Mr. PHILLIPS. We are running on part time. A large part of the goods are down and we are selling goods at less than cost in order to keep some of our help busy.

Senator WATSON. How long have you been doing that?

Mr. PHILLIPS. We have started up again. We were practically shut down from October to March.

Senator WATSON. Have importations of lace from Germany increased?

Mr. PHILLIPS. Yes.

Senator WATSON. And from all parts of Europe?

Mr. PHILLIPS. They have increased to such an extent that our former customers do not buy from us at all. A very few in the manufacturing business buy goods from us at the present time on account of the known reliability of our association supplying them.

Senator WATSON. Where is your principal competition?

Mr. PHILLIPS. Germany.

Senator WATSON. Do you know what the cost of production is over there? I am speaking now of the kind of lace or laces that you manufacture in your plant at Bridgeport?

Mr. PHILLIPS. Yes, I can figure that out. I can give that to you almost exactly because I can easily find out the wages paid in Germany.

Senator WATSON. Do you know what they are now?

Mr. PHILLIPS. The lace makers are probably getting what amounts to $3 a week.

Senator WATSON. Now, under the existing system of tariff what tariff rate would have to be imposed on the imported laces to afford you protection?

Mr. PHILLIPS. We filed a brief with the Ways and Means Committee last February. To-day we stand on that same brief exactly as it was filed then. That brief contained one item after another showing that under the 60 per cent ad valorem rate on the American valuation plan——

Senator WATSON. I mean under the present law. I do not mean the American valuation.

Mr. PHILLIPS. Under the present law we would require approximately 150 per cent. Then we figure only to make such goods as we have been in the habit of manufacturing in the past. There have been a great many laces that we can not manufacture.

Senator WATSON. I do not see how you would make it on 150 per cent protective tariff if the average wage there is $3 a week and here you are paying $20.

Mr. PHILLIPS. In the manufacture of laces wages are not the sole factor. Our goods are made of cotton. It is American cotton bought here. Therefore, on the material we are practically at par. So far as the selling expense is concerned, we would also be practically at par, so that it is a matter of labor alone.

Senator SMOOT. You do not spin your own cotton?

Mr. PHILLIPS. No, sir; we do not. We buy our own yarns.

Senator MCCUMBER. We thank you.

## STATEMENT OF JOHN R. RAFTER, REPRESENTING THE LACE AND EMBROIDERY ASSOCIATION OF AMERICA.

The CHAIRMAN. Mr. Rafter, whom do you represent?

Mr. RAFTER. I represent the Lace Embroidery Association of America, consisting of 40 business houses, all of which, with one exception, are located in New York City, the exception being located in Philadelphia. All are engaged in the business of importing and dealing in laces, embroideries, trimmings, and novelties of various kinds, largely intended for women's wear.

Senator WATSON. I was not listening attentively. Did I understand you to say you represent the importers or manufacturers of lace?

Mr. RAFTER. I said that they are engaged in importing and dealing in laces, and so on. I might also add to that these houses not only deal in imported laces and embroideries but also domestic laces and embroideries, and that some few of them also manufacture embroideries in this country. In support of that last statement that there are some manufacturing interests among the houses that I represent, I would like to file with the committee several questionnaires showing their plants and investments and the output and the number of hands employed in each.

(The questionnaires referred to are as follows:)

NEW YORK, *May 20, 1921.*

Mr. CARL W. STERN, *24 State Street, City.*

DEAR MR. STERN: Inclosed please find the questionnaire relating to embroidery plants controlled by the firms of our association in this country, six in all.

Very truly, yours,

THE LACE AND EMBROIDERY ASSOCIATION OF AMERICA,
THEODORE C. LEFÈVRE, *Executive Secretary.*

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NEW YORK, *May 12, 1921.*

EINSTEIN WOLFF CO., *1115 Broadway.*

GENTLEMEN: For the purpose of assisting Mr. Carl W. Stern, attorney, and Mr. John R. Rafter, of counsel, who are acting for our association in our protest in connection with American values on imports, it will be greatly appreciated if you will please advise us at the earliest possible moment regarding the following:

Question 1. What are the plants controlled by you in this country?
Answer. Kursheed Manufacturing Co.
Question 2. Where located?
Answer. One hundred and thirty-seventh Street, Willow Avenue, Bronx.
Question 3. What space do they occupy?
Answer. One-half block.
Question 4. How many hands employed?
Answer. Two hundred to two hundred and fifty.
Question 5. What is the yearly output?
Answer. One and one-half millions.
Question 6. What is the estimated investment in the plants?
Answer. Over three-fourths of a million.

The information will be of value to Messrs. Stern and Rafter in contraverting certain statements made to the House committee by certain American manufacturers who spoke against our protest.

Anticipating the kindness of your immediate attention, and with assurances of appreciation, we are,

Very truly, yours,

THE LACE AND EMBROIDERY ASSOCIATION OF AMERICA,
THEODORE C. LEFÈVRE, *Executive Secretary.*

NEW YORK, *May 12, 1921.*

MUSER BROS.

GENTLEMEN: For the purpose of assisting Mr. Carl W. Stern, attorney, and Mr. John R. Rafter, of counsel, who are acting for our association in our protest in connection with American values on imports, it will be greatly appreciated if you will please advise us at the earliest possible moment regarding the following:

Question 1. What are the plants controlled by you in this country?
Answer. One embroidery plant.
Question 2. Where located?
Answer. 220 East Twenty-second Street, Bronx, N. Y.
Question 3. What space they occupy?
Answer. Eighty by one hundred and twenty feet.
Question 4. How many hands employed?
Answer. Seventy.
Question 5. What is the yearly output?
Answer. $125,000.
Question 6. What is the estimated investment in the plants?
Answer. $40,000.

The information will be of value to Messrs. Stern and Rafter in controverting certain statements made to the House committee by certain American manufacturers who spoke against our protest.

Anticipating the kindness of your immediate attention, and with assurances of appreciation, we are,

Very truly, yours,

THE LACE AND EMBROIDERY ASSOCIATION OF AMERICA,
THEODORE C. LEFÈVRE, *Executive Secretary.*

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NEW YORK, *May 12, 1921.*

BLANCK & CO.

GENTLEMEN: For the purpose of assisting Mr. Carl W. Stern, attorney, and Mr. John R. Rafter, of counsel, who are acting for our association in our protest in connection with American values on imports, it will be greatly appreciated if you will please advise us at the earliest possible moment regarding the following:

Question 1. What are the plants controlled by you in this country?
Answer. Alpha Embroidery Co.
Question 2. Where located?
Answer. West New York, N. Y.
Question 3. What space they occupy?
Answer. One hundred and fifty thousand square feet.
Question 4. How many hands employed?
Answer. About 100.
Question 5. What is the yearly output?
Answer. $250,000.
Question 6. What is the estimated investment in the plant?
Answer. $150,000.

The information will be of value to Messrs. Stern and Rafter in controverting certain statements made to the House committee by certain American manufacturers who spoke against our protest.

Anticipating the kindness of your immediate attention, and with assurances of appreciation, we are,

Very truly, yours,

THE LACE AND EMBROIDERY ASSOCIATION OF AMERICA,
THEODORE C. LEFÈVRE, *Executive Secretary.*

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NEW YORK, *May 12, 1921.*

LOEB & SCHOENFELD CO.

GENTLEMEN: For the purpose of assisting Mr. Carl W. Stern, attorney, and Mr. John R. Rafter, of counsel, who are acting for our association in our protest in connection with American values on imports, it will be greatly appreciated if you will please advise us at the earliest possible moment regarding the following:

Question 1. What are the plants controlled by you in this country?
Answer. Glenham Embroidery Co.; Camden Curtain & Embroidery Co.
Question 2. Where located?
Answer. Beacon, N. Y.; Camden, N. J.

Question 3. What space they occupy?
Answer. Four large manufacturing buildings at Beacon, N. Y.; one entire square block at Camden, N. J.
Question 4. How many hands employed?
Answer. Approximately, 600 at Beacon, N. Y.; approximately, 1,000 at Camden, N. J.
Question 5. What is the yearly output?
Answer. Approximately, $1,500,000 at Beacon, N. Y.; approximately, $3,000,000 at Camden, N. J.
Question 6. What is the estimated investment in the plants?
Answer. $1,250,000 at Beacon, N. Y., approximately, $750,000 at Camden, N. J.
The information will be of value to Messrs. Stern and Rafter in contraverting certain statements made to the House committee by certain American manufacturers who spoke against our protest.
Anticipating the kindness of your immediate attention, and with assurances of appreciation, we are,
Very truly, yours,

THE LACE AND EMBROIDERY ASSOCIATION OF AMERICA,
THEODORE C. LEFÈVRE, *Executive Secretary.*

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NEW YORK, *May 12, 1921.*

KLAUBER BROS. & CO.

GENTLEMEN: For the purpose of assisting Mr. Carl W. Stern, attorney, and Mr. John R. Rafter, of counsel, who are acting for our association in our protest in connection with American values on imports, it will be greatly appreciated if you will please advise us at the earliest possible moment regarding the following:
Question 1. What are the plants controlled by you in this country?
Answer. Klauber Embroidery Works.
Question 2. Where located?
Answer. Alfred, Me.
Question 4. How many hands employed?
Answer. Average 60.
Question 5. What is the yearly output?
Answer. $200,000.
Question 6. What is the estimated investment in the plant?
Answer. $38,500.
The information will be of value to Messrs. Stern and Rafter in controverting certain statements made to the House committee by certain American manufacturers who spoke against our protest.
Anticipating the kindness of your immediate attention, and with assurances of appreciation, we are,
Very truly, yours,

THE LACE AND EMBROIDERY ASSOCIATION OF AMERICA,
THEODORE C. LEFÈVRE, *Executive Secretary.*

One of these houses, by the way, manufacturing in this country, is the largest domestic embroidery manufacturing plant in the country. That is known as the Glenham Embroidery Co. and is located in New York.

The CHAIRMAN. Did you present your views to the Committee on Ways and Means?

Mr. RAFTER. I did, sir, within the limited time at my disposal, and as well as I could under the circumstances.

The CHAIRMAN. Is there anything to be added to what you had to say before that committee?

Mr. RAFTER. My views, Mr. Chairman, were not as complete as I should like to have had them. I would like to state my case again.

The CHAIRMAN. We would like to get through with the men who are waiting here this afternoon. We have several more here and some in the distance.

Mr. RAFTER. I might also say for the information of the committee that for some seven years and up to a recent time I was engaged as

Government counsel in customs matters and during that time was largely engaged in the preparation and trial of valuation cases of all kinds.

The CHAIRMAN. State something that is not in the House hearings.

Mr. RAFTER. The duties on the merchandise which I am speaking of are generally 60 per cent. That applies practically to all lines. The total duties paid by these lines during the year 1920 amounted to approximately $25,000,000. It is the judgment of these houses that if the American valuation plan as embodied in the Fordney bill becomes law, they will be compelled to stop marketing their goods. The reason for that conclusion on their part will be best understood by keeping in mind the character of the goods which they import.

The CHAIRMAN. Were these goods produced before the House committee?

Mr. RAFTER. No, sir. The samples were not produced before the House committee.

Senator SMOOT. Where are the goods imported from?

Mr. RAFTER. France, England, Switzerland, and Germany.

Senator SMOOT. And Belgium? Don't you get lace from Belgium?

Mr. RAFTER. Probably some, but not as much as from other countries. In the first place, all of these goods, without exception, are properly described as articles of fashion, goods which are highly seasonable, goods which are novelties, special in character, having their own peculiar styles, patterns, and designs almost invariable and intricate.

The CHAIRMAN. The committee is somewhat familiar with the definition of fashionable fabrics.

Mr. RAFTER. Yes. I thought it might be helpful to the committee if it had some concrete illustrations of what the merchandise looks like.

The CHAIRMAN. Most of the committee members have known for 20 or 30 years of these particular fabrics.

Mr. RAFTER. The next point to be considered is the selling method which these houses by the very nature of their imports are compelled to adopt in disposing of their goods in this country. The goods which they import are either sold here before the orders are placed with the foreign manufacturer on the other side, or else they are sold here against orders already placed on the other side. In both cases there are samples produced by their salesmen in this country. The goods are all, with very few exceptions, made to order by the foreign manufacturers. They are not carried in stock there. They take from three to six months to manufacture.

In order to market these goods as business men and merchants in this country, both as applied to goods sold in advance of orders and to goods sold against orders already placed on the other side, it is naturally necessary for these merchants to know their costs. That means not only foreign costs plus the landing charges, but also the duty, which on these particular goods, being 60 per cent at the present time, is a very big item of cost.

Senator SMOOT. That is also true under the present system. You have got to do the same thing. The American valuation plan will not make any difference.

Mr. RAFTER. It would make this difference, if I may suggest it, Senator: At the present time the importers know with reasonable

certainty what their duties are going to be before they order their goods from the other side. Under the new plan of appraisement that will not be the case.

Senator SMOOT. I think it will be a great deal easier with the American valuation plan for an American buyer to get the American value here of the goods than it is for him to know the foreign value. I think he can know exactly what his goods are going to cost.

Mr. RAFTER. Suppose, Senator, we analyze the situation to see if that is true. Under the definition of value which is to be taken as the basis of duty under the Fordney bill the first test will be the selling prices of comparative and competitive domestic products in the principal markets of the United States. These prices the importers do not know.

Senator SMOOT. Do you mean to say that the American importer does not know what the prices are in this country?

Mr. RAFTER. I mean just that with regard to comparable and competing goods.

Senator SMOOT. Then he is silly to buy without knowing what price he has to meet. I hardly think there was ever a buyer who went to Europe without knowing whether he could meet the price of goods made in America.

Mr. RAFTER. He may have an idea that the range of prices is higher than on the other side, but even if he has the idea he may not know what the price is.

Senator SMOOT. If he does not know his business, then he will go "busted" sooner or later.

Mr. RAFTER. Further than that, there is another factor which is an unknown quantity, so far as the importer is concerned, and that is there are no comparable goods of domestic make here and no way of knowing what would be the appraiser's idea of comparability.

The CHAIRMAN. That has all been gone over very carefully in these hearings. With other gentlemen waiting here, is it fair to take up the time of the committee with platitudes? The committee wants to be patient and give the gentleman every opportunity, but comparability has been discussed here for a day and a half.

Mr. RAFTER. I was not here, sir.

The CHAIRMAN. That is unfortunate, but the committee has been patiently here in this hot weather listening to these arguments.

Senator MCLEAN. Are goods comparable to these made in this country?

Mr. RAFTER. Some; yes. Others, I would say offhand, no. I am not a merchant, but my information is that in some of the lines comparable goods are made; that is, what would be staple goods, cheaper laces and embroideries.

Senator MCLEAN. Then I suppose the man who purchased them abroad knows what he is going to sell them for?

Mr. RAFTER. Those that are not comparable?

Senator MCLEAN. Yes. He knows what he is going to sell them for in this country.

Mr. RAFTER. He knows now; yes.

Senator SMOOT. And if we provide in this bill that he has to take an oath as to the value of those goods in this country, what they are going to be sold at, the same as he is compelled to do now as to the value of foreign goods, there will not be very much trouble in collecting the duties.

Mr. RAFTER. That would be true if he knew his own selling price would be adopted by the appraiser, but he does not know that. As I say, the first and primary method would be to resort to domestic rates.

Senator SMOOT. If the appraiser does not accept that price, the appraiser has to show him there are other goods that would sell for more or less.

Mr. RAFTER. No; the burden is on the importer, sir.

Senator SMOOT. Not after he has taken an oath, if we provide that.

Mr. RAFTER. The importer is obliged to declare the true dutiable value before appraisement.

Senator SMOOT. On any foreign goods, but this bill requires him to declare under oath the American selling price.

Mr. RAFTER. There is a provision, sir, that if it is not the true dutiable value as eventually found by the appraiser, he would be subjected to additional duty in the nature of a penalty.

Senator SMOOT. That is a penalty.

Mr. RAFTER. Yes, sir.

Senator SMOOT. I am speaking of requiring him to do it the same as he is required now to make an affidavit as to the foreign cost of the goods.

Mr. RAFTER. That is in the nature of a penalty.

Senator MCLEAN. Most of these goods come in under invoice value, do they not?

Mr. RAFTER. The invoice value, sir?

Senator MCLEAN. Yes.

Senator WATSON. You mean now?

Senator MCLEAN. Now; yes.

Mr. RAFTER. At the invoice value; yes, sir; at the purchase price.

Senator MCLEAN. Without any regard to what the real market value is?

Mr. RAFTER. If there is any difference, of course, they take the higher valuation.

Senator MCCUMBER. Do you have any difficulty whatever with the appraisers not agreeing with the values that are given in the inventories?

Mr. RAFTER. In the invoice?

Senator MCCUMBER. Yes.

Mr. RAFTER. Very frequently. They have differed ideas about values than the importers.

Senator MCCUMBER. Do you have very much trouble of that kind?

Mr. RAFTER. Very frequently.

Senator MCCUMBER. You would have no less or no greater if you had the American valuation than with a foreign valuation, would you?

Mr. RAFTER. In my judgment the number of differences resulting in appeals from reappraisement, in the nature of protests from the appraisers' findings, would be multiplied many times over.

Senator MCCUMBER. Because of the fact that they have to examine the American price?

Mr. RAFTER. Because of the fact that you are getting away from the appraisement of the exact goods based upon the foreign value of the exact goods, and take a substituted value of other goods which are said to be comparable, a value which must be found in many

different places, or at least in one place out of many different places in this country, as compared with a more restricted locality under the present system.

Senator SMOOT. There are not as many places in the United States as in the balance of the world?

Mr. RAFTER. That is true, Senator, but I am sure you will agree with me that in any foreign country, I don't care what one you take, for almost any given commodity, there is only one principal market and the appraisers know where that market place is, and they know who are selling in that market place, and they know how to describe the merchandise which they require information on.

Senator SMOOT. There are different prices in different parts of the world on the same class of goods?

Mr. RAFTER. You mean in different countries?

Senator SMOOT. Certainly.

Mr. RAFTER. If you can find the same piece of goods in different countries you may find different prices.

Senator SMOOT. Certainly.

Mr. RAFTER. As an example, take chinaware coming from France or Japan, or Germany, or England. They are all different. Nobody for a moment would say that the commodities coming from those countries are the same, even though they are all described as chinaware.

Senator SMOOT. There are cotton goods and woolen goods and a good many such goods.

Mr. RAFTER. Take our own line, which we are concerned with. Laces coming from England are not the same as laces from France or laces from Germany, and they sell in different countries depending upon their desirability from the standpoint of the buyer.

Senator MCCUMBER. We have five witnesses and propose to adjourn at five o'clock. We have only about seven minutes for each witness.

Mr. RAFTER. I shall be very brief in concluding my remarks, if I may go on for a moment.

The CHAIRMAN. You can put any brief into the record you desire.

Mr. RAFTER. May I ask how long I will be allotted for that purpose?

The CHAIRMAN. You can have as long as you desire to put in your brief. You may put in your brief any time next week.

Mr. RAFTER. There is one further point I would like to suggest to the committee, and that is, even in the case where it is found there are no comparable domestic goods being sold in this country, and where the appraiser as a consequence is permitted to follow the value for sale of the imported goods, he is not limited to the price of the particular goods, but he must take into consideration the value of all comparable imported goods.

The CHAIRMAN. Put that in your brief. Mr. Howard is here, representing the Grasselli Chemical Co., and I promised him faithfully he would have an opportunity to be heard. He has to leave the city to-night.

BRIEF OF JOHN R. RAFTER, REPRESENTING THE LACE AND EMBROIDERY ASSOCIATION OF AMERICA.

The Lace and Embroidery Association of America consists of the 40 American business houses named below which are engaged in the importation and sale of laces

and lace articles, embroideries and embroidered articles, trimmings, fancy cotton goods and novelties, and deal in domestic as well as foreign products.

As merchants, we know what selling methods must be followed in marketing our goods in this country and what risks may and may not be incurred in buying our merchandise abroad.

When selling goods for future delivery and when buying goods for stock, we must know what the duty-paid cost of our merchandise will be, for on our lines of imports duty is a big element of cost.

With foreign valuation as a basis for assessing duties, we know with reasonable certainty what the amount of duty will be. Under the American valuation plan of the Fordney tariff bill the amount of duty on our importations will not be known to us until after arrival and appraisement of our merchandise, nor will it be possible to approximate it any earlier.

The American valuation plan, therefore, destroys the very foundation on which our importing business is based—our knowledge of costs.

The association and its members earnestly protest against its enactment, urgently request that such additional tariff protection as may be necessary be provided for in a manner which will still permit importing, and respectfully invite the attention of the Committee on Finance to the following criticism of the proposed law:

### THE PROPOSED LAW.

Section 402, Title IV, of the Fordney tariff bill (H. R. 7456) provides for the assessment of ad valorem duties on:

(1) The selling price of comparable and competitive domestic products in the principal market or markets of the United States on the date of exportation of the imported merchandise.

Or, when such value can not be ascertained—

(2) The value of the imported merchandise for sale in the United States on said date, to be determined from—

(*a*) The selling price or cost of production of comparable domestic products.

(*b*) The selling price in the United States of comparable imports.

(*c*) The selling price, market value, or cost of production of the imported merchandise in the foreign country, plus or minus any or all costs, charges, expenses, duties, profits, or commission.

The first and second methods of appraisement are not alternate in the sense that either may be used at will; but on the contrary the second method is applicable only upon failure of the first. Under the second method the criteria of value mentioned under subdivisions (*a*), (*b*), and (*c*), supra, are neither mandatory nor exhaustive, nor is any definite mode of appraisement prescribed. Comparability of merchandise is neither defined nor explained.

### THE PURPOSE OF THE MEASURE.

The avowed purpose of the American valuation plan is to afford protection against imports from those countries whose low production costs and depreciated currencies are said to render impossible the fixing of adequate protection rates without at the same time making such rates prohibitive as to other countries. It is directed particularly against German goods.

That being its express purpose, it becomes pertinent to inquire into: (1) The reality of the menace; (2) the appropriateness of the remedy.

*Reality of the menace.*—Advocates of the plan allege that German costs of production are lower than American costs. This has always been true. They also declare that the difference in costs is accentuated to-day, because German costs are now expressed in a currency which has greatly depreciated and, when reduced to our money, amount to only a fraction of prewar costs in the same country. In support of this declaration figures were furnished to the Committee on Ways and Means and alleged comparisons were drawn. We make no point of the fact that all such information was presented by advocates of American valuation or by parties admittedly seeking high protective duties. We do assert that the comparisons so attempted were absurdly incomplete and consequently unreliable.

Comparative costs to amount to anything must include all elements of cost. Not labor alone, but raw material and all overhead expense as well must be considered. In this connection the now important element of taxation must not be overlooked. Our search for the cost figures submitted to the Committee on Ways and Means in its recent tariff hearings reveals that the showing was invariably limited to the price of labor alone. It was shown how German labor receives the equivalent of about 80 cents

a day as compared with a wage for the American workmen of approximately six times that amount. It was demonstrated that this condition was due to the low value of the German mark. Nothing was said of the fact that, while enjoying the benefits of depreciated currency in the matter of labor costs, the German manufacturer must, because of that selfsame depreciation in currency, pay dearly when it comes to the purchase of his raw material. As very few German industries are supplied with and supported by materials of native origin, this point can not be too strongly emphasized.

There has been no attempt from any source, so far as our knowledge goes, to make a single complete comparison of German and domestic costs.

Further, the statements made that because of depreciation in currency German costs and prices are only a fraction of what they were before the war is unsupported evidence and at variance with the facts. In this connection it must be remembered that as the exchange value of the German mark declined the price of German merchandise in marks increased.

This subject was fully covered at the hearings before the Committee on Finance on the emergency tariff bill (H. R. 2435) in connection with the proposal of the Committee on Ways and Means to limit the conversion value of foreign currencies to not less than one-third their standard metal value. Hearings were held by the Committee on Finance on April 18, 19, 21, 22, 23, and 26, 1921, at which times several Government officials as well as interested parties appeared and testified. As a result of such testimony it was proven beyond question that the number of marks now required to purchase practically all lines of German goods is so much larger than the number of marks required to purchase the same goods before the war that present prices reduced to dollars at the current rate of exchange will show at least the same result in our money as prewar prices reduced to dollars at the standard metal value of the mark.

In so far as our own lines of merchandise are concerned, viz, laces and embroideries, those which we import from Germany cost at least twenty times as many marks as they did before the war. The exchange value of the mark to-day is about 1.25 cents, or approximately one-nineteenth its standard metal value of 23.8 cents.

*Appropriateness of the remedy.*—The proposed measure will not remove the alleged advantage of Germany and other low production cost countries. The most it will do will be to increase the item of duty alone on imports coming from such countries. It will at the same time and to the same extent increase the duty on imports from all other foreign countries.

The landed cost of the goods, however, will not be affected in any way; and the duty-paid cost of merchandise coming from each foreign country will still retain the same relative position which it holds under the present system of foreign valuation.

It is difficult, therefore, to see what possible benefit can accrue to foreign countries with high production costs by reason of equalizing duties under the American valuation plan, for even as to such of their products as may come in competition with German goods the final cost to the importer, including duties will exceed the duty-paid cost of German goods by the difference between their respective landed costs.

On the other hand, the great bulk of imports coming from foreign countries with high production costs, which do not in any sense compete with German merchandise, will be adversely affected not merely by the greater duties imposed under the American valuation plan but particularly because of the hazard and uncertainty of importing under it. In this connection most of our laces come from France and England, our embroideries principally from Switzerland and France, and our novelties chiefly from France. We import from Germany also, but not to the same extent. So far as our lines are concerned, we would be infinitely better off if Congress would place an embargo on German goods and retain foreign valuation rather than to attempt importing under the American valuation plan.

Yet equalization of duties for merchandise from all foreign countries is advanced as the main object of the intended measure. Were the supposed beneficiaries among the foreign countries consulted on the subject, we venture to assert that none of them would favor the change.

### ADMINISTRATIVE DIFFICULTIES UNDER THE PROPOSED LAW.

The plausible claim of greater facility in ascertaining values in this country instead of abroad will not bear inspection, as the following comparison of existing and intended appraisement methods will show.

*Foreign valuation.*—In finding foreign value the appraiser at the outset sees the consular invoice. For purchased goods it purports to show the purchase price, for consigned goods the foreign market value. The vast majority of imports are purchased.

Purchase-form consular invoices are subject to verification by requisitioning commercial invoices, orders, correspondence, drafts, or other evidence of remittance and by examination of importers' books.

Further, for any given kind of merchandise there are almost invariably several importers. For all similar lines of imports the appraiser not only sees and examines the goods received by the several importers, but he sees and compares the consular invoices to all. For example, he may have 10 invoices to 10 different importers covering the same kind of merchandise and bearing approximately the same dates. If the price to one importer is lower than the price to the other nine, the low man's value is raised by the appraiser to meet the others' prices. If the price to one importer is higher than the price to the other nine, other things being equal, the invoice values of the nine are advanced by the appraiser to the value of the one. In other words, they are all put on the same level, which is almost invariably the highest price.

That at least is a definite, tangible, and fairly safe guide for the appraiser to start with. It is supplemented on many lines of imports by special data prepared by Government officials and forwarded from the foreign markets to the appraisers, e. g., the St. Gall schedule on embroideries. If there is any occasion to require further information than that disclosed on the consular invoices or covered by the special reports alluded to, the appraiser knows exactly what to look for and where to find it. The merchandise may be embroideries from Switzerland, linens from Ireland, chinaware from France, sardines from Norway, or jute bags from India. If so, he will accordingly address his inquiry to St. Gall, Belfast, Limoges, Stavanger, or Calcutta, for there is only one principal market in most foreign countries for any given commodity. That market, too, is known and recognized by all appraising officers.

Further, under existing methods the appraiser can readily identify the subject matter of his inquiry. He does this by reference to the manufacturer's number of the item in question appearing on the consular invoice, or in some cases by reference to the consular invoice number alone, inasmuch as copies of all consular invoices are on file in our several consulates. Therefore, by the simple expedient of a short cable message or letter addressed to the appropriate consular officer or Treasury agent in the foreign country from which the goods come the appraiser is quickly put in touch with the place where he knows the very merchandise in question is sold, where he knows the name and address of the seller, and where he can unmistakably make known the object of his search. In a word, when investigating foreign market value, the appraiser is not embarking on a fishing expedition.

The instances where foreign sellers have denied permission to our Government officials to examine their sales records have been so few compared with the volume of complete and satisfactory investigations which are made yearly not only by our Treasury agents but by our consular officers as well that it would be nothing short of absurd to upset the present method of customs administration because of them. This statement may be verified by referring to the comparative value report bureau of the Treasury Department through which all reports of foreign investigation pass. On such occasions, too, the refusal of the foreign seller occurred when there was no adequate remedy. Now there is a remedy, namely, exclusion of the recalcitrant seller's merchandise, as provided by section 404, Title IV, of the emergency tariff act—a permanent feature of the law.

*American valuation.*—Turning, now, to the proposed system of American valuation, how will the appraiser proceed? The country is large. Its markets are many and by no means well defined. All of the larger cities are principal markets for a multitude of imports—certainly for the sale of such articles as we import, viz, laces, embroideries, and novelties. Within each of those markets, too, there will be almost as many wholesale prices for a given article, be it domestic or imported, as there are sellers. This is due not only to the many different classes of buyers but also to the different classes of sellers. The mill or factory, for example, will have one scale of prices, the jobber will have a different scale, yet both sell at wholesale.

In undertaking his new task the appraiser, to begin with, will have nothing better or more tangible than his own resourcefulness to rely upon. Let us follow his steps by taking, as a concrete illustration, the appraisement of some machine-made Valenciennes lace from Calais, France—one of the simplest items among our varied imports. Let us assume, too, that by the time the proposed law takes effect the appraising officers have been apprised of the names and addresses of all lace manufacturers and lace jobbers in the principal markets of the United States.

The appraiser's first duty will be to ascertain whether comparable domestic goods were sold in such markets. To this end, a comparison between the imported merchandise and competing domestic products is necessary. The appraiser himself can not visit the various sellers for the purpose of comparing their lines with the imported article. The delay and expense incident to such procedure make it impossible. He can not send a sample from the importation to each of them in turn, for the delay

would be equally great, and he would be relying on their judgment rather than his own on the question of comparability Neither can he send samples or cuttings of the lace to all of them simultaneously, for he would still be substituting their judgment for his own, and even if we consented to the cutting of our merchandise we fear that there would not be enough samples from any one importation to go around. Then too the submission of our articles, whether laces, embroideries, or other novelties, to the domestic manufacturers would be an unwarranted proceeding from any viewpoint. The patterns and designs are trade secrets—in many cases our own creative ideas. Since they are not susceptible of patent or copyright, our only protection against imitation or reproduction lies in keeping them from our competitors as far as possible.

Yet a comparison must be made, and the appraiser must make it himself. It will not do to say that the manufacturers and jobbers of domestic goods will supply him with catalogues, samples, or drawings of their own lines, because by the time the mass of data so collected was separated, catalogued, and filed (and we doubt its susceptibility of such treatment), many of the patterns submitted would be discontinued and much of the information painstakingly gathered would be obsolete. In this connection, it must be remembered, we are discussing laces and other seasonal articles which are in vogue for a short time only, which are constantly changing and which are subject to frequent changes in price. Nor can the work of collecting such data and disseminating such information to the appraisers be delegated to a special body created for that purpose, as has been suggested. Such a course would not only entail a duplication of the checking and comparison which the appraiser would eventually have to do anyway, but, from a practical standpoint, the information thus obtained, when assembled and ready for use, would be equally antiquated.

Having taken the first step, however, it will doubtless be found that domestic laces are sold in many markets of the United States and at widely different prices even within the same market. The appraiser, however, must apparently determine not only the principal markets, but the prevailing wholesale price in such markets. This is a big contract and one which holds forth little promise of complete performance.

Having found a comparable domestic lace, the principal market for its sale and its prevailing wholesale price, the appraiser must go further still; for it will invariably be found that the imported and domestic articles are different. The difference may be in the pattern, finish, workmanship, or general appearance. They may be comparable, it is true, but one will always be superior to the other. That being so, since it is the imported article which must be appraised some adjustment in the price of the comparable article, whether by addition or subtraction, will be necessary in all cases. On that point most assuredly the appraisers will differ widely from one another. The adjustment, even by the best qualified, being entirely a matter of personal opinion, will be little better than guesswork. In this connection, it will be remembered that there are about 400 ports and subports of entry, with an appraiser or acting appraiser at each. There will, we predict, be different values for the same goods at the different ports of entry, inequality of taxation, and general dissatisfaction on all sides.

But that is not all.

As to many of our imports it will doubtless appear that there are no comparable domestic articles. This applies particularly to our novelty goods, handmade embroideries and embroideries made of silk, artificial silk, tinsel, or metal thread. In appraising those it will probably be necessary for the appraiser to find the prevailing wholesale selling price of comparable imported merchandise in the United States at the time the articles to be appraised left the foreign country.

This second means of appraisement, it will be noted, may only be resorted to when sales of comparable domestic goods are lacking. It is not an alternate method, as remarked before, in the sense that it may be used at will. That being so, wherever the second method is applicable there will likely be considerable lost motion and much time wasted before it is actually applied; for the appraiser must first satisfy himself of the absence of comparable domestic goods. The more careful and conscientious the appraiser the greater will be the delay. And this delay will be prolonged when it is remembered that the appraiser's search for prices under the second method must be as wide and all-embracing as that required by the first method. In other words, under both methods he must comb the principal markets of the United States for the prevailing wholesale price.

### HAZARD OF IMPORTING UNDER THE PROPOSED LAW.

We may speak with authority of the American valuation plan's effects only in relation to our own business.

Our lines comprise laces, embroideries, fancy cotton goods, and novelties of many kinds—all largely intended for women's wear. We handle domestic as well as foreign goods. Some of us manufacture some of these articles in this country; and for that purpose own and operate our factories here and employ American labor. This phase of our business represents a total investment of approximately $3,000,000, the employment of about 2,000 hands, and an annual output of about $7,000,000, as is shown by our statements furnished the Committee on Finance at its hearing of July 27, 1921. It should give some assurance of our sincerity in opposing the proposed law; for it is not likely that those of us who have manufacturing interests in this country would prejudice their investments by unnecessarily opposing a bill which is said to be beneficial to just such interests.

Speaking of our imported lines collectively, they are so special in character and novel in execution, style, pattern, or design that they are not carried in stock by the foreign manufacturers, but are made to order to meet our own individual ideas and tastes. They take from three to six months to make. They are continually changing to meet the popular fancy. They must be sold when favored by the whims of fashion or not at all. They can not be carried over from one season to another.

As a result a large part of our lines is sold by us in this market from samples before we place our orders with the foreign manufacturers. This is an integral part of our merchandising system—an essential feature of our business. It can not be changed, on account of the character of the stocks we handle. The same method is employed in many lines of trade besides our own.

Now, it stands to reason that a merchant when selling goods must know their cost. Otherwise he can not fix his selling prices. In selling from stock he must know present cost. In selling for future delivery he must know future cost, i. e., cost on arrival when ready for delivery to his customers. When buying goods, too, their ultimate cost must be known. This applies to the goods which we purchase for stock which have not been sold in advance. These costs, it is true, need not be known with mathematical exactitude; but a fair degree of accuracy—with an allowance of only a few per cent either way—is an absolute necessity. On no other basis can business houses like ours survive.

At the present time in our relations with the customs we know where we stand. Through the St. Gall schedule, quotations from and correspondence with our foreign sellers, we are in constant touch with the foreign value of our lines. In other words, when selling goods in this country for future delivery or buying goods abroad which require time to manufacture, we can tell in advance with reasonable certainty what the foreign value of our merchandise at the time of exportation will be and what the duty on our importations will amount to. This is possible, not only because the sources of information are now open to us, but also because under the present system of valuation the foreign value of goods made to order is taken as the last wholesale price at which actual deliveries have been made at or before the time of exportation. As a result we are rarely mistaken in our calculations.

Under to-day's conditions, therefore, when a customer visits us or when we visit him, we are in a position to quote prices and to take orders, with every assurance that the transaction to be later consummated by delivery will show a margin of profit. The same applies to our merchandise bought for stock.

But what will be our position under the American valuation plan? Let us analyze the situation.

We can not alter our methods to meet the new condition. The nature of our business precludes it. We must still take orders for future delivery. We must still sell before importing. We must still buy goods which require several months for manufacture. Yet how is it to be done? We can not quote prices nor safely place our orders without knowing costs. Our duty at 60 per cent under the present law is an important element of cost. It will be a bigger factor under the proposed bill. The primary basis of valuation, having been changed to the prices charged by American manufacturers, will no longer be known to us. Our old channels of information will be useless. The new ones will not be open. Indeed, if they were, it would make little difference. No matter how keen our desire or how diligent our search, it would be futile to attempt to learn the amount of duty to be paid on our importations. The markets in this country are too many, the sales too numerous, the prices too varied to permit of anything but the merest guess at the dutiable value of our imports.

Even assuming, however, that we could satisfy ourselves as to dutiable value based on selling prices of comparable goods in this country, what reason is there to suppose that the appraiser would have the same ideas as ours as to the comparability of the goods, the principal market for their sale and their proper wholesale price among the many wholesale prices? These are matters which rest largely on personal opinion, and as to which no two individuals may think alike. They seldom enter into foreign

valuation for the simple reason that under such method the goods covered by 99 invoices out of every 100 are appraised on the basis of the same kind of goods, sold by the same seller in the same market place to other buyers. On the very few occasions under the present system, when resort to comparable merchandise is necessary, it is a matter of record, as the reappraisement files of the Board of General Appraisers will show, that the results are both uncertain and unsatisfactory.

As we visualize the situation at the present moment our import business is to be completely altered. From a legitimate and safe occupation it will become a hazardous undertaking. Not only will our prices depend on circumstances beyond our control, and be regulated to a large degree by the dealings of domestic producers, but we shall be seriously hampered in fixing any prices. Every order taken by us will be a speculation; every commitment made will be a risk. In our future import dealings, it would seem, we are no longer to be business men, but gamblers.

CONCLUSION.

Naturally, we oppose the change. We believe it unnecessary. The danger of commercial invasion from Germany, or countries similarly situated, in our opinion is grossly exaggerated. Whatever danger may exist should be met directly by as simple a remedy as possible. The cure should not be worse than the disease. At this uncertain period in the economic life of our country, when exports and imports are shrinking month by month, when our ships lie idle at their docks, when the process of deflation is still under way, we can not condemn too strongly the ineffable folly of an experiment which will greatly increase prices, prohibit imports, further curtail exports, disrupt the customs service, interfere with legitimate business dealings, and which is already causing apprehension, unrest, and general dissatisfaction among merchants.

Members: Amrein, Freudenberg & Co., 212 Fifth Avenue, New York; Billwiller Bros., 315 Fifth Avenue, New York; Blanck & Co., 113 Fifth Avenue, New York; Blum, Gritzner & Singer, 113 Fifth Avenue, New York; Case & Co., 117 Fifth Avenue, New York; E. T. Eberhardt & Co., 874 Broadway, New York; Goldenberg Bros. & Co., 109 Fifth Avenue, New York; Goodman & Dessauer, 126 Fifth Avenue, New York; Frederick Hacker & Co., 33 West Twenty-first Street, New York; L. H. Junod & Co., 104 Fifth Avenue, New York; Klauber Bros. & Co., Fifth Avenue and Sixteenth Street, New York; Krower-Tynberg Co., 32 West Twenty-third Street, New York; Loeb & Schoenfeld Co., 27 West Twenty-third Street, New York; Frederick Ludewig & Co., 110 Fifth Avenue., New York; Max Mandel, 19 West Twenty-first Street, New York; Mills & Gibb Corp., Fourth Avenue & Twenty-second Street, New York; Muser Bros., 1150 Broadway, New York; Naef Bros., 1170 Broadway, New York; Neuburger & Co., 124 Fifth Avenue, New York; Oppenheimer, Doernberg Co., 99 Fifth Avenue, New York; Reichenbach & Co., 111 Fifth Avenue, New York; G. Sidenberg & Co., 114 Fifth Avenue, New York; Stein, Doblin & Co., 935 Broadway, New York; S. & A. Stern, 87 Fifth Avenue, New York; Stern & Stern, 79 Fifth Avenue, New York; J. K. Stiefel & Co., 126 Fifth Avenue, New York; Tobler Bros. & Co., 387 Fourth Avenue, New York; P. K. Wilson & Son, 130 Fifth Avenue, New York; Thomas Wilson & Co. (Inc.), 104 Fifth Avenue, New York; Wohl, South & Co., 150 Fifth Avenue, New York; Voss & Stern, 71 Fifth Avenue, New York; Sol Goldsmith & Son, 138 Fifth Avenue, New York; Goldfrank Co., 135 Fifth Avenue, New York; Harry Angelo & Co., 485 Fifth Avenue, New York; Burr & Hardwick, 130 Fifth Avenue, New York; Claflins, (Inc.), 224 Church Street, New York; Doob Sons & Co., 102 Fifth Avenue, New York; I. Lindenbaum & Co., 48 Walker Street, New York; Jonas Bros., 926 Filbert Street, Philadelphia.

## STATEMENT OF HENRY HOWARD, CLEVELAND, OHIO, REPRESENTING THE MANUFACTURING CHEMISTS' ASSOCIATION OF THE UNITED STATES.

The CHAIRMAN. Please state your full name to the committee, Mr. Howard.

Mr. HOWARD. Henry Howard.

The CHAIRMAN. You are in the chemical business?

Mr. HOWARD. I represent not, as put down in the list, the Grasselli Chemical Co., but the Manufacturing Chemists' Association of the United States, in the capacity of chairman of the executive committee.

The CHAIRMAN. What particular concern are you immediately identified with?

Mr. HOWARD. The Grasselli Chemical Co.

The CHAIRMAN. Where is that located?

Mr. HOWARD. Cleveland, Ohio.

The CHAIRMAN. What do they make?

Mr. HOWARD. Heavy chemicals, acids, chemicals, dyes, intermediates.

The CHAIRMAN. Will you proceed briefly, Mr. Howard, and state your views, and anything further you may desire to add you may print as a part of your remarks. We want to treat all of you gentlemen with every courtesy, but it is obvious with the revenue law coming on and a demand all over the country for speed that we must hurry along.

Mr. HOWARD. Mr. Chairman, the lace people have had three hours, and I want only about 15 minutes, plus any time you take up by questions.

The CHAIRMAN. I know they have consumed a great deal of time, and it is not fair to you. You may proceed.

Mr. HOWARD. The Manufacturing Chemists' Association of the United States, organized in 1872, is an association of the manufacturing chemists of this country, and a list of its members is hereto annexed.

We urge you to consider with great care the suggestion which has come from many sources, and with which we are heartily in accord, that the domestic value be taken as the basis for calculating ad valorem rates or for any rates that are in any way regulated by the value of the imported article. This procedure has been advocated by many of our leading statesmen during the past 100 years, but never in our history has there been a time when its advantages are so apparent as at present when we are almost the only country on a gold basis and when values in foreign markets owing to depreciated currency are so unstable and distorted and vary in such great degree among different countries that it would be practically impossible intelligently to write a tariff to-day that is based on foreign valuation.

Two main points of attack of this plan have come to my attention:

First, the difficulty of determining the domestic value.

Perhaps the best short answer to this criticism is that whatever difficulties may be encountered in obtaining a fair domestic value they can never be as great on the average as the difficulties encountered in obtaining a fair foreign value. The proof of this is the flagrant undervaluations that are continually taking place in articles covered by ad valorem rates which, although in general well known, are practically impossible to prevent, owing to the difficulty of investigating facts and conditions in foreign countries.

The fact that undervaluation exists to an alarming degree is so well known that it hardly requires any proof. I will, however, call your attention particularly to a statement made by Mr. William Burgess to the Committee on Ways and Means. Mr. Burgess says:

I beg to quote from an address made at a large commercial gathering in Berlin, by the chairman, one of the largest and most reputable merchants in Germany. The address was made behind closed doors and afterwards was read before all the chambers of commerce within the realm.

The address referred to by Mr. Burgess, while criticizing the old United States tariff policy of fixing a duty to compensate for the difference in the cost of production at home and abroad, goes on as follows:

Experience has taught that the workings of a tariff have not fulfilled the purpose for which it was created, but, on the contrary, the information gained under this regulation concerning costs of production has been so defective that in many cases it has been misleading, because through the prudence of our officials we have taken care that investigations of this character shall throw little light upon the actual value of their consignments. In many cases trouble has been avoided by having invoices consulated remote from districts in which the goods are manufactured.

The second point of attack on American valuation, which if justified would be a serious one, is that the plan of using domestic valuation as a basis of assessing ad valorem rates would be objected to by our State Department on the ground that it might be in conflict with our commercial treaties with foreign countries which provide in substance that there shall be no discrimination and that each country shall have the same privileges in trading with us as any other. In other words, practically all of our commercial treaties include a "most-favored nation" clause. The thought of the opponents of American valuation apparently being that it supersedes a system wherein the domestic value in each of the foreign countries is taken as the basis for assessing ad valorem duties and that therefore with foreign valuation as at present each country is treated exactly alike.

If this contention were true, then we must admit that our present system of specific duties is the grossest discrimination, because we charge the citizens of each country sending goods into the United States exactly the same rate, when figured in money per unit quantity of the article imported, irrespective of the probable fact that the market value of the article is widely different in different countries.

The opponent of domestic valuation, that is, the importer, might well say if he were consistent that a sliding scale for specific duties should be provided whereby the country having the lowest market value, and therefore presumably the lowest costs for a given article, should be given a preferentially lower specific rate than its neighbor, with higher costs and therefore higher market values.

This is exactly what we are now doing with our ad valorem duties based on foreign valuation, and I maintain that besides being bad for the United States the system is the grossest discrimination against the countries having the higher costs and must result in many cases in practically barring them from doing business in this country. Careful consideration of this point will convince you that the old system of foreign valuation is, in fact, discriminatory in a most marked and unfair manner.

Take a concrete instance; phenolphthalein was recently offered in the United States by German producers at 68 cents per pound, 25 per cent ad valorem, duty paid, which would make the market price in Germany about 55 cents per pound. The market price at the same time in England on phenolphthalein was $1.50 per pound, and 25 per cent ad valorem duty would be 37.5 cents per pound, or a differential against the British product and in favor of the German product of 24.5 cents per pound.

Is not this discrimination of the grossest sort, which would be entirely obviated if the domestic valuation in the United States were

used for all alike? Ad valorem duties combined with domestic valuation as a basis is in fact the nearest approach to specific duty in the many cases where a specific duty is not practicable, and we believe its fairness and desirability is so evident on studying the question that it should be made a law, irrespective of party lines, because it is just as necessary and just as desirable in a tariff for revenue as in a tariff for protection.

It seems to us that American valuation should not be considered as in any sense a question of tariff policy. It is simply an administrative feature and is just as valuable in a tariff for revenue only as in a protective tariff. Its justification is its fairness and protection to all alike; to the importers from all countries who get equal treatment no matter what the rates of exchange may be; to the United States Government whose revenues are protected against fraudulent undervaluation and to American industry which will be insured thereby that it will actually receive the protection Congress intended.

The following is a list of the officers and members of the association:

MANUFACTURING CHEMISTS' ASSOCIATION OF THE UNITED STATES.

The Manufacturing Chemists' Association of the United States was organized in 1872. The following is a list of its members:

OFFICERS.

President: Dr. Chas. L. Reese, E. I. du Pont de Nemours & Co., Wilmington, Del.
Vice presidents: H. H. S. Handy, Semet-Solvay Co., Syracuse, N. Y.; C. Wilbur Miller, Davison Chemical Co., Garrett Building, Baltimore, Md.
Treasurer: S. W. Wilder, Merrimac Chemical Co., 148 State Street, Boston, Mass.
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Now, this morning a good deal was said about the difficulty of determining American valuation and about the way in which our appraisers would be swamped. If the importer in this country is required to declare the American valuation just as the foreign valuation is now declared by the importer, why, then, you would have no more complication than you have now. You would have this advantage, that the appraisers would be in a position immediately to compare that declarative valuation with information which is at the door, right at hand, whereas to-day they have to go back to the countries all over the world to make the comparison. Is it not likely that you would get a good deal closer and more accurate statement of value from the importer when he is declaring on the American valuation, which anybody can check up, than if he makes a declaration of a value which exists 10,000 miles away? In other words, it would seem that the machinery required for getting an accurate valuation would be far simpler under the American valuation plan than under the present system. The fact of the matter is, as we all know, that we have no well defined method for securing information regarding foreign valuation. Of course, the tremendous objection which has been brought out once or twice before to the foreign valuations of to-day, which is one of the principal excuses for making the change, is that the foreign valuation is so different in different countries by reason of the tremendous variance in rates of exchange. Under the present system you have to determine 40 or 50 or 100 valuations, and have to have machinery for determining those valuations in all of the foreign countries. Whereas under the proposed system all that machinery could be concentrated right here right at home, under your own jurisdiction.

I think that is all I have to say, Mr. Chairman and gentlemen.

The CHAIRMAN. You will have an opportunity to correct your remarks, if you so desire.

Mr. HOWARD. I would like to have that opportunity, sir.

STATEMENT OF CLEMENT J. DRISCOLL, REPRESENTING THE LIBERTY LACE AND NETTING WORKS.

The CHAIRMAN. Mr. Driscoll, you may proceed with your statement.

Mr. DRISCOLL. I will not detain you more than one minute.

The CHAIRMAN. Very well, you are a most attractive witness.

Mr. DRISCOLL. I represent the Liberty Lace and Netting Works, and wanted to say to this committee on behalf of our company that they favor the American valuation in this bill.

I want to leave one other thought. In the course of the hearings it has been advanced constantly that if the American valuation plan is adopted the so-called importer will be driven out of business. Just this one thought.

The importer is a jobber. He is essentially a distributor, and in the last analysis it will not make the least bit of difference to him if there is a complete embargo, because all he has to do is to take the ticket off "Made in Germany" and put on "Made in America." During the war he lived and was prosperous and healthy, but he was buying our goods, and his tables were loaded with goods marked "Made in America," and his income-tax returns will show that he was very healthy and happy. The discussion which tends to indicate that he will be driven out of the country or out of existence is absolute fiction. We are not in competition with the importer; we are in competition with the European manufacturer.

Our company is very much in favor of the plan and urge its adoption.

STATEMENT OF DUDLEY HARMON, REPRESENTING THE MANUFACTURERS' ASSOCIATION OF CONNECTICUT.

The CHAIRMAN. You may state your name to the committee, Mr. Harmon.

Mr. HARMON. Dudley Harmon.

The CHAIRMAN. You represent Mr. Hubbard?

Mr. HARMON. Yes, sir.

The CHAIRMAN. He requested you to appear here?

Mr. HARMON. Yes, sir.

The CHAIRMAN. What is your business?

Mr. HARMON. I am the executive in charge of the offices of the association.

The CHAIRMAN. That association represents all the manufacturers of Connecticut?

Mr. HARMON. It has about 800 manufacturers of the State and is thoroughly representative of the industries of the State.

The CHAIRMAN. You may proceed with any statement you have to make to the committee.

Mr. HARMON. Mr. Chairman and gentlemen, I desire for a moment to call your attention to the fact that the Manufacturers' Association

of Connecticut believe the American valuation is essential for adequate protection of Connecticut industries. That has been expressed through formal vote of the executive committee and board of directors.

Senator McLEAN. What was that vote based upon? Was there a referendum on the question?

Mr. HARMON. It was discussed in our meetings, it was the subject of discussion in our association bulletins, but we did not conduct a formal referendum.

Senator McLEAN. Was there any opposition that you know of?

Mr. HARMON. No, sir. I will point out that Connecticut is a highly industrialized State, and that it is a very good cross section of American industry, and among our members are some manufacturers who have large importing interests and whose views on that question differ from those of the majority.

The association is made up of some 800 manufacturing establishments in the State, which last year employed more than a quarter of a million men and women, and its combined aggregate capitalization is nearly $1,000,000,000. The question of American valuation of imported goods has been before them for several months, and as individuals, in local groups, and through the trade associations, they have supported the action of the State association in favor of the American valuation plan.

The most recent reports to the association show that out of more than 200 plants reporting the average operating schedule is only three and a fraction days a week, with forces reduced from one-fourth to three-fifths or more. A considerable number of plants are closed this summer, from two weeks to indefinite periods. In many instances, plants which are closed, or which have greatly curtailed their operations, are confronted with the spectacle of large quantities of imported, competing goods arriving in the United States, finding a ready market at prices far below the cost of production in Connecticut. No conceivable sacrifice of profits, no change in methods of operation, no reduction in wages is possible to Connecticut manufacturers which will enable them to get down to these foreign prices.

On the other hand, we believe that the adoption of the American valuation plan will offset the double advantage which the European producers enjoy in the way of their extremely low cost and depreciated currency. Furthermore, we believe that the American valuation is the only available measure that will at this time meet the very critical condition with which we are confronted, and preserve the Connecticut manufacturer's right to compete in his own country with the goods the foreigner produces. We have not seen the soundness of the principle anywhere effectively denied. We are firmly convinced it offers an essential and effective means of relief to our industries.

It seems to us, therefore, that the question of administrative difficulties is very much outweighed by the other points. We think the objections that have been urged on the committee in these hearings are not by any means insurmountable, and the committee has heard competent experts declare the plan is practical in operation from an administrative point of view.

Therefore, we earnestly hope the committee will recommend the adoption of the American valuation plan.

I thank you, Mr. Chairman and gentlemen.

Senator McLEAN. The excess-profit taxes paid by the Connecticut manufacturers will be rather small unless they get some additional protection against foreign importations, will they not?

Mr. HARMON. On the basis of conditions now, I think most of them have dismissed the excess-profit tax from their minds.

Senator SMOOT. They are likely to get out of paying the excess-profit tax?

Mr. HARMON. Very frankly, Senator, many of them are losing money at this moment.

Senator McLEAN. It has been suggested we ought to revise the tax law further, and I will repeat the remark which I made a few moments ago, that apparently the patient needs some nourishment before we open a new artery.

Mr. HARMON. Connecticut as an industrial State is hardly on the map if its factories are not operating.

Senator WATSON. Senator McLean, I do not agree with you about that, but I am not going to argue it here. I think we should revise the tax laws first, but we will take that up later on.

Senator McLEAN. Both are important.

The CHAIRMAN. Is that all?

Mr. HARMON. Yes, sir.

The CHAIRMAN. There is one more gentleman, Mr. David Metzger, of New York, representing the Madeira Embroidery Co.

Mr. METZGER. I am president of that company, but Mr. Lane, the attorney, is here, and he represents about 15 other companies along that line, and I would like to make way for him.

The CHAIRMAN. Very well.

Senator SMOOT. You are an importer?

Mr. METZGER. Yes, sir.

## STATEMENT OF THOMAS M. LANE, REPRESENTING MADEIRA EMBROIDERY IMPORTERS, NEW YORK, N. Y.

The CHAIRMAN. You may state your name to the committee.

Mr. LANE. Thomas M. Lane.

The CHAIRMAN. You are an importer?

Mr. LANE. I am an attorney representing certain importers.

We will file with the committee to-day a printed brief outlining the objections of four of the leading Madeira embroidery importers of New York, and I represent probably 15 in addition to those named in the brief who will ask permission to file a later protest against the American valuation plan.

No American house 15 years ago was actively engaged in the production of Madeira embroidery. The Germans controlled the Madeira embroidery industry exclusively. American capital has largely displaced German capital, and the industry has thus come to be one of those developed abroad by American capital.

Senator WATSON. Why do you say it was developed abroad by American capital?

Mr. LANE. It was developed abroad by American capital, because it is an industry sui generis and peculiar to the island of Madeira. You could not produce it anywhere else except on the island of Madeira or adjacent Portuguese possessions.

Senator WATSON. Is that on account of the raw material?

Mr. LANE. It is principally on account of the labor. The production is a peculiar local output made by the women of the island of Madeira.

Senator WATSON. At very low wages?

Mr. LANE. Yes, sir; at comparatively low wages. However, it could not be produced in this country.

Senator SMOOT. You could not get the women living in that country to come to this country to make that lace?

Mr. LANE. I would not admit that, Senator Smoot, but the women in this country don't know how to make it.

Senator SMOOT. I am aware of that. I do not think the women would make that lace.

Mr. LANE. It is peculiar to the women of that island.

Senator SMOOT. Those women would not want to come to live in America?

Mr. LANE. You could not move that population here, if that is what you mean, that lives on the island of Madeira.

The Germans went there and obtained control of the industry, and American capital is gradually displacing them. Seventy-five per cent of the production or output of Madeira embroidery is now controlled by American capital.

Senator MCLEAN. Is their output comparable to lace made in this country?

Mr. LANE. No, sir; there is no competitive article in this country.

A further peculiar feature of the industry is that its very essence is novelty, a constant development of new designs, new patterns, new articles, so that that feature of it makes the American valuation plan one of peculiar difficulty. In the first place, under the statute as it is now framed these goods, not having any comparable or competitive products in this country, can not be appraised on the value of the American product—they are self-valuing, so to speak. The importers have found, after the most careful consideration of the question, that they will be absolutely unable to determine what the American selling price will be.

Senator SMOOT. The importer can swear to that, can he not? He can swear to what he is going to sell them for?

Mr. LANE. He can swear to almost anything, Senator Smoot; but the machinery provided in this law has teeth, and he must be careful that he does not swear carelessly.

Senator SMOOT. That is just why I would want him to swear, and then they would not have very much trouble in getting at the value.

Mr. LANE. He is willing to swear if he knows what it is going to cost him—landed in this country.

Senator SMOOT. No importer is going to import those things into this country unless he knows what he is going to sell them for.

Mr. LANE. The answer to that question, Senator, is that he does not and has not. In fact, for six or eight months before he knows what he is going to get for them he puts them in work, and there is no way in the world for him to know the price the market will pay him.

Senator SMOOT. I am talking about when they are to be sold and when the duty is to be paid upon them.

Mr. LANE. After they are here and after he tests out his market.

Senator SMOOT. That is the only article in the lace or woolen goods or cotton goods or any goods that I know of that is to be made from

raw materials that would take as long time as that class of goods would take, that the orders would not be placed six months ahead and the goods sold in this country sometimes six months ahead. We sell woolen goods eight months ahead, before they are made and before the wool is purchased, but we have samples and sell on sample.

Senator McLEAN. Have you any competition on that article?

Mr. LANE. Practically none. These goods are not sold on sample.

Senator McLEAN. If you have no competition in this country, I should think you could fairly estimate your selling price.

Mr. LANE. These are dutiable at 37½ per cent under paragraph 1430 of the bill.

The effect of that on the American selling prices as far as they are now determined, based on present cost of production, would be an increase of about 125 per cent over the rate that has prevailed for the last 30 years. Sixty per cent has been the rate that this article has paid ever since the McKinley tariff of 1890, and that is one of the high rates of the tariffs. Figured at the present production cost and present foreign cost, the rate of 37.5 per cent on a selling price that would pay the same profit as now would be a rate of about 135 per cent on foreign value. We have put the formula in our brief, and it is perfectly evident to anyone that that would be the effect. Take an article that now brings $10 on this market, the proper ratio of cost is about $3.75. That article would cost about $3.75 to produce at Madeira.

Senator SMOOT. Those rates the committee will go into.

Mr. LANE. Yes, sir. Your 37.5 per cent duty is on the $10 selling price, $3.75, just 100 per cent which wipes out all profit. In order to have the same profit we now receive the price of that $10 article would be $13.50, an increase of about 35 per cent.

Senator SMOOT. You mean you sell the goods that cost you $3.75 for $10?

Mr. LANE. Yes, sir; 60 per cent——

Senator SMOOT (interposing). If you are making 200 per cent I can not see where you have any complaint.

Mr. LANE. You misunderstand me; $3.75 is foreign valuation, and there is 60 per cent duty on that under the present law.

Senator SMOOT. That would be $2.25.

Mr. LANE. The duty would be $3.75 at 37½ per cent on a selling price of $10. And you have to add 50 cents for shipping, and you have to add $2 for your overhead in the United States. Remember that this industry is essentially an American industry. The goods are manufactured in Madeira and are brought over here and packeted. Your overhead here would be 20 per cent on your selling price, and you would not have any profit left. That would take up the $10, just exactly.

Senator SMOOT. That is a question of rate, not a question of principle at all. I can not see that your concern would have any trouble with American valuation.

Mr. LANE. We have stated the difficulties in our brief and they seem to be insuperable. There is no way to determine our American value in advance of importation.

Senator SMOOT. You would not manufacture the goods unless you knew you were going to sell them at a profit. If you do, you are the only manufacturers that ever did it.

Mr. METZGER. A manufacturer can not tell that on imported merchandise. He never can tell what the profit is going to be on those goods. That is a thing to be determined afterwards. He hopes to make a profit, but he may actually make a loss. Nobody can determine that. He has to sell them and so does every other importer. We don't bring them here with the idea of selling them at a loss, but in ordinary business procedure that is what takes place.

Senator SMOOT. They do not all lose money?

Mr. METZGER. We hope not.

Mr. LANE. If the committee has time I should like to make a few general remarks about the American valuation plan, based on an experience that I think justifies me in generalizing to a slight extent.

Senator MCCUMBER. Is that already in your brief?

Mr. LANE. No; but if the committee does not want to hear it or would prefer to give me an opportunity to present it at a later date I will not take up the time now.

Senator MCCUMBER. We have still another witness, and we are supposed to close at 5.

Mr. LANE. I propose entirely to consult your convenience. I may ask you to hear me later.

Senator SMOOT. I suggest that he go on now and we will get through to-night.

Mr. LANE. I have been in the position to observe the operations of our tariff law very intimately for the last 20 years. I have been in intimate touch with every important controversy under our tariff law for the last 20 years, 10 years as a private practitioner and about 12 years as a Government official, and I can not see how it can be overlooked that the question of American valuation does not in any way involve the question of protection, the question of currency depreciation, or any other of the alleged economic reasons for its adoption.

The present system, with the modifications with respect to currency valuations that were inserted by this committee in the emergency tariff law, seems to me to embody one of the most ideal appraisement methods in force in the world, one that most closely and most nearly reflects economic conditions, true principles, and true valuations. We have a system under which we ascertain foreign market values at the principal markets of the countries of exportation. We have had that for 100 years.

Every man who is experienced in importing knows that in European countries the market for production of particular commodities is extremely localized. Under the present rule of foreign valuation, which requires that market values in the principal markets of the country of exportation be ascertained, the problem of the Government officials is relatively simple. It consists in most instances in an investigation of values in a production district at the most a few hundred square miles in area. If we want to know the value of Bradford woolens, we know where to get them; if we want to know the values of Irish linen, we know we can get them in Belfast; if we want to know the values of French silks, we know where to get them; and the same is true of German toys and French tapestry.

The difficulties of obtaining those values that have been alleged here have generally been asserted by men who have had no experience in investigating or ascertaining foreign values. Every man that has had experience, that I have heard speak, seems agreed on the

proposition that the difficulties have been greatly exaggerated. The experiences of those who day after day and year after year have been in touch with appraisement cases before boards of general appraisers is that in the great majority of cases adequate evidence of foreign values is obtained. To say that it is as easy to obtain American values as foreign values must impress every one with practical experience as a grotesque assertion. The problem of obtaining the American values which the law requires will be enormously more difficult.

I say "The American values which the law requires." Pretty nearly every advocate of the plan that you drive into a corner on this proposition and read the statute with and analyze it line by line ends by telling you that some value will be taken that is nothing more than one the appraiser has guessed. I do not want to misstate the position of anybody, but pretty nearly every man I have asked to analyze the statute seems to arrive at that conclusion. In other words, it would not be anybody's value.

To ascertain foreign valuation, as we have for many years now, a reasonably diligent investigation in a limited district of production, where fairly stable prices are established in close competition, is usually all that is necessary. There is no great mystery about it. I fully agree with Mr. Davis, that 50 Government agents could do it, although six or seven have done it fairly well. To ascertain American values under the law the Government officials and the importer must cover a distributing market having an area of 3,000,000 square miles, unless you take away all the remedy which the law affords. The values in a distributing market covering 3,000,000 square miles have got to be ascertained by somebody, if they are not produced by the American manufacturer voluntarily to the appraiser, and it has seemed very probable that the bill has not given the appraiser the proper subpœna power to enable him to compel the American manufacturers to produce those values. I think, that you will keep the American manufacturer with his books and records and papers in court most of the time trying to find that out. From an attorney's standpoint it appears to be an ideal statute, because it promises an era of major litigation that surpasses anything we have known in customs circles for generations.

It is not difficult at all for anybody familiar with the situation to imagine the confusion and embarrassment and delays that would follow an attempt to impose upon appraising officers the burden of ascertaining the American selling price for even staple raw materials, and when they are required to apply that principle to the infinite variety of manufactured articles that come in you are going to be confronted with a chaotic situation.

I have said this has nothing to do with protection. You can take foreign values, you can ascertain with reasonable certainty the domestic industry that requires protection and apply the proper ad valorem rate to give it protection, but unless the domestic manufacturer should have American valuation as a cloak for getting a higher duty than he is entitled to then I think there is no reason why it should be adopted. At this time, when we are confronted with so many difficulties, why add one more major difficulty?

They say because we have fraud. I was much surprised the other day to read in a statement of one of the foremost advocates

of this plan a somewhat hesitant suggestion that there was fraud in 10 per cent of the importations. Most of the official statements I have read I believe limited it to something less than 1 per cent. Now, that statement was repeatedly made. I sat in the hearings before the Ways and Means Committee and heard it made day after day, that this American valuation plan was necessary to prevent fraud on the revenue. Nothing is easier than to make vague and sweeping allegations of fraud and then assume the attitude that the burden has been shifted to the importer. There is one thing noticeable, and I challenge an investigation of the hearings with that in mind, and that is those who have talked loudest of fraud have been those who either were in a position to know very little about it or had a motive in making it appear to exist. Almost everyone in a position to know has agreed that there is very little fraud in connection with imports. I know most of those who are in a position to know in customs circles, and could name them to you in 15 minutes.

Now, the fact is, gentlemen, that the bulk of our import trade is in the hands of large and reputable interests, and the majority of our duties are paid by large importers who are merchants of high honor, respectability, and standing, and who are jealous of their reputations and sincere in their respect for law, as much so as any other body of citizens. I do not think it is going too far to say that in that particular they do not suffer at all in comparison with the gentlemen who have been maligning them.

Senator WATSON. I do not think that is an impelling reason for the adoption of American valuation.

Mr. LANE. It has been advanced as one of the most impelling reasons. Another reason has been the currency situation. I hope you will give that careful attention. I have not the time to go into it to-day.

Senator SMOOT. I think we know something of that.

Mr. LANE. You do, and you have shown an intelligent appreciation of it in the emergency tariff. I hope I state what the committee understands when I say the value of commodities is in no way dependent upon the value of foreign currency, and yet witness after witness has talked as though the value of commodities and the value of currency were completely involved, so that one was dependent upon the other.

Senator WATSON. You think they have no relation whatever?

Mr. LANE. That may be too strong a statement to say there is no relation, but if there is any it is very slight.

Senator SMOOT. Foreign exchange has no relation whatever to the cost of producing goods in one country or another?

Mr. LANE. I say the commodity retains, as a general economic principle, its value in gold, irrespective of the fluctuation in exchange.

Senator SMOOT. I say that is not true, and I can prove it not only by the greatest experts in Germany and England and France, but in other countries.

Mr. LANE. I do not want to disagree too much with experts, but I will venture the assertion that in most cases where it is alleged that exchange has affected commodity values you will find the fluctuation is due to some other economic cause.

Senator SMOOT. I have not time to go into it, but I could tell you the statistics in round numbers given by the statistician of Germany

himself, that the mark is worth 1.3 cents, or was at the time I inquired of him, in gold, and at the same time was worth 1.65——

Mr. LANE (interposing). In international trade?

Senator SMOOT. No; not in international trade, but in buying of clothing, in the buying of food, in the payment of rent and the payment of wages in Germany. There is no question about it at all.

Mr. LANE. I would like to talk that over with you, because I think I could make some suggestions.

BRIEF OF THOMAS M. LANE, REPRESENTING MADEIRA EMBROIDERY IMPORTERS OF NEW YORK.

The undersigned are manufacturers and importers of Madeira embroideries, which under the pending general tariff bill (H. R. 7456) would be dutiable at 37½ per cent ad valorem under paragraph 1430 of the bill as passed by the House.

By virtue of section 402 of the bill the above ad valorem rate of 37½ per cent would be assessed on the American selling price of this commodity.

A duty of 37½ per cent on the American selling price is the equivalent of a duty ranging from 100 per cent to 135 per cent on the foreign valuation, as against a duty of 60 per cent on foreign valuation, which has prevailed for over 30 years. The rate of 60 per cent on foreign valuation under the McKinley tariff of October 3, 1890, under the Dingley Act of July 24, 1897, under the Payne-Aldrich Act of August 5, 1909, and under the Underwood-Simmons tariff of October 3, 1913.

The undersigned petitioners are perfectly willing that the 60 per cent rate should be continued upon the same basis of foreign valuation as heretofore under the above-mentioned acts.

They protest against the adoption of the American valuation as impossible of application to this class of merchandise. They protest against the rate of 37½ per cent upon an American valuation as destructive of a large and important industry developed abroad by American capital, and an important source of revenue to the Government.

The above and other objections to the proposed change in the law are outlined in more detail below:

1. The American valuation plan is wholly impracticable and unjust in its application to Madeira embroideries. Madeira embroideries are the product of the island of Madeira and adjacent Portuguese possessions. They are entirely handwork of unique design and construction made by the native women. The commodity is not made in the United States, nor is there manufactured in the United States any comparable product, so that it is not possible to ascertain from comparable products of this country what the United States selling price should be on the imported merchandise. Under paragraph 402, therefore, the dutiable value would be the value of the imported goods for sale in the United States as of the date of exportation from Madeira.

Such valuation, in the opinion of petitioners, would be impossible of ascertainment. It is impossible to determine what the selling price is going to be until the merchandise has been imported and until the selling price can be ascertained as the result of demand and supply, the desirability of the merchandise, and the general business conditions. Madeira embroideries are made in simple or low-priced effects as well as in elaborate and high-priced effects, and, depending on general conditions of trade, there may be practically no demand for the higher-priced goods. This could not be determined at the time the designs were drawn or the article put in work, and it usually takes six to eight months from the time the work is started until the merchandise can be imported and offered for sale; and long before it can be determined what the selling price will be the article is put in process of manufacture. An importer does not know in advance of offering the goods for sale what he can get for them. He may have a very definite idea as to what they will cost.

Importers of Madeira embroideries have to take the chances of market conditions for merchandise which they offer for sale. They naturally try to realize a profit over cost of laying the goods down in the United States, but, depending on the demand there may be for the merchandise and the desirability of any particular article, the price will be affected accordingly. The selling price and value of an embroidered article depend not solely on the cost of production, but largely on the desirability and attractiveness, which in turn reflect the taste, judgment, and skill of the designing staff that is responsible for developing the line of patterns. Some patterns turn out very well and find favor, and, consequently, either sell more freely or command a better price. Other patterns prove to be not so attractive, but the cost may be just as great. These have to be sold at a lower price and frequently have to be sold out

even at a loss, but at the time of exportation it can not be determined what the ultimate selling price will have to be either of the patterns that find favor or those that are unsuccessful. The price is, furthermore, influenced by the available supply. If the supply is large and the demand is small, as it has been this season, the price will be depressed and the sale will be correspondingly light and the profits correspondingly smaller. All these are factors that can not be determined even by the experienced manufacturer and dealer, much less by the appraiser, who has to find the United States selling value on which the duty is to be assessed.

In the opinion of importers, it is absolutely an impossible task to determine what the selling price is going to be before the dutiable value can be determined. It is possible to ascertain what the foreign cost is and to assess duty on that, but it is not possible to determine in advance of actual sale what the selling price is going to be, and no set of appraisers or any other human being can be found who could determine the selling price. The fact that an article may have sold at $10 last month would not mean that it may not have to sell at $9 next month, or that, if conditions warrant it, the price may not even go higher than $10.

2. The proposed duty of 37½ per cent ad valorem on American value would result in an embargo upon the importation of Madeira embroideries. Under the proposed Fordney tariff the importers of Madeira embroideries would have to suspend business. They could not continue. It would be impossible to produce this merchandise and sell it in the United States at a profit. This can readily be appreciated if the following figures are understood: An article that now sells for $10 and costs to manufacture $3.75 gold will pay on the 60 per cent rate $2.25 duty; allowance for packing, landing charges, including freight and insurance, customhouse entry fee and counsel fee, 50 cents; overhead on the cost of doing business in the United States 20 per cent on the selling price, $2. This gives a total of $8.50 and allows $1.50 profit from which must be deducted the cash discount and cost of boxing.

On the basis of assessing duty on the American selling price, assuming that the selling price, $10, remained the same, and that the foreign cost, $3.75, remained the same, you would get—

| | |
|---|---|
| Foreign cost | $3.75 |
| 37½ per cent duty on $10 | 3.75 |
| Shipping expense | .50 |
| Overhead in the United States | 2.00 |
| Total cost | 10.00 |

This would allow no margin of profit or allowance for cash discount and cost of boxing in United States.

A duty of $3.75 under the Fordney tariff, as compared with $2.25 duty under the Underwood bill, would result in an increase of duty of 66⅔ per cent (equivalent to about 100 per cent duty on foreign valuation), and would take away all profit from the importer unless he were to advance his selling price to $13.50 so as to make the same amount of profit, namely, $1.50, that he makes at present. This is shown in the following way:

| | |
|---|---|
| Cost | $3.75 |
| Duty, 37½ on $13.50 | 5.06 |
| Overhead, 20 per cent on the United States selling price of $13.50 | 2.70 |
| Shipping expense | .50 |
| Total cost | 12.01 |
| Selling price | 13.50 |
| Profit | 1.49 |

Then instead of paying duty as at present of $2.25, he would have to pay a duty of $5.06. This would result in an increase in duty of $2.81, or 125 per cent more duty than at present; or in other words, instead of paying 60 per cent duty on foreign valuation as now, he would actually be paying 135 per cent duty on foreign valuation. This would naturally result in increasing the cost to the consumer tremendously, providing the consumers were willing to pay this fictitious price, but the consumer would not be willing to pay such an increase and it would simply result in killing off the industry.

3. An important industry developed by American capital abroad is threatened with destruction with no compensating benefit to an American industry. American capital has largely supplanted and superseded German capital in the production of Madeira embroideries. Fifteen years ago no American house was actively engaged

in the production of Madeira hand embroideries and substantially all of this class of merchandise that was produced and at that time found its way into this market was sold here by German houses. German houses have practically been eliminated and the American houses have worked into a dominant position in Madeira and now control practically 75 per cent of the production and output. This country has been the largest outlet for Madeira embroideries for a number of years past, and a large number of women who have been trained to do this work over a long period of years have no other means of livelihood in the islands, as they are dependent for their livelihood on the wages they receive for doing this work, and if this source of income were taken away, due to the impossibility of importing these goods into the United States, it would result in great misery and privation to thousands of women and families.

There is no similar American industry that needs additional protection. A 60 per cent rate on foreign valuation has always been considered a high rate on articles of this kind, and under this rate the United States has derived a large revenue and will continue to receive a large revenue in the way of import duties if the cost of importing is not increased.

Madeira embroideries are made by hand. There are no Madeira machine embroidered goods. The number of hands who can produce Madeira embroideries is limited to a comparatively few thousand girls and women who have been either taught in schools or convents or their homes. It is an industry that requires considerable patience, skill, and natural aptitude, which the women in Madeira seem to have inherited. No matter how great the demand may be, the output will at all times be limited, so there is no danger of any excessive amount being dumped on this market to the detriment of any American industry.

As we understand it, the Fordney tariff is not designed to increase the cost of merchandise to the American consumer or to annihilate industries developed by American capital, and even though this hand embroidery is made in Madeira, it is done through American capital and American direction and gives employment to a large number of people in the United States who are required for handling, boxing, laundering, shipping, and distributing these goods after they arrive here.

4. The bill, if enacted in its present form, would cut off a large source of revenue to the Government. During the year 1920 the United States Government received in duties over $2,000,000 that was paid on the importation of Madeira hand embroideries.

As it is the purpose of the Government to increase the revenues, we believe the Fordney bill is designed with this aim in view, but in regard to Madeira embroideries it will fail in its purpose if the American selling price is to be the basis on which the duty is to be assessed, and instead of deriving as large or larger revenue than in former years the industry will be strangled and the revenue will be cut off and the Government will certainly be the loser, as well as the importers.

Respectfully submitted.

MADEIRA EMBROIDERY CO.,
LEACOCK & CO.,
NEW YORK FUNCHAL HAND EMBROIDERY CO.,
N. J. RICHMAN CO.

## STATEMENT OF THOMAS H. EDDY, REPRESENTING MARSHALL FIELD & CO., CHICAGO—Resumed.

Mr. EDDY. I want to correct the statement I made this morning. These figures require no correction, but merely application, and I have added a column indicating the percentage on the sales prices to cover business expenses and profits on the present importations.

To illustrate the first item of gloves, they land at $17 per dozen, including $2 duty under the act of 1913. The price, excluding duty, would be $15 per dozen, including transportation charges, etc. To make the same percentage of profit which we are now making and cover our business expenses, 24 per cent, the duty would be 37½ per cent upon the American selling price. It naturally follows that the $15 must be the difference between the 24 plus 37½ per cent, or 61½ per cent, deducted from 100 per cent, which leaves 38½ per cent. In other words, the $15 is 38½ per cent of the amount which would be assessable under a 37½ duty, and 24 per cent would cover business

expenses and profits, original foreign cost and transportation charges. In figuring that out we find that the selling price obtained by that method is $39. Thirty-seven and one-half per cent duty on $39 is $14.60. That would indicate the method adopted all the way through the statement. The statement of equivalent duties, the percentage equivalent to foreign cost stands good as I stated it this morning. With that explanation I will file this with the committee.

Senator McCUMBER. We will stand adjourned until to-morrow morning at 10.30, but there will be no tariff hearing to-morrow. We have a matter with the Secretary of the Treasury at that time.

(Thereupon, at 5.10 p. m., the committee adjourned, to meet again on Thursday, the 28th day of July, 1921, at 10.30 a. m.)

[Hearings on American Valuation were resumed Monday, August 1, 1921.]

## Monday, August 1, 1921.

The committee met, pursuant to adjournment, in room 312, Senate Office Building, at 10.30 o'clock a. m., Hon. Boies Penrose presiding.

Present: Senators Penrose (chairman), Smoot, McCumber, Dillingham, Watson, McLean, La Follette, Curtis, Simmons, and Walsh.

The CHAIRMAN. The committee will come to order. The committee will continue the hearings of individuals who have applied to be heard on the question of American valuations. These hearings were interrupted during last week when the committee took up for consideration the foreign-debt bill. They will now be resumed, and I hope they will be finished by to-morrow. I hope the witnesses will cooperate with the committee in being brief, and the committee will, so far as is reasonable, refrain from asking questions and the witnesses will make their statements concise and to the point, bearing in mind that the committee is fairly familiar with this question now, and a mere repetition of argument is tiresome and not effective. The first witness on the list is Mr. J. M. Neenan, of Cleveland, Ohio, representing window-glass workers. Is Mr. Neenan present? [No response.] Is Mr. J. F. Zoller present?

Mr. ZOLLER. Yes, sir.

### STATEMENT OF J. F. ZOLLER, REPRESENTING THE AMERICAN VALUATION ASSOCIATION, NEW YORK CITY.

The CHAIRMAN. Mr. Zoller, the committee has heard you frequently on previous occasions and would like to hear you with equal brevity now. You are an attorney in New York?

Mr. ZOLLER. Yes, sir.

The CHAIRMAN. You are not a manufacturer yourself?

Mr. ZOLLER. No, sir.

The CHAIRMAN. Whom do you represent?

Mr. ZOLLER. I represent the American Valuation Association.

The CHAIRMAN. When was that association formed?

Mr. ZOLLER. A very short time ago—two or three months ago.

The CHAIRMAN. That is another of these mushroom associations?

Mr. ZOLLER. It is composed entirely of manufacturers, sir.

The CHAIRMAN. How many members has it got?

Mr. ZOLLER. I have the list here, and to date it has something over a hundred members, all manufacturers.

The CHAIRMAN. Where are they located?

Mr. ZOLLER. They are located in different parts of the United States. I have the name and address of each one which I can submit or read.

The CHAIRMAN. Do they pay dues?

Mr. ZOLLER. The only qualification for becoming a member of this association is that they believe in the American valuation principle and will pay $10 for the purpose of receiving literature.

The CHAIRMAN. Do they elect officers?

Mr. ZOLLER. They have a staff of officers. Mr. Camp, a manufacturer in Connecticut, is president; Mr. Dodge, of the toy manufacturers, is treasurer; a Philadelphia lawyer by the name of Williamson is secretary; and I am a member of the executive committee. I want to admit at the outset that if each of these individual members were called separately none of them could be considered as disinterested witnesses.

The CHAIRMAN. Have they ever held a meeting as an association?

Mr. ZOLLER. Yes, sir; several meetings.

The CHAIRMAN. When was their last meeting?

Mr. ZOLLER. The last meeting of the executive committee was about 30 days ago, I think.

The CHAIRMAN. Has the whole association ever held a meeting?

Mr. ZOLLER. Not all the members; no.

The CHAIRMAN. All right; go ahead.

Senator SIMMONS. The sole purpose of it is to promote this legislation?

Mr. ZOLLER. Yes, sir; but it is a defensive organization and was organized to refute much data which we believe to be erroneous, advanced by importers and others opposed to this American-valuation plan. I want to say that so far as I am concerned personally I have been a student of taxation for a number of years, and I have taken up this tariff work because of its assumed relation to taxation. I find, however, that there are many economic principles involved in this bill that are not involved in taxation, so I do not wish to qualify as a tariff expert before this committee.

In studying this matter I have prepared a table showing the valuation of foreign currencies both before the war—that is, July 1, 1914—and July 1, 1921, of Great Britain, France, Germany, and Japan. I will not read that table, because you are all familiar with the figures, but I submit it.

It shows, among other things, that on July 1, 1914, the German mark was worth in United States money $0.238, but on July 1, 1921, the same German mark was worth in United States money only only $0.013; that in 1914 an ad valorem duty of 33⅓ per cent imposed upon the foreign value of a German article costing 150 marks would amount to $11.90, but to-day, due to the depreciation of the German mark, the duty at the same rate would amount to much less than that.

Senator SIMMONS. How many more German marks would it take to buy the article in the German market?

Mr. ZOLLER. I am coming to that. In 1914 skilled laborers in Germany received about 8.7 marks per day, equivalent at that time to about $2.09. That $2.09 is an official figure taken from the bulletin entitled "Wages," prepared by the Ways and Means Committee and dated 1921. That converted into marks at the rate of exchange

in 1914 shows that laborers in Germany at that time received about 8.7 marks per day.

In January, 1920—I have not the figures for 1921—such skilled laborers received the equivalent of 73 cents per day, which amount if converted into marks at the rate of exchange prevailing on July 1, 1921, would mean about 56 marks per day, against 8.7 marks per day in 1914.

Other things being equal, it follows that an article costing 150 marks in 1914 would cost about seven times that amount, or 1,050 marks in 1912. One thousand and fifty marks in 1921 would be equivalent to about $13.65. An ad valorem duty on this amount of 33⅓ per cent would amount to only $4.55, as against $11.90, the duty that would be collected at the same rate in 1914.

Senator SIMMONS. When this committee had under consideration the antidumping division of the emergency tariff we had here before us certain appraisers of recognized ability located in New York, and we had also a member of the Court of Customs Appeals. My recollection is that they told us that the German goods were invoiced now, measured in American money, at about what they were and a little bit more than they were before the war.

Mr. ZOLLER. I think that those statements have all been made in a general way.

Senator SIMMONS. They were made by appraisers who were appraising these goods before the war and who have been appraising them during 1920.

Mr. ZOLLER. The official figures we get in studying these things do not bring about that result.

Senator SIMMONS. And there was no division among them; they all agreed to that.

Mr. ZOLLER. The figures would appear to show that the duty to-day, notwithstanding the increase in German marks, would be less. We may differ on how much less, but I do not believe anybody who studies the subject carefully will fail to come to the conclusion that the duty to-day at the same rate, notwithstanding the increase in cost in marks, would be less than it was in 1914.

But there is another factor in the situation. Wages in Germany, measured in terms of United States money, have gone down materially since 1914. In 1914 skilled laborers in Germany received the equivalent of $2.09 per day. That is an official figure. In January, 1920, they received the equivalent of about 73 cents per day—and that is an official figure—notwithstanding the fact that they received a much greater number of marks per day. In the United States, on the other hand, wages have materially advanced during the same period. This is shown by a table taken from that bulletin on page 74. I want to read from that table. In 1914 bricklayers in this country received $5.59 per day. In 1920 they received $9.60 per day. Laborers in 1914 received here $2.50 per day. In 1920 they received $5.58 per day. Carpenters in 1914 received $4.33 per day.

The CHAIRMAN. What are you reading from?

Mr. ZOLLER. I am reading from page 74 of the official bulletin of the Ways and Means Committee entitled "Wages" and dated 1921.

The CHAIRMAN. Would it not be sufficient to make reference to that bulletin without reading it?

Mr. ZOLLER. Yes; I will refer to it and have the bulletin marked.

Senator LA FOLLETTE. Does that bulletin state the sources of the information?

Mr. ZOLLER. Yes; it is stated in it. The point I want to make is this, that between 1914 and 1921 wages, measured in United States money in Germany, have gone down more than one-half. In this country for the same period they have practically doubled. Therefore, it would seem to follow that instead of making the duty less, as we certainly would if we impose it upon the foreign value to-day at any reasonable rate, we ought to make it more to take care of this difference in labor cost between the United States and Germany to-day as compared with 1914.

Senator SIMMONS. When we had this matter up before I recall that Senator Smoot insisted very vigorously that the purchasing power of a German mark in Germany was very much more than its gold value, measured in our money—many times more.

Mr. ZOLLER. My evidence is that a German can ship goods in this country to-day——

Senator SIMMONS. What have you to say to that? Is that correct or not? Is the purchasing power of the German mark in Germany only 1 cent and 3 mills in gold, or is it many times that, as Senator Smoot, as I understood him, insisted it was?

Senator SMOOT. A mark is worth 1.3 cents in gold and the purchasing power for the labor in Germany was 4.6 cents, thus giving the German manufacturer an advantage at once of 300 per cent on the exchange alone.

Senator SIMMONS. In other words, you contend that the purchasing power of a German mark is 4.6 cents?

Senator SMOOT. Yes; that is the purchasing price of the mark to the laborer in Germany.

Senator SIMMONS. If it is, it must be the purchasing price of a mark in Germany?

Senator SMOOT. Yes; but it is not the purchasing price of the mark outside of Germany, and they come here and get our gold for it.

Senator WATSON. Could a nation have two values for different purposes; that is to say, one value of 1.3 per cent for foreign purposes and another value of 4.6 per cent for domestic purposes?

Senator SMOOT. That is not involved in this. In other words, the manufacturer gets his gold dollar for all the goods he imports to this country, and that is on the basis of 1.3 cents for a mark. When he gets that gold dollar, he can go in Germany and purchase three times the amount of labor or commodities that the laborer uses in Germany, and therefore he has three times the advantage over a laboring man in this country that is paid in gold.

Senator SIMMONS. But when you are ascertaining what the wage scale in a certain line of industry is, you must consider primarily the purchasing power in the market in which he buys his supplies.

Senator SMOOT. As far as the laborer is concerned in that country, but not as far as the manufacturer is concerned, if he gets a depreciated currency in exchange for the goods sold.

Mr. ZOLLER. The fact is that the German to-day can sell $100 worth of goods in this country and take that $100 and buy much more labor to-day in Germany with it than he could in 1914.

Senator McCUMBER. And he can buy other commodities also, can he not?

Mr. ZOLLER. I think he can.

Senator McCUMBER. In exchange the German buying American money would give in marks 1.3. In buying goods in Germany, while he would not get his original 24 cents, he, however, could buy 4 cents' worth, or about three and a half times as much.

Senator SIMMONS. Again, these gentlemen, the appraisers, who are actually collecting the tariff taxes in New York, told this committee, as I remember, that on the same articles quoted from Germany we are collecting more tax now than we did before the war.

Mr. ZOLLER. A number of general statements have been made that I have read in the record that notwithstanding——

Senator SIMMONS. These were not general statements; these were facts taken from the official records in the city of New York and were verified by the receipts in the Treasury Department.

Mr. ZOLLER. Senator, you can not collect more duty at the same rate to-day than you did in 1914 on the same amount of importations. That can not be done under the present system so far as Germany is concerned.

Senator SIMMONS. It can be done if the importations are valued as much now or more than they were then.

Mr. ZOLLER. They can not be.

Senator SIMMONS. But they were for the purpose of imposing these taxes.

Mr. ZOLLER. Then I would have to take issue with those witnesses.

Senator SIMMONS. I recommend that you read the record of the hearings at which Mr. Fix and Mr. Davis and De Vries spoke.

Senator CURTIS. May not that be explained by the fact that the evidence has shown that they have two values over there, one an exporting value and one a home value?

That would explain the difference between what they are getting in Germany for their goods and what we have to pay for them.

Senator SIMMONS. What we are interested in in this connection is the valuation upon which duties are actually paid, and they said that valuation in 1921 was higher than it was before the war.

Senator McLEAN. That was on a very few articles.

Senator WATSON. They did not make that as a sweeping statement.

Senator SIMMONS. I think they said that was the rule.

Senator SMOOT. And even for those articles if they wanted to cut the price they could do so by selling the goods at the home market price, but as long as they can get the price out of America they are going to try to make America pay it. But if the competition were keen enough they would not sell the goods at higher than the home market price; they would sell them lower if necessary in order to have the exportation.

Senator SIMMONS. I am not making an argument. I am simply calling attention to that statement of the officials of the Government. I will make the argument later.

Mr. ZOLLER. It seems to me that an ad valorem duty imposed in 1914 upon a foreign value at a rate adequate at that time would constitute no protection to-day against German importation. If we continue the levying of ad valorem duties upon foreign values we

must, in order to get adequate protection against German importation, make the rates so high as to constitute practically an embargo against those countries whose currency has not been much depreciated.

The CHAIRMAN. What are you reading from, Mr. Zoller?

Mr. ZOLLER. I am reading from my own brief.

The CHAIRMAN. Is that printed and circulated?

Mr. ZOLLER. It is printed.

The CHAIRMAN. Has it been printed for circulation among members of the committee?

Mr. ZOLLER. Yes, sir.

The CHAIRMAN. Can you not leave copies with us and let us read them? Seriously speaking, Mr. Zoller, if every person takes as long as you threaten to take to-day, we will never get through this bill. What is the purpose—you are a lawyer of great experience and ability—in reading to the committee something that is in print and is going to be placed in their hands?

Mr. ZOLLER. If the chairman please, this is a very important matter. There are only 11 printed pages.

The CHAIRMAN. You have taken half an hour now.

Mr. ZOLLER. That is because of the interruptions.

The CHAIRMAN. You have been interrupted, I know. You are as much interested as we are in expediting this work. It is bad enough to listen to extemporaneous statements from the principal himself who is making the product, but when it comes to having an attorney—he may be a Daniel Webster—reading a printed brief that is to be placed in the hands of the committee, it is a matter that has to have a pretty good reason advanced for it.

Mr. ZOLLER. All right; I would just as soon speak extemporaneously.

The CHAIRMAN. I know you can speak either way very effectively.

Mr. ZOLLER. I was doing that to make it briefer; that is all.

The CHAIRMAN. Can you not leave your brief with the committee and let it go at that? I want to hear your views, and I shall read your brief very carefully.

Mr. ZOLLER. Then I shall proceed, if you wish, extemporaneously.

The CHAIRMAN. Proceed in either way you desire, and make it brief, and we will read your article also. I have known you favorably for many years, Mr. Zoller, and I do not want to exhibit any suspicion of curtailment, but please bear in mind the troubles of the committee.

Mr. ZOLLER. I shall endeavor to do that, Mr. Chairman. I have endeavored in this presentation to weigh before the committee the advantages and disadvantages, and I wanted to present that in my own way if I could, not that I am advancing entirely original ideas, because not many ideas to-day are original anyhow, but I think I am presenting the matter in another way that might be of some service to the committee.

Senator SMOOT. Can you tell me why this organization was formed?

Mr. ZOLLER. It was formed because they believed in protection to American industry and that the American-valuation plan was the only practical way to bring it about. They wanted to make a careful study of it and understand it and get it adopted if they could.

Senator SMOOT. I was informed some time ago by a member of the association that it was organized for the purpose of combating propaganda that had been started by the importers.

Mr. ZOLLER. Of course, that is the real reason. It is a defensive proposition to that extent.

I think one important point about the American valuation is this—and I think it is important from the standpoint of the opposition as well as from that of the other side—and that is if we put this duty upon American valuation, then the duty itself will not fluctuate with the fluctuation of foreign currency. I believe if we put an adequate duty to-day upon foreign valuation it might become entirely inadequate if foreign currency should depreciate more; but I believe, on the other hand, it might become prohibitive if foreign currency should recover. I believe that the American-valuation plan results in two distinct advantages to the consumer which could not be obtained under foreign valuation. One of those advantages is that we get more duty from the low price country without placing a corresponding burden upon the American consumer. What I mean by that is this: Under the American-valuation plan, an article imported from China, for example, would be subjected to the same duty as a similar article coming from England, whose costs of production are much higher.

This securing of additional revenue from China and other countries whose production costs are low, is secured without imposing a corresponding burden upon the American consumer. The sale of the article from England in this case establishes the price to the American consumer. Imposing more duty upon a similar article from China does not increase that price, but it does reduce the profit of the Chinese merchant and makes it more comparable to the profit of the English merchant. Any tax law that equitably produces more revenue without imposing a corresponding burden upon the consumer is almost an ideal tax law. The American-valuation plan, therefore, is of material benefit to the consumer from this standpoint.

Another benefit which I see to the consumer under this law is that it will have a tendency to reduce retail prices by educating the American people as to wholesale prices and they will then have some conception as to what the retail prices ought to be.

Under this plan we can treat all foreign countries alike by imposing the same duty upon the same article regardless of the country from which it comes.

Above all, the American-valuation plan, I believe, would prevent, to a very great extent, undervaluation, and make it possible for the Government to collect substantially all the duty prescribed by law.

I say "to a very great extent." I think there will be some undervaluation, even under the American plan, but I think it will be negligible compared with the undervaluation that we have under the present plan.

I have in this brief an argument from an English economist in regard to undervaluation as taking place to-day. I quoted from him because I thought he might be unbiased, being an outsider looking on.

It has been my experience in taxation that whenever an ad valorem tax is imposed upon the value of property, whether it be a duty or some other tax, there is always a tendency toward undervaluation. I think this is evident time and again in the imposition of ad valorem taxes upon property by the different States.

The CHAIRMAN. Do not argue that.

Mr. ZOLLER. Then, I would like to take up the disadvantages. I think the great disadvantage that has been argued is that the American-valuation plan itself results in imposing more duty upon imported articles than would be the case if the duty were imposed upon foreign value. That, of course, we know is not the case. My understanding of the American-valuation plan is that the committee will first determine how much duty ought to be imposed against a certain foreign article and then fix the rate high or low enough to get that particular amount of duty, whether it is fixed upon the American or foreign valuation.

Another argument has been that the American-valuation plan will be difficult to determine. It is our view that it would not be so difficult to determine as the foreign value if we actually got the foreign value; and, while we admit that it might cost more to administer and determine the American value, we believe that it will be worth all it costs.

Another argument—and I want to be brief about this point—is that the importer will not know with any degree of accuracy the amount of duty until after the duty is paid.

In the first place, I think that any experienced business man, whether he be a manufacturer or a wholesaler, knows two things—the cost of his product and what he is going to get for it. But be that as it may, it seems to me that if you impose this duty upon foreign value to-day there is going to be grave uncertainty as to the amount of protection afforded under it, and the uncertainty of the importer in isolated cases will be negligible compared with the uncertainty as to the protection that we will get if this duty is imposed on foreign value instead of American value.

I want to argue one other point that has been urged against it. I believe it has been urged that the American valuation would permit the American producer to increase the duty by increasing the wholesale price here. That proposition has been stated in another way, that it would permit the American producer to actually write the rates in the bill. No one has ever suggested to our knowledge as an objection that under our present law the foreigner might reduce the duty against his American competitor by reducing the price upon which the duty was assessed, and therefore the foreigner instead of Congress actually write the rates in the tariff bill. And yet the foreigner is in a much better position to write the rates (if that is what it amounts to) under the present law than the American producer would ever be under the American-valuation plan. If the foreigner can in any way, under our present law, justify a lower valuation, or if he can get the duty imposed upon a lower valuation without justification, the result is directly beneficial to the foreign importer, because it reduces his duty and increases his profit.

If the American producer, on the other hand, attempts to raise the duty by increasing the selling price, thereby writing the rates of duty in the law—if that is what it amounts to—under the American-valuation plan, the result is directly disadvantageous to the American producer, because the rate of duty being always less than 100 per cent, he, by his own act, puts himself in a position to be at once undersold by his foreign competitor.

Now, the foregoing are the advantages and disadvantages. I have not gone into them to as great an extent as I might have done but

I have tried to be brief, and our conclusion is that while there are disadvantages, we think that the advantages far outweigh the disadvantages, and we believe with the Secretary of Commerce that if we are going to get adequate protection without having prohibitive duties against countries other than Germany, the American-valuation plan is the only alternative.

**BRIEF OF J. F. ZOLLER, REPRESENTING AMERICAN VALUATION ASSOCIATION.**

Mr. Chairman and gentlemen of the committee, I represent the American Valuation Association. This association is composed of manufacturers or manufacturing associations. I have a list of the membership to date, which I will file if the committee so desires.

We come here to say to this committee, not only that we are in favor of the American-valuation plan, but that we feel there is little hope, under present conditions, of industry securing adequate protection against all foreign countries unless the plan is adopted. In other words, we agree with Secretary Hoover "that with the unstable currency and exchange situation that we have in a large part of Europe to-day there is practically no other alternative."

DEPRECIATION OF FOREIGN CURRENCY.

In studying this matter we have prepared some figures showing the value of currency of Great Britain, France, Germany, and Japan both before the World War and at present. The table comprising these figures is herewith submitted:

| Country. | Money unit. | Value in United States money, July 1, 1914. | Value in United States money, July 1, 1921. |
|---|---|---|---|
| Great Britain | Pound sterling | $4.88 | $3.73 |
| France | Franc | .194 | .08 |
| Germany | Mark | .238 | .013 |
| Japan | Yen | .501 | .481 |

It shows among other things that on July 1, 1914, the German mark was worth in United States money $0.238, but on July 1, 1921, the same German mark was worth in United States money only $0.013; that in 1914 an ad valorem duty of 33⅓ per cent imposed upon the foreign value of a German article costing 150 marks would amount to $11.90, but to-day, due to depreciation of the German mark, the duty at the same rate would amount to much less than that.

In 1914 skilled laborers in Germany received about 8.7 marks per day, equivalent at that time to about $2.09. In January, 1920 (I have not the figures for 1921) such skilled laborers received the equivalent of 73 cents per day, which amount if converted into marks at the rate of exchange prevailing on July 1, 1921, would mean about 56 marks per day. Other things being equal, it follows that an article costing 150 marks in 1914 would cost about 7 times that amount, or 1,050 marks, in 1921. One thousand and fifty marks in 1921 would be quivalent to about $13.65. An ad valorem duty on this amount at 33⅓ per cent would amount to only $4.55 as against $11.90, the duty that would be collected at the same rate in 1914. But there is another important factor in the situation. Wages in Germany, measured in terms of United States money, have gone down materially since 1914. In 1914 skilled laborers in Germany received the equivalent of $2.09 per day. In January, 1920, they received the equivalent of only about 73 cents per day, notwithstanding the fact that they received a much greater number of marks per day. In the United States, on the other hand, wages have materially advanced during the same period. This is shown by the following table:

| Employment. | 1914 | 1920 |
|---|---|---|
| Bricklayers, per day | $5.59 | $9.60 |
| Laborers, do | 2.50 | 5.58 |
| Carpenters, do | 4.33 | 8.27 |
| Painters, do | 4.16 | 8.33 |
| Plasterers, do | 5.44 | 9.22 |

NOTE.—The figures used herein as regards wages here and in Germany are taken from pages 9, 22, and 74 of bulletin entitled "Wages," prepared for Ways and Means Committee of the House, dated 1921.

The ad valorem duty, therefore, instead of being made less than it was in 1914, as it certainly would be if imposed upon the foreign value to-day at any reasonable rate, should be made more because of the difference in labor costs between this country and Germany to-day as compared with 1914.

FOREIGN VALUE—EMBARGO.

From the foregoing it seems obvious that an ad valorem duty imposed in 1914 upon foreign value at a rate entirely adequate at that time would constitute practically no protection at all to-day against German importations.

If we continue the levying of ad valorem duties upon foreign value, we must, in order to get adequate protection against German importations, make the rate so high as to constitute practically an embargo against those countries whose currency has not been much depreciated. In any event protection against Germany to-day under our present system probably means a prohibitive duty against many of the other foreign countries.

AMERICAN-VALUATION PLAN.

If we can not impose ad valorem duties to-day as a practical matter upon foreign value and must impose ad valorem duties, then it would seem that the only alternative is to impose such duties upon the American value instead of the foreign value.

ADVANTAGES OF THE AMERICAN-VALUATION PLAN.

The American valuation plan has the following advantages:

1. If our ad valorem rates are applied upon the American value the duty will not fluctuate because of the fluctuation of foreign currency. This is very important, because if we should impose to-day an adequate ad valorem duty based upon foreign value, such duty automatically might become inadequate, due to further depreciation in the foreign currency, or it automatically might become prohibitive should the foreign currency recover.

2. The American-valuation plan would result in two distinct advantages to the American consumer, which advantages could not be attained if our ad valorem duties were imposed upon foreign value.

(*a*) It is a means of securing more revenue from those countries whose costs of production are low than would be secured if the duty were imposed upon foreign value. Under the American-valuation plan, an article imported from China, for example, would be subjected to the same duty as a similar article coming from England, whose costs of production are much higher. This securing of additional revenue from China and other countries whose production costs are low, is secured without imposing a corresponding burden upon the American consumer. The sale of the article from England in this case establishes the price to the American consumer. Imposing more duty upon a similar article from China does not increase that price, but it does reduce the profit of the Chinese merchant and makes it more comparable to the profit of the English merchant. Any tax law that equitably produces more revenue without imposing a corresponding burden upon the consumer is almost an ideal tax law. The American-valuation plan, therefore, is of material benefit to the consumer from this standpoint.

(*b*) The American-valuation plan tends to lower retail prices. At this time I think we will all agree that retail prices are high compared with wholesale prices, the prices of manufacturers and prices of raw materials. By imposing our ad valorem duties upon the American wholesale value we educate the American people as to wholesale values. If the people know the wholesale value they will have some conception of what the retail price ought to be. This will have a tendency to adjust retail prices to the benefit of the American consumer.

3. This plan will make it possible to treat all foreign countries alike by imposing the same duty upon the same article regardless of the country from which it comes. As it is now we discriminate against those countries having the higher production costs in favor of those countries having the lower production costs, so that to-day we discourage the establishment or maintenance of better living conditions abroad.

4. American valuation will prevent, to a very great extent, undervaluation and make it possible for the Government to collect substantially all the duty prescribed by law. There has been much controversy in regard to the extent of this undervaluation. In this connection, I ask permission to quote briefly from a book entitled "Tariff at Work," written by an English economist by the name of Higinson. He says:

"No importation of any merchandise exceeding $100 in value is admitted to entry without the production of a duly certified invoice. Such invoices must, before ship-

ment of the goods, have been produced to the consular officer of the United States in the country from which the goods were shipped and indorsed with the declaration of the producer, manufacturer, owner, or agent, setting forth that the invoice is in all respects correct and true and giving the precise details as to the terms under which the goods are supplied and shipped. On arrival of the goods in the United States the declaration attached to the invoice must be made by the consignee, importer, or agent, or in certain cases by the manufacturers or owner. It will be seen that the regulations are so framed as to close every loophole of escape from the correct entry of the goods, yet on the part of those whose judgment is so valuable, a pronounced pessimism is prevalent as to the real effect of this safeguard. There is some suspicion that many of the invoices are either willfully fraudulent, or are posted by partners or clerks not sufficiently acquainted with the valuation of the goods. It is alleged indeed that many manufacturing firms and mercantile houses in Europe have junior partners who are purposely kept ignorant of the real facts with regard to the goods exported to the United States, so that they may testify on the invoices to the best of their knowledge and belief.

"With reference to the consular check on the invoice, it is regarded by high officials as a mere nominal one, in which the consul himself is deeply interested from the point of view of his own fee, making it of little or no value from the revenue standpoint."

Whenever an ad valorem tax is imposed upon the value of property, whether it be a duty or some other tax, there is always a tendency toward undervaluation. This is evidenced time and again in the imposition of ad valorem taxes upon property by the different States. As a result of this tendency toward undervaluation many States have practically abandoned any attempt to impose ad valorem taxes upon property other than real estate. This undervaluation can only be prevented by the assessing officer having absolute knowledge as to values. It seems obvious without argument that an assessing officer or appraiser of this country could be expected to have a better knowledge of values in this country where he resides than he could of values in a country where he had never been. It also seems obvious that he would have better and surer means of securing that knowledge here than he would abroad. We must remember in this connection that the people here are in sympathy with the enforcement of our laws; that we have jurisdiction to compel our own people to give testimony and furnish evidence needed for the enforcement of our laws. Abroad, on the other hand, the people are not necessarily in sympathy with the enforcement of our laws, especially our tariff laws, because such enforcement is detrimental to their interests. It would be to their advantage if our tariff laws broke down and were not enforced at all. More than this, we have no jurisdiction to compel these foreign peoples to give testimony and furnish evidence to enable us to enforce our laws against them.

5. Lastly, the American-valuation plan would make it unnecessary for this Government to carry on foreign inquisitions in an attempt to secure foreign values, inquiring abroad into the private affairs of citizens of foreign countries, much to their disgust and displeasure. Foreign countries resent these inquisitions and they have resulted in the past in no small amount of irritation upon the part of countries otherwise friendly toward us.

### DISADVANTAGES URGED.

The foregoing are some of the advantages of the American-valuation plan over the foreign-valuation plan. We now desire to consider with you some of the disadvantages that have been urged against American valuation.

1. It has been contended, or at least intimated, by many people in the press and elsewhere that the American-valuation plan necessarily results in imposing more duty upon imported articles than would be the case if the duty were imposed upon foreign value. Some of the critics of the schedules in the pending bill have stated that the duty has been increased merely on account of the substitution of American value for foreign value. This reasoning is fallacious and misleading so far as the unsophisticated are concerned. These critics should address themselves to the rates and not to the base upon which these rates are applied and be made to understand that the same duty could be imposed upon the foreign value provided that could be ascertained with any degree of certainty under present conditions. And in order that the public may not be misled, it should be clearly stated that American valuation in itself does not mean more duty or less duty than we had before.

2. It has been suggested that the American value would be difficult to determine. It is our view that this value would not be so difficult to determine as the true foreign value if we actually got the true foreign value in all cases. If it costs more to administer our tariff law under the American-valuation plan than it does under the present make-shift plan which does not secure the true foreign value, it is our opinion that the proposed substitute will be worth much more to this country than it can possibly cost to administer it.

One Government expert, if we understand his testimony correctly, after emphasizing the difficulties in putting this plan in force, suggested as a substitute for it, a fictitious foreign value. This fictitious foreign value was to be determined by making certain deductions, some arbitrary and some not, from this same identical American value. This suggestion would seem to be an admission upon the part of this Government expert that the American value could be obtained at least for the purpose of determining his suggested fictitious foreign value. If it could be obtained for that purpose, it certainly could be obtained for the purposes of the pending bill. Therefore, we do not look upon this witness as one who believes it impracticable to attempt to ascertain the American value. It is our view that if this bill be enacted into law our Government officials without great difficulty will be able to adjust themselves to the changed conditions and will soon become much more familiar with American values than they have ever been with true foreign values.

3. It has been urged that if the ad valorem rates be applied upon the American value, the importer will be unable to determine with certainty in advance of payment of the duty the amount thereof. Is it not a fact that any experienced business man, be he a manufacturer or a wholesaler, knows at least two things to almost a certainty, namely: (*a*) The cost of his product, and (*b*) the selling price? He would not remain in business long if he did not know these things. If we impose this duty upon foreign value to-day there is bound to be grave uncertainty as to the amount of protection afforded American industry. So if we admit that there might be some uncertainty as to the exact amount of duty collectable in isolated cases, we submit that that uncertainty is negligible as compared to the uncertainty that would result if these duties are not imposed upon a permanent and substantial base.

4. Lastly, it has been urged that the American-valuation plan would result in permitting the American producer to increase the duty against his foreign competitor by increasing the wholesale selling price here. This proposition has been stated another way by saying that this plan would permit the American producer instead of Congress to write the tariff rates. This we think a novel objection. No one ever suggested, to our knowledge, as an objection that under our present law the foreigner might reduce the duty against his American competitor by reducing the price upon which the duty was assessed, and therefore the foreigner instead of Congress actually writes the rates in the tariff bill. And yet the foreigner is in a much better position to write the rates (if that is what it amounts to) under the present law, than the American producer would ever be under the American-valuation plan. If the foreigner can in any way, under our present law, justify a lower valuation, or if he can get the duty imposed upon a lower valuation without justification, the result is directly beneficial to the foreign importer, because it reduces his duty and increases his profit. If the American producer, on the other hand, attempts to raise the duty by increasing the selling price, thereby writing the rates of duty in the law (if that is what it amounts to) under the American-valuation plan, the result is directly disadvantageous to the American producer, because the rate of duty being always less than 100 per cent, he, by his own act, puts himself in a position to be at once undersold by his foreign competitor.

We have endeavored to weigh before you the advantages and disadvantages of the American valuation plan. We believe that there must be disadvantages, because there always are, but it is our sincere belief that the advantages far outweigh the disadvantages. If we are to have adequate protection for our industries and are to be put in a position in this country to maintain the usual standards of living for our American workers, without the imposition of prohibitive duties against some countries other than Germany, it seems to us, as it does to the honorable Secretary of Commerce, that the American valuation plan is the only alternative.

The CHAIRMAN. The committee will now hear Mr. Charles A. Bihler, of New York, representing the Allied Lace and Embroidery Manufacturers' Association.

## STATEMENT OF CHARLES A. BIHLER, REPRESENTING THE ALLIED LACE AND EMBROIDERY MANUFACTURERS' ASSOCIATION OF NEW YORK.

The CHAIRMAN. Where do you reside, Mr. Bihler?
Mr. BIHLER. I reside in New York City, 51 Manhattan Avenue.
The CHAIRMAN. What is your occupation?
Mr. BIHLER. I am a manufacturer of laces and embroideries.
The CHAIRMAN. Where is your manufacturing concern?

Mr. BIHLER. In West New York, New Jersey.

The CHAIRMAN. Are you an importer also?

Mr. BIHLER. I am not an importer; no, sir.

The CHAIRMAN. Will you proceed now?

Mr. BIHLER. I also represent the Allied Lace and Embroidery Manufacturers' Association of New York, the United States Lace and Embroidery Manufacturers' Association of West New York, N. J., and I have also been authorized to address my remarks to the committee on behalf of the Millinery Braid Manufacturers' Association, the National Knitted Outerwear Association, and the Braid Manufacturers' Association of the United States, although I am not a member of the last three associations.

Senator WALSH. I think it would be well, Mr. Chairman, for witnesses who deal with several items in the schedule to immediately call our attention to the section in the House bill which they are discussing.

Senator WATSON. They are discussing the American valuation only.

Mr. BIHLER. I particularly refer in my remarks to the commodity that I manufacture. We urge the adoption of the American valuation because in the central European countries we have such chaotic condition in exchange rates that we believe we can not overcome them in any other way.

We find that to-day—and I will substantiate my statement by submitting samples afterwards—the prices in Germany on the commodities that I personally manufacture, are on the average about 30 per cent lower, measured in dollars, not in marks, than they were previous to the war. The labor costs over there in our particular line are about five to six times as much in marks as they were before the war, but the value of the mark is so low to-day that we are absolutely unable to compete; and I do not believe any such rate could be ascertained that would protect us or give us a chance to manufacture against the German or any of the central European countries that have low exchange rates, without cutting out other countries that have not such a depreciated currency.

Senator WATSON. Are those articles being imported from Germany now?

Mr. BIHLER. They are.

Senator WATSON. Are your factories closed?

Mr. BIHLER. We are about 15 per cent busy. That is about the average running force of the factories of this country in my commodity.

Senator WATSON. Do you attribute that to imports from Germany or to the general industrial condition in the United States?

Mr. BIHLER. I attribute it to both but largely to the low prices of goods from Germany.

The CHAIRMAN. Do the factories that are open run overtime?

Mr. BIHLER. No, sir.

The CHAIRMAN. What percentage of their capacity are they running?

Mr. BIHLER. I hardly think they exceed 20 per cent.

The CHAIRMAN. Have wages been reduced?

Mr. BIHLER. In this country?

The CHAIRMAN. Yes.

Mr. BIHLER. Not very much. We have not been able to reduce wages very much inasmuch as rent conditions are not going down.

Senator MCLEAN. Do they not work a certain number of days in a week, and does not that result in a reduction of wages?

Mr. BIHLER. It does in a measure, but we pay proportionately more per hour than we did before.

Senator MCLEAN. But you attain your object by running a few days in a week?

Mr. BIHLER. Yes, sir; somewhat. That does not, however, reduce our cost.

Senator MCLEAN. It is a reduction to the employee?

Senator SMOOT. But not a reduction in the value of the goods.

Mr. BIHLER. It does not reduce our cost. Our overhead charges remain the same. The cost of labor is a little reduced.

Senator MCCUMBER. If your overhead charges are the same and your labor is the same per hour, then, as a matter of fact, it must cost you more on the quantity you produce than you paid before.

Mr. BIHLER. Yes; on the smaller production it costs us more.

The CHAIRMAN. Is there any considerable amount of importation of these fabrics into this country now?

Mr. BIHLER. Yes; I have seen reports in trade papers that tremendous orders are being placed in Plauen, Germany.

The CHAIRMAN. But they have not got here yet? You just heard that orders are being placed?

Mr. BIHLER. I know they have been placed.

The CHAIRMAN. But there have not been any importations?

Mr. BIHLER. Yes; from Germany principally.

Senator LA FOLLETTE. How long have they been coming in.

Mr. BIHLER. They have been coming in for a year and a half now, but now they appear to come in in such a measure that we will not be able to sell against them.

Senator WATSON. What is the present tariff on those fabrics?

Mr. BIHLER. Sixty per cent and the proposed rate in the House bill to-day is 37½ per cent. On what they term burned out laces, they made a rate of 45 per cent. Forty-five per cent figured back on the American valuation is about 82 and a fraction.

Senator WATSON. That is to say, if you did not have American valuation in order to protect your product, it would require 82½ per cent?

Mr. BIHLER. It would make that rate about 82½. If you consider that the importer probably adds 25 per cent for overhead cost, it would bring it up to about 93 per cent, but if you consider that the German commodity sells on the average about 30 per cent cheaper now than before the war—I am speaking of averages and not exceptions as have been submitted to this committee by some representatives of importers.

Senator SIMMONS. In fixing the rate on your goods we do not have to go by averages. It seems to me we have to go by the facts in those specific cases. We are not fixing an average duty; we are fixing a specific duty upon specific articles. You are here asking us to fix a specific duty upon your articles. We want to know the facts about the articles. I want to ask you this: To your knowledge have any of the articles that you produce and sell been recently imported into this country and sold in competition?

Mr. BIHLER. Yes, sir.

Senator SIMMONS. Do you know what those articles were invoiced at and upon what value they paid duty?

Mr. BIHLER. I do. I meant to reserve those for the argument on the tariff later.

Senator SIMMONS. That is a matter which is worth something to us. If you can give us those facts we would like to have them. What quantity of those things that you produce have been imported by Germany within a given time, in recent months, and what was the invoice price upon which they paid duty at the customhouse in this country, if you can give us those facts?

Mr. BIHLER. I can not submit it to you to-day, as I meant to reserve it for the argument on the proper paragraph of the bill. If you wish me to I will submit it with a brief.

Senator SIMMONS. I think it would be well to submit it.

Mr. BIHLER. I will, Senator.

The CHAIRMAN. He is only discussing valuation, to-day, Senator Simmons. He wants to reserve these other arguments when he addresses the committee on the duty.

Senator SIMMONS. That is what I am talking about; the valuation of these goods to-day at the customhouse in this country.

Mr. BIHLER. In comparison with the prewar conditions?

Senator SIMMONS. I do not care anything about comparisons.

Mr. BIHLER. You mean the home selling costs, or costs of production?

Senator SIMMONS. No; I want to know what is the invoice price of the goods that you manufacture when you have imported goods into this country from Germany in recent months.

Mr. BIHLER. Yes, sir. I have here a few instances where you can see the difference between the present time and the prewar time.

Senator SIMMONS. I can not look at it now. I am really too ill this morning to be asking questions. I am suffering from a bad cold.

Mr. BIHLER. These are the principal reasons why we are asking for American valuation, and particularly because the German price is not really a true selling price. They are subsidizing the industries and labor over there through selling food products at less than what they buy them for, through their Government. They are collecting less in freight rates than what it cost them to transport commodities, and the Government is footing the bill. So that the true value of those commodities would be entirely different from what is now given; and you can not, by basing a duty upon the foreign value, arrive at a correct collection of your duty as you mean to impose it in your law.

Another thing I want to state here is that we have in our line in particular (embroidery) for the past 20 or more years been allowing the importer, who is almost invariably a manufacturer in foreign countries, particularly in Switzerland, to bring his goods in here on a consignment basis, the price of which to us is built up upon a promulgated cost of production, which was calculated or prescribed by a special Treasury agent, mostly of foreign birth. It is admitted that these importation values were, as a rule, from 10 all the way to 40 per cent below selling value at which they were willing to sell those goods over in Switzerland.

I have seen some figures submitted to this committee by some customhouse expert or employee stating that the prices on cotton embroideries manufacutred in America and sold in America and similar goods or like goods imported from Europe were almost alike. I do not know where he got his information, but I know, as a matter of fact, that when you come to embroideries, the domestic product is in spite of a 60 per cent rate, being sold to the consumer at an average of 30 to 40 per cent based upon the foreign valuation.

That means, in other words, that the foreign manufacturer would have to have a rate of between 30 and 40 per cent in order to compete with the American manufacturer on that class of embroideries.

And here is one particular instance where the American valuation reduces the price to the consumer. Of course, you do cut down the exorbitant and excessive profits that the importers to-day are collecting on these commodities.

Another reason for asking the American valuation is the tremendous difference in the labor cost that we have here as against the cost abroad. For instance, if you take the expert or skilled worker in Germany who, before the war, got 45 marks a week, to-day he is getting from 200 to 220 marks a week. That is about five times prewar price. You figure the 220 marks at 1.3 cents and you have $2.86.

The same labor costs us $45 in this country, and our time is eight hours a day, and over there they are very often, or in many instances, working 10 hours a day. So it goes all the way down the scale of the help necessary to produce this article.

I will later on, as Senator Simmons suggested, submit these figures with my brief.

Senator SIMMONS. Will you do this in addition to that? I assume that there are some other countries exporting the same thing to this country. What other country or countries? Does Great Britain export any of that product here?

Mr. BIHLER. I am particularly addressing myself to the committee on behalf of the commodity which we manufacture; that is, embroidery and embroidered lace.

Senator SIMMONS. Do we import that from anywhere except Germany?

Mr. BIHLER. We do import it from Switzerland as well, but we have never received any more than about 25 per cent of embroidered lace from Switzerland.

Senator SIMMONS. You do not import any from Great Britain?

Mr. BIHLER. Practically none.

Senator SIMMONS. When you furnish the statement that I asked you about a little while ago will you not also ascertain what this embroidery that you make is invoiced at when it comes from Switzerland?

Mr. BIHLER. Yes, sir.

Senator SIMMONS. As well as when it comes from Germany?

Mr. BIHLER. Yes, sir.

Senator SIMMONS. And if you find that it is coming in from any other country, show what it is invoiced at when it comes from that country.

Mr. BIHLER. We get some from Switzerland and some from France, but the principal importations are from Switzerland. We probably

get 75 per cent from Switzerland. In the embroidered lace it is reversed. We used to get, before the war, about 75 per cent of the embroidered lace from Germany and about 25 per cent from the rest of the countries, principally Switzerland.

Senator McCUMBER. Great Britain manufactures a great deal of embroidery. Why is it that she does not export any to the United States?

Mr. BIHLER. Their labor cost is too high as compared with that of the European countries and they can not compete.

Senator McCUMBER. In other words, in using the foreign valuation as the basis for our tariffs we have penalized those whose labor conditions more nearly approach those of the United States and have made our tariff so high that it is prohibitive?

Mr. BIHLER. Practically so. They can not operate as against the low-priced countries.

That is about all I can say on the subject. If you wish me to submit this brief before I come to the argument on the tariff, I will do so. Otherwise, I will submit it at the time I make my argument.

The CHAIRMAN. You would prefer to hold it, would you?

Mr. BIHLER. Not necessarily.

The CHAIRMAN. It will come in properly later on?

Mr. BIHLER. It will come in properly later on.

The CHAIRMAN. You may hold it until then.

Mr. BIHLER. Thank you, sir.

The CHAIRMAN. The committee will now hear Mr. William P. Clarke, of Boston, Mass., who has expressed a desire to submit his views to the committee.

**STATEMENT OF WILLIAM P. CLARKE, INTERNATIONAL PRESIDENT AMERICAN FLINT GLASS WORKERS' UNION, TOLEDO, OHIO.**

The CHAIRMAN. Mr. Clarke, whom do you represent?

Mr. CLARKE. I, Mr. Chairman, am the international president of the American Flint Glass Workers' Union, with headquarters in Toledo, rather than in Boston, as stated in the program.

The CHAIRMAN. You are put down as from Boston. I assume your letterhead or address was Boston when the schedule was made up. You reside in Toledo?

Mr. CLARKE. Toledo, Ohio; yes, sir.

The CHAIRMAN. That is the headquarters of your union, is it?

Mr. CLARKE. Yes, sir.

Senator SIMMONS. Mr. Chairman, I understood that there was something in the nature of a limitation upon these hearings upon American valuation?

The CHAIRMAN. It is hoped that we may get through to-day and to-morrow. I think it can be done.

Senator SIMMONS. In view of that fact, I want to suggest that in fairness to both views on this question the time ought to be divided between those who are here to speak against it and those who are here to speak in favor of it. If you call those who are here to speak for it, and close the hearings to-morrow night, there may be no opportunity for those who wish to speak against it to be heard.

The CHAIRMAN. Senator, I think with a little moderation upon the part of the members of the committee in asking questions and of

the witnesses in not being unduly prolix and reading from documents which are available, anyhow, we can get through very easily to-morrow.

Senator SIMMONS. I do not think the chairman can complain of the questions asked by the members of the committee this morning.

The CHAIRMAN. I do not complain of anything; I simply state that if we follow that course we can complete the hearings.

Senator SIMMONS. I do not know. There may be nobody here to speak against this proposition. It may be that manufacturers are here, and they generally, I assume, are for it, because I think it increases somewhat the protection they would otherwise get. But if there is anybody here against it I think they ought to have an opportunity to be heard within the two days.

The CHAIRMAN. I have a list here which you can see on the program, and I think they are all in favor of the American valuation. If there is any one whom the Senator desires to have invited here he can do it.

Senator WALSH. Mr. Chairman, I think the argument made here by so many of the witnesses, that the American valuation plan will increase the protection and make the rate of protection higher than that in this schedule, is so apparent that it ought not to be reiterated and reiterated by all these witnesses.

The CHAIRMAN. That is the trouble. The witnesses go over the same ground that was gone over last week.

Senator WALSH. We all know that it means more protection than that named in the rate.

Senator SMOOT. Providing the ad valorem rate is the same.

The CHAIRMAN. Now, Mr. Clarke, will you proceed? You are a glassworker yourself, originally?

Mr. CLARKE. Yes, sir.

The CHAIRMAN. All right; proceed.

Mr. CLARKE. Mr. Chairman and gentlemen, I have been following the glass trade since I was less than 10 years of age. I have been an officer of our organization for more than 18 years. I am now the international president, and I come here of my own volition to speak to you in behalf of our workers.

In those 18 years of experience I have found it necessary to counsel our men to decrease wages and increase their labor in order that they might get an opportunity to work at their trade. We have had to increase our production 100 per cent in some instances and decrease wages at the same time in order that our men would have an opportunity to work at the trade they have acquired.

During the war we were able to produce in this country a class of glassware that had not been produced here in the years previous, due, primarily, to the foreign product being deprived of an entry here. We have built up an industry, especially in the chemical branch, that is now standing practically idle because of the ruinous competition that is at least threatened from abroad.

Realizing the seriousness of this, our convention authorized me to make an investigation personally, and between the 17th day of October and the 13th day of March last I investigated the flint-glass industry in 12 foreign countries. I come here to-day, gentlemen, to say to you, in substance, that unless we at least get the American-

valuation plan, or even something better, there is no chance for the manufacturer engaged in the flint-glass industry of America and the workmen that he employs competing with the product of the men of Germany and Czechoslovakia, in particular, and perhaps Belgium.

I do not wish to tire you, but I would like to submit for the record a copy of a letter that I sent to Chairman Fordney, of the Ways and Means Committee. In his reply to that letter he inferred that under the American-valuation plan, on some articles, we would get as much as 160 per cent duty. But I know that 160 per cent duty will not protect us against Germany and Czechoslovakia, and I realize the significance of that statement.

(The letter referred to is as follows:)

SANDUSKY, OHIO, *July 15, 1921.*

HON. JOSEPH W. FORDNEY,
*Chairman of the Ways and Means Committee,*
*House of Representatives, Washington, D. C.*

MY DEAR MR. FORDNEY: I am in receipt of your communication of the 11th, which is in continuation of the correspondence that has passed between us on the subject of protection to American workmen and American industries, and as I read your definition of the American valuation plan as proposed by your committee, and which is now before the House of Congress for disposition, I can not help but say to you that in the judgment of the American Flint Glass Workers' Union it does not give the protection that is absolutely necessary to the flint-glass industry, and we say this for the following reasons:

1. This Government does not owe every man a living, but the representatives of this Government have a moral obligation making it mandatory on them to exercise every honorable effort to the end that all our citizens will be accorded an opportunity to obtain employment, so that they may honestly and faithfully provide a decent living for themselves and those depending upon them, but if the proposed tariff bill is enacted into law in its present form, then that part of the citizenship of the United States that depends upon the flint-glass industry for a livelihood will be thrown into idleness, and flint glassware will be supplied to our markets by the manufacturers and workers of Czechoslovakia, Germany, and Belgium.

2. After our country became involved in the World War, the opportunity to secure chemical and similar glassware, which had been previously imported from Europe, was destroyed, and it was then that the representatives of our Nation called upon the officers and representatives of the American Flint Glass Workers' Union and the manufacturers engaged in the flint-glass industry to so arrange their affairs that this class of goods, which was absolutely essential for the furtherance of our interests in scientific research, the making of ammunition and the one thousand and one other scientific experiments that were necessary, which ultimately meant the winning of the war, to come to the assistance of the Government in its dire distress, to the end that these goods could be produced in America. We were then assured that if these additional sacrifices were made that at the termination of the war the money and the energy expended would be guarded and protected, but if the present tariff bill is enacted in its present form, that promise will not be made good and we will find ourselves in a worse position than we were previous to the war, when practically all this class of ware was produced in Europe and imported to America.

3. We did not only agree to support the Government in this respect but we likewise sent 17 per cent of the flower of the manhood of our organization to foreign shores to further the interest of these United States in that terrible conflict. Those men spilled their blood on the battle fields of Europe, where it was dried by the sun and washed by the rains, and their bones bleached by the elements of time, and now are their fellowcraftsmen going to be required to reduce their wages, increase their hours of labor, and still be denied the right of an opportunity to produce the glassware that is to be used in America, and this product which should be produced by American workmen imported from abroad?

4. There is no man in or out of Congress who can successfully contend that the average yearly income of the members of the American Flint Glass Workers' Union has reached a figure that justifies a decrease in their average earnings, for be it under-

stood that their average earnings have not exceeded $1,751 per annum, and it has never reached this amount in the 43 years of our existence save once, and we can not consider this amount a living wage when the statistics presented by our Cabinet officials provide that the average family composed of father, mother, and three children should have an annual income in excess of $2,000.

5. Perhaps some of our Democratic brethren will contend that there has been an exorbitant profit made in this industry, and if they do, then the representatives of the American Flint Glass Workers' Union in convention assembled in Sandusky, Ohio, to-day declare that it is the obligated duty of the Democrats as well as the Republicans to insist upon a thorough investigation being made as to the profits that have been acquired by the employers in this industry, and if the crime of profiteering has been practiced on the American people, then make these facts known to all the people, and in that way give to the workers the opportunity of showing where they have been deprived of a fair return for their labor, which return is not sufficient to support an American family and accord them the things that the members of our present Cabinet contend they are entitled to. However, it is the opinion of the workmen in this industry that exorbitant profits have not been made, yet in order to allay distrust we beseech you to propose an investigation into this phase of the subject.

6. The men employed in the flint-glass industry are skilled workmen; in fact, they are artists. It requires years to acquire this art and we challenge successful contradiction to the statement that those artists have not received a living wage; they have not retarded production, but, on the contrary, we are prepared to prove that between the years 1916 and 1920 in place of decreasing production we increased our production better than 12 per cent, and this statement will stand the most through investigation that any committee representing the House of Congress may see fit to make. And if this be true, then what justification can the House of Congress present for the enactment of a law that will fail to give to us that protection that was promised and which is absolutely necessary in order that the members of our organization will have an opportunity to follow their calling?

7. The subject of imported glassware to America has resulted in a hardship being practiced upon the American workmen, and it is high time that the fallacy of the policy pursued should be exposed. The glassware that has been used to ornament our Capitol in Washington and to decorate and used for service in the White House and used on our ships that ply the oceans was, until very recently, imported from abroad, when we have the very best skilled workmen that can be found the world over in the United States of America, and this is not the first time that this phase of the subject has been brought to the attention of the committee over which you have the honor to preside. This subject has been of such importance in the years gone by that on three different occasions we found it necessary to make an investigation of conditions abroad, and a recent investigation was made by the writer of this communication, and I now declare that the present proposed legislation will not give protection to our industry against the product of the manufacturers and workers engaged in the flint-glass industry of Germany, Czechoslovakia, and perhaps Belgium, for be it remembered that the value of the money of these Governments is so low that under your plan the people of Czechoslovakia and Germany can place their glassware on our shores for a price approximating only 50 per cent of the wholesale price of similar articles produced in America, thereby depriving both manufacturers and workers engaged in this industry of an opportunity to compete with them.

8. While in England, Belgium, Germany and Czechoslovakia during the months of November, December and January last, I was advised by manufacturers and importers that even though we increased our tariff rate 100 per cent, foreigners could place their product in these United States at a lower cost than we could manufacture similar ware, and if this be permitted to the degree contemplated, it will demonstrate that our representatives in Congress either do not wish or else lack the ability to meet this grave problem.

This subject is of such tremendous importance that I have hurriedly drafted this communication, which shall be presented to the delegates of our convention, which is now in session, for their indorsement, and I shall urge that it be given to the public press as an open letter and I stand ready to defend every statement contained in this document at any time or place, providing the date will not interfere with my duties and present engagements.

Let those who assail the workers of these United States question our motives in secret; let those who declare that men appealing for an opportunity to labor are bolshevists when they are discussing our hopes and our aims when we are not represented, and while I am not authorized to speak for labor as a whole, I am authorized and do speak for the members of the American Flint Glass Workers' Union, and stand ready to defend every principle enumerated in this document and in the name of working

men who fought to defend the principles of this Government, I call on you for that protection that will enable our workers to secure an opportunity to work and receive in return a living wage.

Respectfully, yours,

WILLIAM P. CLARKE,
*President American Flint Glass Workers' Union.*

P. S.—The foregoing was read to the delegates comprising the forty-fifth convention of the American Flint Glass Workers' Union held this day and was indorsed by unanimous vote.—Clarke.

I would ask you to bear with me while I read one letter—it is very brief—which will give my view on that particular phase of the subject, and I will hand it to the reporter for the record. It is addressed to Mr. A. H. Heisey, Marlborough-Blenheim Hotel, Atlantic City, N. J., and it says:

DEAR MR. HEISEY: I read with interest the letter you handed me yesterday, and after giving some thought to the subject of tariff I deem it wise to reduce my views of the general proposition to writing in order that you may have an opportunity to understand the situation as it presents itself to me, hence I ask that you read what follows with care:

To demonstrate that the present tariff bill, if applied as interpreted by the Hon. Joseph W. Fordney, chairman of the Ways and Means Committee, in a letter he wrote me July 11, 1921, will not give the flint-glass industry the necessary protection, I present the following example:

First. The workmen in Germany are paid 30 marks for the making of 100 inside and 100 outside pint thermos bottles. The theoretical value of these 30 marks is $7.14, while the actual value of exchange in American money is but 46 cents.

May I inject there that I placed my valuation on the German mark in harmony with what I paid for it while I was in Germany in January.

Second. The workmen in America are paid $2.41 for the making of 100 inside and 100 outside pint thermos bottles.

Third. Now recall that the wage paid the German workman is worth only 46 cents as compared with the $2.41 paid to the American workman.

Fourth. It is proposed that when articles similar to those made in America are imported from Germany then, in order to determine the amount of duty to be assessed on the imported articles, the appraiser ascertain the wholesale price of similar articles in the American markets.

Fifth. Let us say, for the sake of argument, that the American wholesale price would be $2.41 for the 100 bottles. Now, if the tariff rate would be 40 per cent, then this would mean a duty of 96 cents; hence it follows that there would be 96 cents tax added to the real foreign price of 46 cents, which would bring the comprative value of the imported article to $1.42, as compared with the American price of $2.41.

Sixth. It will be understood that the figures of 46 cents and $2.41 are comparative prices paid to the skilled laborer, but it must be borne in mind that when you include the cost of materials, unskilled laborer, etc., the difference grows greater as the value of the item increases, this being accounted for because the German mark is worth but 6½ cents on the dollar.

Seventh. The only cost that can be added to the German-made article that will contribute toward an equalization of the price in our markets is for package and freight.

Eighth. From this example it must be apparent that the industry is to suffer unless we obtain more protection or a definition of the law different to that given by Chairman Fordney.

Sincerely, yours,

WILLIAM P. CLARKE,
*President American Flint Glass Workers' Union.*

We found it necessary to make an investigation previous to the war, and this investigation was made by the actual workmen who were lying in idleness. The words that I give you now are the words of the men—not their officers—who went out and made the investigation.

Senator WATSON. Why go into that? What is the difference what the situation was before the war?

Mr. CLARKE. Because, Senator, I want to show how deplorable it was then and add the statement to that that it is worse now.

The CHAIRMAN. We admit it.

Senator WATSON. That is enough. I do not think you need to go into a long statement showing the conditions in Germany.

Mr. CLARKE. It is just a paragraph, which reads as follows:

After making inquiries from the different importers we found that the information thus gained through the importers materially assisted us in comparing the cost or the buying price as compared with the price on record in the customhouse. After feeling we had about struck the proper key to bring about the desired relief, inasmuch as we were prepared to show our Government that the price at which these goods are being invoiced into the country, namely, 24 to 30 cents per dozen on the shallow dome and 30 to 34 cents on the regular dome, the said invoice charge would not pay for the material that goes into the shade, as in a shade weighing from 20 to 29 ounces the glass alone would cost from 3½ to 4 cents. Now, when we realize that these shades are being sent into this country at a valuation of 2 to 2½ cents each, you will agree with your committee that we thought our Government officials could not but insist that these goods be invoiced at a higher figure.

Senator WATSON. That had reference to the time before the war?

Mr. CLARKE. Yes, sir.

In other words, the glass in a shade alone, without including the cost of making the finished article, would be worth 4 cents, while they were laid down in New York at a valuation of 2½ cents each imported from Germany, and no labor cost is included in these figures.

I say to you, without fear of successful contradiction, that the situation as it confronts the flint-glass industry on that same line of ware, in so far as Germany and Czechoslovakia are concerned, is infinitely worse than portrayed in that paragraph, due primarily to the low value of exchange.

I do not want to take up too much of the time of the committee, but while I was in Germany Mr. Vincent Krebbs, the head of a glass concern there, told me that he had that morning refused an order for 50,000,000 electric bulbs for America, and the reason for the refusal was that they were not able to supply the demand in their own country. Otherwise, that ware would be coming into this country.

The CHAIRMAN. Have wages gone down in your trade?

Mr. CLARKE. We are now in conference with the employers in Atlantic City, and I left that conference because I felt that this meeting was of more importance to the men that I represent. Just last week, Senator, we proposed a reduction in wages to the manufacturers of thermos bottles. Since then we have proposed reductions on other classes. The manufacturers have rejected them because they felt that the reduction that we proposed was not sufficient to meet the situation.

Senator MCCUMBER. They have not been reduced yet, then?

Mr. CLARKE. They have not been reduced yet, sir. We adjourned in two of the departments vitally affected without an agreement, because we could not agree upon what point the workers should be required to go to.

Senator WALSH. How substantial a reduction do the employers suggest?

Mr. CLARKE. Anywhere from 20 to 33⅓ per cent. We offered in one instance 12 and in another instance 15.

The CHAIRMAN. How many men are employed in this industry?

Mr. CLARKE. I represent only the skilled workmen, and we have 10,000 skilled workmen, and for each skilled workman we suggest that there are at least six other workmen employed.

The CHAIRMAN. Then your wages are still on the war level?

Mr. CLARKE. Yes, sir; our agreement does not expire until the 4th of September.

Senator MCLEAN. Are you working on full time?

Mr. CLARKE. We have practically no one working in the thermos-bottle branch of the trade and the chemical branch. In the other branches we have about 63 per cent of our men working a division of time and the other 37 per cent idle.

Senator WALSH. What is the percentage of the whole trade, everything included? You said certain branches were doing no work at all. What percentage of those branches?

Mr. CLARKE. I would say 20 per cent.

Senator WATSON. You make chemicals, too, do you?

Mr. CLARKE. No, sir; just glassware.

Senator WATSON. Chemical glassware?

Mr. CLARKE. Yes, sir.

Senator WATSON. You are in danger from Japan as well as from Germany?

Mr. CLARKE. Absolutely so.

Senator WATSON. Is your factory closed, with these men out of work in these particular branches, because of imports from Germany or from other countries?

Mr. CLARKE. The ware is coming in from Germany, Czechoslovakia, and Japan as well as from Belgium, and our plants are closed—I will not say altogether because of this imported ware, but the fear of the employers and the purchasers that if they operate and create a stock, the other countries will be able to sell their ware here and leave them with the stock on their hands.

Senator WATSON. The price reduction in Germany, under present conditions, is lower than that in any other country?

Mr. CLARKE. No, sir; Czechoslovakia is a little bit lower. It is about on a par, however.

Senator WATSON. How does it compare with Japanese production?

Mr. CLARKE. I have considered the Japanese situation for better than a year, but I believe it is practically as bad. Our workmen work on a piecework basis. We work on an unlimited production. We do not retard production; and during the war I am prepared to prove that we increased our production better than 12 per cent. So the charge that the trade-union movement is retarding production can not be substantiated in its application to the flint-glass industry.

Senator MCCUMBER. Can you tell us what the earnings of the skilled workmen are under this piece character of work?

Mr. CLARKE. I am glad that you asked that question, Senator.

Up until one year ago the highest average wage of the men employed in this industry was $30.43 a week, figuring 50 weeks to the year. Within the past year it has increased to $35.02, figuring on the same basis; and that is the highest figure in a period of 43 years.

Senator WALSH. The average for skilled and unskilled?

Mr. CLARKE. That is skilled alone.

I will be glad to answer any question that you wish to propound to me, or at least, try to answer it.

Senator WALSH. How many of these industries are there in the country?

Mr. CLARKE. I would say about 130.

Senator MCLEAN. You are more deeply interested in a revision of the tariff than you are in a revision of the tax laws?

Mr. CLARKE. Yes; we are interested in a revision of the tariff. It has appeared to me that by the revision of our tariff we will never be able to bring it to a figure sufficiently high to protect our industry, and I wanted to add my views to try to save the American-valuation plan at least.

The CHAIRMAN. Is that all, Mr. Clarke?

Mr. CLARKE. Mr. Chairman, it may be of interest to you to say that while I was in London I had a representative of the Czechoslovakia importing corporation say to me that if we increased our tariff 100 per cent they would lay glassware down in this country cheaper than we could produce it.

I had them say to me in Prague that regardless of what we did toward increasing our tariff they would place glassware here cheaper than the American manufacturer could put it in our own market.

I think it is about time that the American Government should contribute to aiding in redeeming the pledges made to the employees and the workers in this industry. When we went into the war you could not get glassware in this country. Representatives of the Government went to us and came to me as the president of the workers and came to the employers and beseeched us to aid them. We did so. In New Jersey in particular there were at least 10 factories erected, and those factories as a whole are almost idle to-day because the pledges which they gave us have not been kept. They agreed that when the war was over they would protect the American workman and the American manufacturer who invested his money in this enterprise, but they have not done it.

We do not believe that the importers should be protected and their interests furthered to put upon the American market the product of foreign workmen when men of American birth are required to walk our streets in idleness. In many instances these men are seeking the necessities of life from charitable organizations and kindred associations.

Senator WATSON. Have you ever figured out what rate would be necessary to add to protect your product from German imports, aside from American valuation?

Mr. CLARKE. I have not; but I want to bring home this point to you—and I may say, incidentally, that I just got word last night at 5 o'clock that I was to appear before this committee, and I have not had time to prepare as I would have liked to prepare—if you will take into consideration that with 6½ American cents you can buy a dollar's worth of product in Germany, and more than a dollar's worth in Czechoslovakia, and then add the tariff that is proposed, which will be 40 per cent on the American valuation, and say it is a dollar; add that 40 to the 6½, and you have got 46½ cents. That is compared with an American dollar's worth of product in America. The only thing that will increase that 46½ cents toward the dollar is the cost of package and the cost of freight. The last time that

I testified before the Tariff Commission evidence was produced there to show that from Antwerp they could ship to New York glassware for 18 cents a hundred, and from Pittsburgh to New York the same rate prevailed. So we will gain nothing there.

Now, take Belgium to Seattle. The rate was 35 cents a hundred. From Pittsburgh to Seattle it was 90 cents a hundred. So we lose out on our own freight rates, and it is impossible to gain anything in this direction.

It may be of interest to you to know that the American Federation of Labor in 1917 adopted a resolution, a copy of which I wish to give to the secretary, but I want to read just the substance of it, that this convention go on record in favor of a policy of industrial preparedness, and that such preparedness be in harmony with the standards of labor as recognized by the American Federation of Labor, and the enactment of laws by Congress that will adequately protect all wage earners of our country against the loss of employment through any industrial invasion on the part of the product of any of the other nations.

That is the declaration of the American Federation of Labor.

The CHAIRMAN. Mr. Frederic E. Kip, of Montclair, N. J., requested a hearing. I see he is present. We will hear you now, Mr. Kip.

## STATEMENT OF FREDERIC E. KIP, MONTCLAIR, N. J., REPRESENTING THE PILE FABRIC MANUFACTURERS OF THE UNITED STATES.

The CHAIRMAN. Will you state the line of manufacturing business that you are in, Mr. Kip?

Mr. KIP. I am in the pile-fabric manufacturing business. I represent the Pile Fabric Manufacturers of the United States. We make pile fabrics, velvets, plushes, fabric furs, etc., in fact, all fabrics having their face or pile extending vertically from the back of the woven fabric.

For the pile or face we use all known textile raw materials, namely, wool, worsted, mohair, alpaca, jute, silk (of all kinds, namely, raw silk, thrown silk, spun or schappe silk, artificial silk), and cotton.

As we use for the face or pile of our fabrics all known textile materials, our fabrics are made in four of the large industrial foreign countries—Germany, France, England, and Japan.

We are strongly of the opinion that on our product the adoption of the American valuation is an imperative necessity. You can readily conceive under foreign valuation of the detriment to labor and the chaotic conditions that would result from production in countries having exchange depreciated to the following extent.

Then I have prepared a table showing the rates as of July 27, taking Russia, Germany, Italy, France, and Great Britain, showing the normal exchange, depreciated exchange, and the percentage of depreciation.

The percentage of depreciation for Russia is 99.8 per cent; of Germany, 95 per cent; Italy, 78 per cent; France, 60 per cent; and Great Britain, 27 per cent.

At rates of exchange such as these there can be no force to the argument of importers that the adoption of the plan of American valuation would be prohibitive against an importation from foreign productive industrial countries.

Senator WATSON. You import some, also, do you not, Mr. Kip?

Mr. KIP. We do, yes, Senator. We could import a great deal more if we chose to do so.

It is conceded that for the 20 years prior to the war Germany made more industrial progress than any country in the world, the United States not excepted.

When I was in Germany in October, 1920, the wages of the highest grade mechanics in the entire Rhine Valley were 280 to 300 marks a week, and I am informed that they are the same to-day.

Senator MCCUMBER. That is, the German workman receives only the same number of paper marks now that he received before for a week's work?

Mr. KIP. No, sir. A skilled mechanic before the war used to receive from 50 to 60 marks. That was a large wage at that time.

Senator WATSON. The 24-cent mark?

Mr. KIP. Twenty-four cents on the mark would be from 12 to 15 dollars. Now he receives 280 to 300 marks a week, which is about five times his former wage.

Senator MCCUMBER. In other words, what would it be in American money right now?

Mr. KIP. I will give you that. At the present rate of exchange this would represent a wage of only about $3.60 to $3.70 weekly, as against $40 to $50 per week paid for the same grade of work in the United States.

Senator MCCUMBER. And how much paid for the same grade of work in Germany prior to the war?

Mr. KIP. Fifty to 60 marks.

Senator WATSON. $12 to $15 a week?

Mr. KIP. Yes; $12 to $15 per week.

Senator WATSON. And on a gold basis the German workman is receiving very much less than he did before the war?

Mr. KIP. About one-fourth. In other words, before the war a first-class mechanic in Germany earned $12 to $15 per week (50 to 60 marks at 24 cents per mark), whereas to-day in Germany he earns $3.60 to $3.70 per week (280 to 300 marks at 0.0125 per mark). That is easily ascertained by anybody who wants to find it out. It is public knowledge. I know this of my own knowledge because I was there.

If I do not bore you I will give you a little experience that I had in Germany, a little later.

Under such conditions no duty that would be imposed by the United States, even on the plan of American valuation, would debar imports from a country like Germany; and in cases where Germany has the raw materials available in her own country it is apparent that even a duty of 200 per cent would not prevent her obtaining the market in the United States to whatever extent she elected.

What has been said of Germany is even more true of Russia in regard to the things which she is best fitted to produce. In my opinion, within two years of the restoration of more stable conditions Russia will be able with her depreciated exchange (under foreign valuation basis for duties) to land wheat in the United States at 50 to 60 cents per bushel, which would be less than the labor cost alone to the American farmer. That this would be detrimental, if not ruinous, to the American wheat grower is obvious.

In the present chaotic state of foreign exchange it must be apparent that there must be some basis for American duties which will not result in great and constant fluctuations. The American valuation plan would keep the rates of duties stable, despite changes in the exchange rates, and would equalize to a considerable extent the differences existing between foreign and American costs. As the rates of exchange become more normal the changes in valuations would automatically operate to keep the duties equalized and stable. In our opinion, therefore, the adoption of the American valuation plan would be doing what can be done by our Government to prevent nonemployment of productive American operatives and ruinous conditions for our American farmers.

We are convinced that not only will such a plan not debar importations, particularly from such countries as Germany, but, on the contrary, that within a few months from the establishment of peace the importations will be even larger than in the years preceding the war.

We therefore strongly urge the adoption of the American valuation plan as a necessary and imperative part of the measures which should be taken to meet these abnormal conditions.

As a convenient basis of information showing the percentages of depreciation I submit a table of exchange rates, including a number of countries not previously mentioned, giving the extent of depreciation of all the countries, Austria, Rumania, Spain, etc.

*Exchange rates as of July 27, 1921.*

| | Normal value. | Present value. | Extent of depreciation. |
|---|---|---|---|
| | *Cents.* | *Cents.* | *Per cent.* |
| Greece.....drachma.. | 19.3 | 5.56 | 71 |
| Russia.....ruble.. | 51.46 | .0014 | 99⅞ |
| Poland.....mark.. | 23.80 | .055 | 99⅞ |
| Austria.....crown.. | 20.26 | .12 | 99⅜ |
| Hungary.....do.... | 20.30 | .28 | 97⅛ |
| Jugo-Slavia.....do.... | 20.30 | .60 | 97 |
| Czecho-Slovakia.....do.... | 20.26 | 1.28 | 93⅝ |
| Finland.....mark.. | 19.30 | 1.56 | 91⅞ |
| Rumania.....leu.. | 19.30 | 1.30 | 93¼ |
| Spain.....peseta.. | 19.30 | 12.70 | 34⅛ |

Senator McLEAN. How many men are employed by the interests which you represent, Mr. Kip?

Mr. KIP. I should think about forty to fifty thousand, taking them all told—maybe not as much as that; thirty-five to forty thousand.

Senator McLEAN. What is the effect of existing competition upon your interests to-day? How are you running? What is the condition?

Mr. KIP. We are running fairly well to-day, for the reason that Germany, who is our main competitor, has not gotten on her feet, but there is a great hesitancy about any forward contracts, realizing the conditions which will come about by the depreciated exchange. I do not think people realize how important and how detrimental that is going to be to labor. For instance, I went into Germany with an automobile. I had a chauffeur and four people with me. I changed $35 and I got over 3,000 marks. I thought I was going to be there a week, and, as I had a bank account there, I said, "I will take $100,"

for which I got nearly 7,000 marks. Then a mark was depreciated only about 1.40. Now it is 1.21. We lived there about a week, and when we were about to leave I gave back 3,700 marks. Our whole expenses for the week were not over $60; and they drank wine, those that wished to, and had other things.

I thank you, gentlemen.

The CHAIRMAN. The next witness is Mr. Walter S. Hilborn. I understand, for the information of the committee, that he will be the last witness to be heard to-day.

**STATEMENT OF WALTER S. HILBORN, NEW YORK, N. Y., REPRESENTING THE NOVELTY JEWELERS' TARIFF ASSOCIATION.**

Mr. HILBORN. I represent a group of importers of novelty jewelry, consisting of 24 in number, who were formed last winter at the time we were discussing the emergency tariff, and who then protested against the then depreciated currency feature of the bill and submitted evidence to your committee that even though the value of the foreign currency had depreciated, the cost of the foreign article measured in American money had appreciated to a greater extent.

I now appear on their behalf to oppose the American valuation feature of the present tariff bill.

The CHAIRMAN. Are you in the toy business?

Mr. HILBORN. No, sir; I am an attorney, and the people whom I represent are entirely importers of novelty jewelry.

When they appeared before the Ways and Means Committee in the discussion of this act they stated quite frankly that they believed that a rate should be carried in the act which would adequately protect the American manufacturer, but they believed that that rate should not be too high to exclude novelty jewelry which set a style and a standard for American manufacturers.

At the hearings before the Ways and Means Committee the American manufacturers asked for an 85 per cent duty based upon the foreign valuation. The main objection that the importers have to the American valuation feature is the uncertainty which will result in their purchases abroad. The duty will be appraised upon the American selling price at the date of exportation. The articles which they purchase are largely noncomparable items, so that at the time of the purchase they will not be able to determine what the cost of the article will be, landed in New York; and, as one of them said to me on Saturday, "We will have to get samples, send the samples to the United States, have them appraised, and then determine whether it is possible for us to make the purchase, and then we may not know that the American selling price at the new date of exportation will be the same as at the time of the exportation of the original sample; so that our articles, bought from six to eight months prior to sale in the United States, will be upon a basis where we will be unable to determine the American selling price."

I have endeavored to compute with some degree of success to my own mind just exactly a comparison between the old and the new rates based upon this American valuation theory.

The rate carried on novelty jewelry under the old act was 60 per cent. The rate carried by this act is 55 per cent. If the balance of the American selling price, 45 per cent, is all applied to the foreign

cost, then you will have a duty of $55 on every $100 worth of goods sold in the United States; $45 of the hundred to be used in purchasing abroad. Fifty-five is 122 per cent of 45, so that a rate of duty where the American manufacturer asks for only 85 per cent is at the minimum increased to 122 per cent.

To carry the table a little further, if you take the least overhead which the importers say is needed, which is a minimum of 25 per cent of the selling price, and add 55 per cent for duty, it makes 80 per cent. That leaves it 20 per cent of the American selling price which is available for payment to the foreigner, and 55 is 275 per cent of 20. So that the necessary result of American valuation as applied to the importation of novelty jewelry is to increase the duty from 60 per cent to 275 per cent.

I have prepared a table which can be used on almost any rate of duty and on any overhead, so that it will be possible practically to compute what the rate of duty will be based upon the American valuation theory, giving any allowance that the committee might see fit for overhead. But it is quite demonstrable that if 25 per cent is the overhead a 75 per cent duty is absolutely prohibitive of importation, because there is nothing left to be paid the foreigner. For each decrease of 1 per cent in the rate of duty it is possible to pay the foreigner 1 per cent more for the article.

I was talking to a gentleman who was considering embroideries. Thirty-seven and one-half per cent is the new rate of duty based upon an American valuation, and 25 per cent allowed for overhead makes the rate of duty 100 per cent on the American valuation as opposed to 60 per cent carried by the present act.

Senator McCUMBER. Your objection, mainly, is to the amount of the tariff rather than the principle?

Mr. HILBORN. Our objection is as to the uncertainty which will result from the American valuation theory, because it is impossible to determine at the date of purchase what the selling price is going to be—that is, the wholesale selling price at the date of exportation. So that the importer is unable to determine when he makes his purchase what his landed cost is going to be.

Senator McCUMBER. But the other feature might be a reduction?

Mr. HILBORN. It might be a reduction; but the uncertainty and the pyramiding which will necessarily result are objectionable. As you reach a new selling price based upon the increased duty, a duty on the new increased selling price will make a higher duty, necessitating an increased selling price for each subsequent importation, until finally you will reach a point where the duty does not affect the price.

But I have figured out, based upon the present cost of $1.80, that, with a 25 per cent overhead and the present duty of 60 per cent, the article can be sold for $3.84. If you take a 55 per cent duty based upon the American valuation, that makes a duty of approximately $2.08 to be added to the $1.80, and you get $3.88, plus 25 per cent. Gradually, by the increased selling price, due to the increased duty, each new selling price gives an increased duty, in order that the importer may continue his business, until finally you get a stabilized price, but an article that can now be sold for $4 will have to be sold for $9 by the wholesaler in order to stabilize his business.

The main objection to the American valuation feature is the uncertainty which will result in the conduct of the importing business. The other feature, the question of the rate of duty, of course, is a subsequent consideration. If the other advantages of American valuation outweigh the disadvantage of uncertainty, then subsequently we desire to be heard upon the rate of duty.

The CHAIRMAN. Is that all?

Mr. HILBORN. I desire to submit a brief to-morrow, if I may.

The CHAIRMAN. You may submit it.

BRIEF OF WALTER S. HILBORN, REPRESENTING THE NOVELTY JEWELERS' TARIFF ASSOCIATION.

The Novelty Jewelers' Tariff Association desires to protest against the so-called American valuation feature of the Fordney tariff bill which is contained in section 402 thereof, and submits this brief in opposition thereto.

The argument herein made with reference to novelty jewelry carrying a 60 per cent tariff, can likewise be made for imitation pearls and beads, and this memorandum is filed on behalf of the importers of these commodities as well as on behalf of the importers of novelty jewelry.

The present tariff on novelty jewelry is 60 per cent ad valorem. The rate carried by the Fordney Act is 55 per cent ad valorem, based, however, upon the American selling price.

This leaves but 45 per cent of the American wholesale selling price to cover foreign cost, freight, insurance, landing charges, interest on invested capital, expense of doing business, income, excess profit tax and allowance for loss due to the point of unsaleable commodities and the fair return by way of profit to the importer.

MINIMUM DUTY CARRIED BY FORDNEY TARIFF ACT, 122 PER CENT OF COST.

If the entire 45 per cent left after the payment of duty were used in payment for the imported article, we would get 122 per cent as the minimum rate of duty based upon the foreign cost, 45 per cent of the selling price. Out of every $100 of American selling price, $55 would be paid to the Government of the United Srates by way of duty, and no more than $45 could be paid to the foreign manufacturer. The rate of duty on the article on this hypotheeis, instead of a present duty of 60 per cent, would be $\frac{55}{45}$, or 122 per cent, although the American manufacturers asked only for an increase to 85 per cent. One hundred and twenty-two per cent would be the minimum rate of duty on jewelry carried by the new act, so that what is an apparent reduction of the rate of duty from 60 to 55 per cent is not a reduction, but an increase from 60 per cent to at least 122 per cent.

This business can not stand a doubling of the rate of duty, and this mere statement of the effect of the American valuation feature of the Fordney tariff bill should demonstrate beyond any argument that the duty on jewelry carried by this act will be not a revenue producer but rather it will cause an absolute prohibition of imports.

As much of the 45 per cent will be absorbed otherwise than in foreign cost, the rate of duty, however, based upon the foreign cost will necessarily be more than 122 per cent, which itself would be prohibitive, and more than is required by the American manufacturers of jewelry, who in their argument before the House committee only requested a tariff of 85 per cent.

EFFECT ON AMERICAN WHOLESALE PRICE.

Not only is the minimum increase of the rate of duty startling and prohibitive but its necessary effect upon the American selling price of such articles as might be imported is almost beyond imagination. So startling is the comparison between the present selling price of an article of novelty jewelry and the ultimate effect of the American valuation feature of the Fordney tariff act on said price that it should itself be the best argument against the American valuation feature, unless, perchance, the sole purpose of this feature of the act is an absolute prohibition of imports.

This statement will be based upon an article now costing $1.80 per dozen f. o. b. place of purchase. This is a common price for an article of novelty jewelry. This carries a tariff at the present time of 60 per cent, to wit, $1.08 on the $1.80. This makes the cost of the article plus the duty $2.88. To this must be added a gross profit

sufficient to cover freight, insurance, landing charges, interest on invested capital, expense of doing business, taxes, allowance for losses, and a fair return by way of profit to the importer. In order to be moderate and beyond the realm of contradictory argument, we will take one-third of the landed cost (although much more is now required), which is equivalent to 25 per cent of the selling price in each case. One-third of our landed cost of $2.88 is 96 cents, which added to $2.88 makes $3.84 as the necessary minimum wholesale selling price of an article costing $1.80 per dozen f. o. b. point of purchase.

THE EFFECT OF THE AMERICAN VALUATION FEATURE UPON THIS ARTICLE OF NOVELTY JEWELRY.

The probable ultimate effect of the American valuation feature will be an increase in the wholesale selling price of this article from $3.84 to $9. The American selling price of the article under consideration at date of exportation is, as we have seen, $3.84; 55 per cent of this selling price, the duty carried by the Fordney act, is $2.11, making the cost of the article $1.80, plus the duty, $2.11, $3.91. Add one-third of the cost to cover the additional charges set forth above, we get a necessary wholesale selling price of $5.21.

But we have not stopped with the effect of the new tariff act. The chain is almost, but not quite, endless. We have now established a new wholesale selling price of $5.21, upon which the duty of 55 per cent must now be figured. This duty would now be $2.87; added to the foreign cost makes the cost of the article plus the duty $4.67; adding the same overhead of one-third or $1.56, makes a new selling price of $6.23.

We have now established a new selling price of $6.23, upon which the duty according to the terms of the new act, must be based. Fifty-five per cent of $6.23 is $3.43, added to the cost of $1.80 is $5.23, add on the same, one-third for overhead, etc., give the necessary new American selling price of $6.97.

The wholesale price would progressively increase as follows:

| | |
|---|---|
| Cost | $1.80 |
| Duty (55 per cent of new selling price, $6.97) | 3.83 |
| Cost plus duty | 5.63 |
| Gross profit, one-third of $5.63 | 1.88 |
| New wholesale price | 7.71 |
| Next increase: | |
| Cost | 1.80 |
| Duty (55 per cent of new selling price, $7.71) | 4.24 |
| Cost plus duty | 6.04 |
| Gross profit, one-third of $6.04 | 2.01 |
| New wholesale price | 8.05 |
| Next increase: | |
| Cost | 1.80 |
| Duty (55 per cent of new selling price, $8.05) | 4.43 |
| Cost plus duty | 6.23 |
| Gross profit, one-third of $6.23 | 2.08 |
| New wholesale price | 8.31 |
| Next increase: | |
| Cost | 1.80 |
| Duty (55 per cent of new selling price, $8.31) | 4.57 |
| Cost plus duty | 6.37 |
| Gross profit, one-third of $6.37 | 2.12 |
| New wholesale price | 8.49 |

| | |
|---|---|
| Next increase: | |
| Cost | $1.80 |
| Duty (55 per cent of new selling price, $8.49) | 4.67 |
| Cost plus duty | 6.47 |
| Gross profit, one-third of $6.47 | 2.16 |
| New wholesale price | 8.63 |
| Next increase: | |
| Cost | 1.80 |
| Duty (55 per cent of new selling price, $8.63) | 4.75 |
| Cost plus duty | 6.55 |
| Gross profit, one-third of $6.55 | 2.18 |
| New wholesale price | 8.73 |
| Next increase: | |
| Cost | 1.80 |
| Duty (55 per cent of new selling price, $8.73) | 4.80 |
| Cost plus duty | 6.60 |
| Gross profit, one-third of $6.60 | 2.20 |
| New wholesale price | 8.80 |
| Next increase: | |
| Cost | 1.80 |
| Duty (55 per cent of new selling price, $8.80) | 4.84 |
| Cost plus duty | 6.64 |
| Gross profit, one-third of $6.64 | 2.21 |
| New wholesale price | 8.85 |
| Next increase: | |
| Cost | 1.80 |
| Duty (55 per cent of new selling price, $8.85) | 4.87 |
| Cost plus duty | 6.67 |
| Gross profit, one-third of $6.67 | 2.22 |
| New wholesale price | 8.89 |
| Next increase: | |
| Cost | 1.80 |
| Duty (55 per cent of new selling price, $8.89) | 4.90 |
| Cost plus duty | 6.70 |
| Gross profit, one-third of $6.70 | 2.23 |
| New wholesale price | 8.93 |
| Next increase: | |
| Cost | 1.80 |
| Duty (55 per cent of new selling price, $8.93) | 4.91 |
| Cost plus duty | 6.71 |
| Gross profit, one-third of $6.71 | 2.24 |
| New wholesale price | 8.95 |

| | |
|---|---|
| Next increase: | |
| Cost | $1.80 |
| Duty (55 per cent of new selling price, $8.95) | 4.92 |
| Cost plus duty | 6.72 |
| Gross profit, one-third of $6.72 | 2.24 |
| New wholesale price | 8.96 |
| Next increase: | |
| Cost | 1.80 |
| Duty (55 per cent of new selling price, $8.96) | 4.93 |
| Cost plus duty | 6.73 |
| Gross profit, one-third of $6.73 | 2.24 |
| New wholesale price | 8.97 |
| Next increase: | |
| Cost | 1.80 |
| Duty (55 per cent of new selling price, $8.97) | 4.93 |
| Cost plus duty | 6.73 |
| Gross profit, one-third of $6.73 | 2.24 |
| New wholesale price | 8.97 |

The new permanent established selling price is $8.97. We have thus reached the point where the duty will no longer affect the selling price and where the ultimate effect of the duty is disclosed. In other words, the effect of the 55 per cent duty based upon American selling price, other costs being stabilized, is to increase the necessary American selling price of an article costing $1.80 from $3.84 to $8.97.

It is inconceivable that an article formerly sold at wholesale in the United States for $3.84 per dozen can be sold for $8.97 per dozen, and, therefore, importation will be prohibited, and the American valuation feature of the Fordney Tariff Act has brought about, so far as novelty jewelry is concerned, not increased revenue for the American Treasury, but it has completely stopped importation.

### RATE OF DUTY OF THE NEW ACT COMPARED TO THE PRESENT DUTY.

The present rate of duty is 60 per cent. The foregoing statement has shown that the ultimate effect of the Fordney Act will be to charge a duty of 55 per cent of $8.97, or $4.93 on an article costing $1.80, an increase of duty from $1.08 to $4.93, from 60 per cent to 275 per cent of the foreign cost.

This statement should be sufficient to demonstrate the impossibility of effecting any increase in revenue through this act, which will necessarily prohibit all further importation, especially when you consider that the American manufacturers have requested only an increase in duty from 60 to 85 per cent.

### THE GENERAL EFFECT OF THE AMERICAN VALUATION FEATURE.

We have attempted to construct a table of figures from which it can be determined what the approximate ultimate selling price must necessarily be if the American valuation feature of the Fordney Act goes into effect.

The purpose of this table and of the principle underlying it is twofold. First, it makes it possible to compare the old rate of duty carried by the present act with the rates of duty carried by the Fordney Tariff Act; and, second, it makes it possible to determine the approximate necessary American selling price established to cover the cost of the article and the duty and the cost of selling.

In the computation the American selling price is computed at 100 per cent. In the computation we have allowed the importer as a gross profit to cover freight, insurance, landing charges, interest on invested capital, expenses of doing business, taxes, allowance for loss due to the import of unsalable commodities, commercial losses, and a fair return by way of profit of 33⅓ per cent of the cost plus the duty. This is equivalent to 25 per cent of the selling price. In other words, if the cost plus the duty is 75 per cent of the selling price, 33⅓ per cent thereof is 25 per cent of the gross selling price.

Accordingly, from the total selling price of 100 per cent is first deducted 25 per cent of the gross selling price to cover gross profit. The balance of 75 per cent covers the cost f. o. b. point of purchase, plus the duty. In other words, if an article is free of duty, an importer can afford to pay 75 per cent of the American wholesale selling price for the article f. o. b. point of purchase, and the balance of 25 per cent of the American selling price will cover his additional costs and his profit. If the duty is 1 per cent, there remains but 74 per cent of the American selling price which is applicable to the foreign cost, and for each increase in rate of duty of 1 per cent of the American selling price there must be a corresponding decrease of 1 per cent of that selling price which is applicable to the foreign cost. Apply this principle to novelty jewelry and we have this division of the selling price: Twenty-five per cent applicable to expense of doing business, 55 per cent tariff, leaving 20 per cent of the American selling price which is applicable to cost. One dollar and eighty cents, the cost of our article, taken as an illustration, is 20 per cent of the necessary American selling price, which would be, according to this computation, $9. In the earlier part of this memorandum we have seen how the necessary American selling price would reach $8.97, which is approximately $9, as shown by the table.

Similarly, the rate of duty based on the foreign cost can likewise be computed. Of the selling price, 25 per cent is gross profit, 55 per cent is duty, 20 per cent is left for foreign cost; 55 is 275 per cent of 20. So that the rate of duty based on foreign cost can be computed by comparing the percentage of selling price applicable to duty to the percentage of selling price applicable to cost.

We have given a table based upon gross profits of 15 per cent, 25 per cent, and 35 per cent of the wholesale selling price; which would show a distribution between that portion of the American selling price which will be payable as duty and that portion which can be paid for the imported article.

If we take the overhead of 25 per cent, our table would be constructed as follows:

| Where the rate of duty is (per cent of wholesale selling price)— | The amount which can be paid for the foreign article is (per cent of wholesale selling price)— | Where the rate of duty is (per cent of wholesale selling price)— | The amount which can be paid for the foreign article is (per cent of wholesale selling price)— | Where the rate of duty is (per cent of wholesale selling price)— | The amount which can be paid for the foreign article is (per cent of wholesale selling price)— | Where the rate of duty is (per cent of wholesale selling price)— | The amount which can be paid for the foreign article is (per cent of wholesale selling price)— |
|---|---|---|---|---|---|---|---|
| 0 | 75 | 19 | 56 | 38 | 37 | 57 | 18 |
| 1 | 74 | 20 | 55 | 39 | 36 | 58 | 17 |
| 2 | 73 | 21 | 54 | 40 | 35 | 59 | 16 |
| 3 | 72 | 22 | 53 | 41 | 34 | 60 | 15 |
| 4 | 71 | 23 | 52 | 42 | 33 | 61 | 14 |
| 5 | 70 | 24 | 51 | 43 | 32 | 62 | 13 |
| 6 | 69 | 25 | 50 | 44 | 31 | 63 | 12 |
| 7 | 68 | 26 | 49 | 45 | 30 | 64 | 11 |
| 8 | 67 | 27 | 48 | 46 | 29 | 65 | 10 |
| 9 | 66 | 28 | 47 | 47 | 28 | 66 | 9 |
| 10 | 65 | 29 | 46 | 48 | 27 | 67 | 8 |
| 11 | 64 | 30 | 45 | 49 | 26 | 68 | 7 |
| 12 | 63 | 31 | 44 | 50 | 25 | 69 | 6 |
| 13 | 62 | 32 | 43 | 51 | 24 | 70 | 5 |
| 14 | 61 | 33 | 42 | 52 | 23 | 71 | 4 |
| 15 | 60 | 34 | 41 | 53 | 22 | 72 | 3 |
| 16 | 59 | 35 | 40 | 54 | 21 | 73 | 2 |
| 17 | 58 | 36 | 39 | 55 | 20 | 74 | 1 |
| 18 | 57 | 37 | 38 | 56 | 19 | 75 | 0 |

Where the rate of duty is 75 per cent, the article can no longer be imported, because the duty of 75 per cent plus the gross profit required of 25 per cent absorbs the entire selling price and leaves no portion thereof applicable for payment to the foreign manufacturer.

Taking this table, let us see what the article costing $1.80 could be sold for.

Turning to that part of the table which gives a rate of duty of 55 per cent, we see that there is left to be applicable to the cost of the commodity 20 per cent of the total American selling price, so that $1.80 is at the maximum 20 per cent of the American selling price. One dollar and eighty cents is 20 per cent of $9, from which it would follow that an article of which the American selling price was $9, could cost the importer no more than $1.80, and the wholesale price would be five times the foreign cost of the article, whereas, at the present time, the selling price based upon the same calculation would be $3.84. It is unnecessary to argue that

upon this calculation, and with this price of $9 wholesale, the article which was formerly sold for $3.84 could not possibly be sold.

In the same manner, the duty of 55 per cent of the American selling price is 275 per cent of the foreign cost of 20 per cent of the selling price. This same calculation can be reached from the table for any rate of duty.

We have constructed additional tables because the committee may feel that an overhead of 25 per cent is too much, or would prove to be too much when the tariff loading is considered. Accordingly, the table has been constructed with only a 15 per cent allowance of gross profit, which in no event can be considered excessive. Based upon an overhead of 15 per cent of the selling price, we find that there is applicable for the cost of the commodity, 30 per cent of the American wholesale selling price. One dollar and eighty cents is 30 per cent of $6, so that an article costing $1.80 could be sold in the United States for not less than $6 as against the present selling price of $3.84.

Referring to the 15 per cent table again, if the duty is 55 per cent, an article which cost $30 f. o. b. point of purchase, must be sold in the United States for $100 and the duty will be $55 on a foreign cost of $30, or 183 per cent of the foreign cost compared to 60 per cent under the present act. In the same way, for each rate of duty, there can be determined the approximate American selling price of the article, and in the same way the rate of duty based upon the foreign selling price.

If the constant overhead taken for gross profit is 15 per cent, then the duty and the amount payable for the imported article will be distributed as follows:

| Where the rate of duty is (per cent of wholesale selling price)— | The amount which can be paid for the foreign article is (per cent of wholesale selling price)— | Where the rate of duty is (per cent of wholesale selling price)— | The amount which can be paid for the foreign article is (per cent of wholesale selling price)— | Where the rate of duty is (per cent of wholesale selling price)— | The amount which can be paid for the foreign article is (per cent of wholesale selling price)— | Where the rate of duty is (per cent of wholesale selling price)— | The amount which can be paid for the foreign article is (per cent of wholesale selling price)— |
|---|---|---|---|---|---|---|---|
| 0 | 85 | 22 | 63 | 44 | 41 | 66 | 19 |
| 1 | 84 | 23 | 62 | 45 | 40 | 67 | 18 |
| 2 | 83 | 24 | 61 | 46 | 39 | 68 | 17 |
| 3 | 82 | 25 | 60 | 47 | 38 | 69 | 16 |
| 4 | 81 | 26 | 59 | 48 | 37 | 70 | 15 |
| 5 | 80 | 27 | 58 | 49 | 36 | 71 | 14 |
| 6 | 79 | 28 | 57 | 50 | 35 | 72 | 13 |
| 7 | 78 | 29 | 56 | 51 | 34 | 73 | 12 |
| 8 | 77 | 30 | 55 | 52 | 33 | 74 | 11 |
| 9 | 76 | 31 | 54 | 53 | 32 | 75 | 10 |
| 10 | 75 | 32 | 53 | 54 | 31 | 76 | 9 |
| 11 | 74 | 33 | 52 | 55 | 30 | 77 | 8 |
| 12 | 73 | 34 | 51 | 56 | 29 | 78 | 7 |
| 13 | 72 | 35 | 50 | 57 | 28 | 79 | 6 |
| 14 | 71 | 36 | 49 | 58 | 27 | 80 | 5 |
| 15 | 70 | 37 | 48 | 59 | 26 | 81 | 4 |
| 16 | 69 | 38 | 47 | 60 | 25 | 82 | 3 |
| 17 | 68 | 39 | 46 | 61 | 24 | 83 | 2 |
| 18 | 67 | 40 | 45 | 62 | 23 | 84 | 1 |
| 19 | 66 | 41 | 44 | 63 | 22 | 85 | 0 |
| 20 | 65 | 42 | 43 | 64 | 21 | | |
| 21 | 64 | 43 | 42 | 65 | 20 | | |

From this table, it will be seen that when the rate of duty becomes 85 per cent, it becomes impossible to import goods; the duty plus the overhead absorbs all of the selling price, leaving no part of the selling price which can be appropriated for the cost of the article.

If 35 per cent is taken for the gross profit, then our table would be constructed as follows:

| Where the rate of duty is (per cent of wholesale selling price)— | The amount which can be paid for the foreign article is (per cent of wholesale selling price)— | Where the rate of duty is (per cent of wholesale selling price)— | The amount which can be paid for the foreign article is (per cent of wholesale selling price)— | Where the rate of duty is (per cent of wholesale selling price)— | The amount which can be paid for the foreign article is (per cent of wholesale selling price)— | Where the rate of duty is (per cent of wholesale selling price)— | The amount which can be paid for the foreign article is (per cent of wholesale selling price)— |
|---|---|---|---|---|---|---|---|
| 0 | 65 | 17 | 48 | 34 | 31 | 50 | 15 |
| 1 | 64 | 18 | 47 | 35 | 30 | 51 | 14 |
| 2 | 63 | 19 | 46 | 36 | 29 | 52 | 13 |
| 3 | 62 | 20 | 45 | 37 | 28 | 53 | 12 |
| 4 | 61 | 21 | 44 | 38 | 27 | 54 | 11 |
| 5 | 60 | 22 | 43 | 39 | 26 | 55 | 10 |
| 6 | 59 | 23 | 42 | 40 | 25 | 56 | 9 |
| 7 | 58 | 24 | 41 | 41 | 24 | 57 | 8 |
| 8 | 57 | 25 | 40 | 42 | 23 | 58 | 7 |
| 9 | 56 | 26 | 39 | 43 | 22 | 59 | 6 |
| 10 | 55 | 27 | 38 | 44 | 21 | 60 | 5 |
| 11 | 54 | 28 | 37 | 45 | 20 | 61 | 4 |
| 12 | 53 | 29 | 36 | 46 | 19 | 62 | 3 |
| 13 | 52 | 30 | 35 | 47 | 18 | 63 | 2 |
| 14 | 51 | 31 | 34 | 48 | 17 | 64 | 1 |
| 15 | 50 | 32 | 33 | 49 | 16 | 65 | 0 |
| 16 | 49 | 33 | 32 | | | | |

Where the rate of duty is 65 per cent, the article can no longer be imported.

EFFECT OF FORDNEY TARIFF ACT.

It can be seen from an inspection of these tables what the effect of the Fordney Tariff Act will be upon any importation. It multiplies the cost to such an extent that the importation of any article bearing a substantial rate of duty will be impossible. The association believes that consideration of tables of this sort will demonstrate the futility of expecting that there will be any substantial importation of any articles carrying a substantial rate of duty.

It is submitted, therefore, that either the American valuation feature should be abandoned, or in the alternative, that the rate of duty based upon the American selling price should be reduced to a point where the duty bears approximately the same proportion of the foreign cost as is borne by the present act.

Respectfully submitted.

Lippman, Spier & Hahn; D. Lisner & Co.; Cohen & Rosenberger; Samstag & Hilder Bros.; A. Steinhardt & Bro.; Ben Flesenthal & Co. (Inc.); Royal Jewelry Manufacturing Co.; Wm. E. Flory & Co.; Fred & Ben Lewenthal Co.; M. Guggenheim (Inc.); W. Reichart & Co.; Emerich & Schorsch; Jules Schwab & Co.; L. Mendelson & Co.; Lewy & Co.; Guthman, Solomons Co.; H. Wolf & Co.; L. Heller & Son (Inc.); Wertheimer, Plehn & Levy (Inc.); F. Hoffman & Co.; A. Miltenberg & Co.; Wiener Bros.; Friedman Co.; M. Goldberg Sons.

## STATEMENT OF ALPHEUS WINTER, REPRESENTING THE MANUFACTURERS' ASSOCIATION OF BRIDGEPORT, CONN.

The CHAIRMAN. Mr. Winter, you may proceed. What industry do you represent?

Mr. WINTER. I represent the Manufacturers' Association of Bridgeport, Conn., as general manager.

The CHAIRMAN. Are you a manufacturer yourself?

Mr. WINTER. I am not.

The CHAIRMAN. What is your business?

Mr. WINTER. I am general manager of that association.

The CHAIRMAN. Proceed.

Mr. WINTER. I wish to submit formally a petition, a copy of which has been sent to each committee member, signed by 66 out of 92 of our members.

That petition, as submitted, was placed in the hands of each of our members for consideration, accompanied by a bulletin transmitting it, copy of which I will submit. At the bottom is the authorization for their names to be signed. That shows the method and the fact that 66 out of 92 signed voluntarily. Four members opposed it, three by telephone and one by letter—Bullard Machine Tool Co., Raybestos Co., La Resista Corset Co., and Nichols Underwear Corporation. I would like to read the letter to give the type.

The CHAIRMAN. All right.

Mr. WINTER. This is from the Bullard Machine Tool Co.:

Noting your circular No. 1592 relative to American valuation, we are not directly interested, but from all information we can gather upon the subject we believe that the foreign valuation is preferable to any American valuation, and we are therefore opposed to American valuation.

Senator MCCUMBER. The four that you say opposed—were they importers as well as manufacturers?

Mr. WINTER. The Bullard Machine Tool Co. were not interested as a manufacturer. The other three were manufacturers interested from that viewpoint.

I want to point out that these 66 members, as will largely appear from the names, represent a diversified interest, all kinds of manufacturers, and represent, I believe, a fair percentage of our State, and, I think, of our Nation—the diversified manufacturing interests—as to how they stand upon this question of American valuation.

As I have heard the testimony there seems to be a question largely between the manufacturer and the importer. I want to emphasize in that connection the worker.

Bridgeport to-day is at a very low ebb industrially. We are below 50 per cent normal. The factories have the appearance of complete emptiness a large part of the week, because three days a week is perhaps the average now working.

Senator WATSON. Is not that partly due to the fact that you manufactured war materials on a very large scale, perhaps more so than any other city of its size in the United States, and that that has ceased?

Mr. WINTER. Only to an extent, but that is also true. I do not want to maintain that our wheels are not going to turn and that we are not coming back, but it is, I believe, the fair consensus of opinion in Bridgeport and of Bridgeport industries that American valuation will be helpful; that the unemployment will be in Germany and other nations and not in Bridgeport if we can have not only American valuation but other relief. We are not pessimists. We believe we are going to continue business, but we would rather have the unemployment on the other side of the water than in Bridgeport, and that is one of the steps that we believe would help, if we could get a good stable valuation in this country.

Senator MCCUMBER. You believe it would stabilize the valuation?

Mr. WINTER. We believe so.

In that connection I think that a classification should be accomplished somewhat similar to that, say, of the official classification of the railroads. That is, a valuation committee could fix a price, a fair, representative price that would be close enough for rough justice, so that every manufacturer and every importer would know what he was going to pay on the article imported.

Senator McCUMBER. That is, that the Government itself should proclaim the price for a definite period ahead?

Mr. WINTER. Until changed by a supplement or reissue similar to the railroads. The Official Classification is not a bulky thing. It is perhaps twice as big as that [illustrating], and yet it contains practically everything that is imported to-day, because all imports move over our railroads. A stable American price could be set opposite the articles—perhaps not in every instance. Perhaps appraisers are necessary in certain cases, but it could be done, and, I believe, more easily than we could go abroad and ascertain the prices there in the various nations with the various and different financial arrangements.

I thank you, gentlemen.

(The papers referred to are as follows:)

PETITION.

We, the undersigned members of the Manufacturers' Association of Bridgeport, Conn., respectfully petition that American valuation be adopted for levying ad valorem import duties for the reasons hereinafter set forth.

First. The existing foreign valuation basis has always been a prolific cause of inaccuracies.

These unintentional inaccuracies result in discriminatory situations which can be eliminated to a considerable extent by adoption of an American valuation basis.

Second. The existing foreign valuation basis has subjected imported duties to gross manipulation.

These intentional frauds result in loss of revenue to the United States and unfair competition which the American valuation method would materially reduce.

Third. The existing foreign valuation basis results in unequal import duties on like goods.

Under the present abnormal and fluctuating foreign exchange the only practical method for imposing equal customs duties upon like articles is by the application of an American valuation.

Fourth. The existing foreign valuation basis forces this Government to violate its obligation to admit the goods of certain friendly countries on equal terms.

The present chaotic condition in exchange values means that the same article from England, France, and Germany would not be assessed a like import tax, measured in dollars and cents.

Fifth. The existing foreign valuation basis makes the United States, with its economic stability, the natural dumping ground for the products of foreign countries having depreciated currencies.

Application of American valuation would to a large degree wipe out the present customs duty inequalities by requiring like imports to pay the same dollars and cents tax.

Sixth. The existing foreign valuation basis emphasizes the present discrepancies, in cases like Germany, where industry is subsidized by the Government.

In this case a percentage ad valorem tax based on foreign values falls even farther short of effecting reasonable equality, a situation that could be vastly improved by the adoption of American valuation.

Finally, continuation of the existing foreign valuation basis means not merely the depression of all, but the absolute extermination of certain industries.

American valuation is at present an essential measure for self-preservation; without it the factories of our city, State, and Nation will become a sacrifice to foreign competitors, and a nonproducing class. Furthermore, an inestimable number of our

citizens, both employers and employed, will suffer the hardships which necessarily follow the partial or complete stoppage of the wheels of industry.

Respectfully submitted.

Acme Shear Co., D. C. Wheeler, president; Aluminum Manufacturers (Inc.), S. K. Becker, works manager; American & British Manufacturing Co., J. C. Stanley, president; American Chain Co., W. B. Lashar, president; American Fabrics Co., H. A. Phillips, general manager; American Tube & Stamping Co., E. C. Mayo, president; Max Ams Machine Co., J. F. Brenzinger, general manager; Anderson Die & Machine Co., N. H. Anderson, general manager; Automatic Machine Co., Norman Leeds, treasurer; Baird Machine Co., C. L. Warner, president; The Bassick Co., W. R. Bassick, general manager; Bilton Machine Tool Co., C. E. Bilton, president; Black Rock Manufacturing Co., G. L. Hammond, president; Bridgeport Brass Co., G. P. Miller, treasurer; Bridgeport Chain Co., C. W. Pinches, treasurer; Bridgeport Coach Lace Co., H. B. Naramore, secretary; Bridgeport Cutter Works, H. F. Noyes, president; Bridgeport Deox. Bronze & Metal Co., R. D. Whipple, president; Bridgeport Die & Machine Co., J. W. Ogden, president; Bridgeport Hardware Manufacturing Corporation, W. F. Hobbs, president; Bridgeport Metal Goods Manufacturing Co., A. S. Lyhne, president; Bridgeport Motor Co. (Inc.), H. H. Brautigam, secretary; Bridgeport Piston Ring Co., W. J. Perry, president; Bridgeport Rolling Mills (Inc.), A. C. Raffauf, treasurer; Bridgeport Safety Emery Wheel Co., A. H. Kean, treasurer; Bridgeport Screw Co., R. G. Farrell, president; Bryant Electric Co., G. W. Goodridge, works manager; Canfield Rubber Co., C. F. Holcomb, president; The E. W. Carpenter Manufacturing Co., E. W. Carpenter, president; Challenge Cutlery Corporation, W. E. Primrose, treasurer; Connecticut Electric Co., A. H. Trumbull, president; Cornwall & Patterson Manufacturing Co., J. T. Patterson, president; Curtis & Curtis, L. B. Curtis, president; Feeney Tool Co., J. M. Feeney, president; General Electric Co., W. S. Clark, general manager; Handy & Harman, G. C. Gerrish, works manager; Heppenstall Forge Co., C. S. Lindsay, treasurer; Housatonic Machine & Tool Co., J. W. Weir, president; Harvey Hubbell (Inc.), G. S. Hadley, secretary; International Silver Co., J. G. Ludlum, general manager; Ives Manufacturing Corporation, H. C. Ives, president; Jenkins Bros., C. V. Barrington, general manager; Jennings Bros. Manufacturing Co., E. A. Jennings, secretary; Locomobile Co., E. L. Larson, general manager; Manning, Maxwell & Moore (Inc.), C. H. Graesser, works manager; Manufacturers' Iron Foundry, F. R. Carstensen, treasurer; The W. S. Mills Co., W. S. Mills, treasurer; Monumental Bronze Co., R. M. Sperry, general manager; The A. H. Nilson Machine Co., A. H. Nilson, president; N. Palmer & Co., F. C. Clark, president; Parrott Varnish Co., Harry Hudler, secretary; Pequonnock Foundry, G. E. Kirsten, president; The Porcupine Co., J. K. Williamson, president; Remington Typewriter Co., C. W. Berry, works manager; Salts Textile Manufacturing Co., Frederick Rhodes, treasurer; F. C. Sanford Manufacturing Co., F. C. Sanford, president; Siemon Hard Rubber Corporation, C. F. Siemon, president; The Sprague Meter Co., W. P. Hutchinson, general manager; Springfield Manufacturing Co., H. F. Brandes, president; Spring Perch Co., J. C. Hawley, treasurer; Standard Coupler Co., G. H. Wood, general superintendent; Stanley Rule & Level Co., C. E. Zink, general manager; Tait & Sons Paper Co., W. G. Prior, secretary; The T. P. Taylor Co., F. M. Hammond, president; White Manufacturing Co., C. O. Matthews, general manager; Wolverine Motor Works, L. I. Snyder, treasurer.

BULLETIN OF THE MANUFACTURERS' ASSOCIATION OF THE CITY OF BRIDGEPORT, CONN. (INC.).

AMERICAN VALUATION.

[No. 1962.]

JUNE 3, 1921.

Important: Please act on this matter immediately or pass it on for the attention of the proper official. Do not lay it aside or allow it to be filed away.

President Harding, Secretary Hoover, the Chamber of Commerce of the United States, the Manufacturers' Association of Connecticut, and practically all industrial

organizations and plants favor with unusual unanimity the American valuation basis for levying ad valorem import duties.

The call has gone from coast to coast for every organization to do its bit toward impressing upon Congress the fact that the manufacturing interests of the entire Nation demand the adoption of American valuation.

In order that this association may take a concise and united stand in reference to this question, each member in favor of American valuation is urged to sign and return to this office the attached authorization on or before Wednesday, June 8.

ALPHEUS WINTER, *General Manager.*

AUTHORIZATION.

ALPHEUS WINTER,
*General Manager Manufacturers' Association.*

You are hereby authorized to affix the signature of this company as it appears below to the proposed petition covering American valuation, for presentation to the members of the appropriate congressional committees.

## STATEMENT OF FREDERICK B. WILCOX, SECRETARY AND TREASURER, AMERICAN TEXTILE CO., PAWTUCKET, R. I.

Mr. WILCOX. The American Textile Co., Pawtucket, R. I., which we represent, manufactures laces, veils, net, and kindred fabrics on Levers machines. We favor American valuation, with rates on raw material and finished goods in proportion.

Our plant employs about 450 and is the largest plant in the United States making laces of the character previously referred to. The value of our production in 1919 was in excess of $900,000 as compared with $6,608,000 total production of Levers laces as reported in 1919 to the Census Bureau.

Senator WATSON. That is the whole production?

Mr. WILCOX. In this country—in the United States.

Senator WATSON. That is, you manufacture $900,000 worth of the $6,000,000 in the United States?

Mr. WILCOX. That is right, sir.

In order to place before the committee a typical case covering the most staple article of manufacture in the lace business, we have attached Exhibit A, showing three samples of val lace which are imported and sold in this country after the payment of all duties under the present emergency tariff, at a price with which it is impossible for us to compete. To show the importance of the manufacture and sale of val laces by domestic manufacturers, would say that not less than 40 per cent of the sale of laces on Levers, should, under normal conditions, be obtained from the sale of the laces of this character.

Nos. 10989, 22373, and 22370 are of foreign manufacture and priced at 20 cents, 30 cents, and 30 cents per dozen yards, respectively, this being the selling price in the New York market at the present time, as confirmed by Exhibits B and C. Nos. 22373 and 22370 are a much better quality than are numbers of our manufacture. Nos. 9802 and 9807, which appear also on Exhibit A, and these sold for 32 cents, show no profit to the American Textile Co., this being the bare cost, included in this cost the selling expenses, but no charge for depreciation of the plant, machinery, etc. We wish to particularly emphasize the fact that No. 01989, priced at 20 cents, is either greatly undervalued on a proportionate basis of size or else the other two foreign numbers (22370 and 22373) are greatly overvalued from

the standpoint of the foreign selling price. In either event it is impossible for domestic manufacturers to compete with a variation of prices running from 10 to 30 per cent as compared with goods landed in this country with all duties paid. We can supply the committee with hundreds of similar cases if it is the desire of the committee to have such statistical data on file.

Senator WATSON. Could you not sufficiently protect your product by a rate high enough? Why do you have to have American valuation?

Mr. WILCOX. Because that is the fairest basis we can go on. The great trouble in the past has been the undervaluation. With the importers themselves, when we tried to sell laces in years past, it has openly been a joke with them that most laces were definitely undervalued when they came into this country.

Senator DILLINGHAM. Do you think most of them were undervalued?

Mr. WILCOX. I would not say most. I think many of them were undervalued at the customhouses.

Senator DILLINGHAM. What proportion of them would you say were undervalued?

Mr. WILCOX. I do not think anybody in the world could give an intelligent opinion as to that.

Senator DILLINGHAM. But you have some information on the subject.

Mr. WILCOX. We know this, that on the val laces, which constitute from 40 to 50 per cent of the lace made on the Levers machine, it is impossible to compete with foreign prices.

Senator WATSON. Do those come mostly from Switzerland?

Mr. WILCOX. Mostly from France. Of course the exchange situation is a factor there, but it has always been so under normal exchange conditions since the Aldrich bill was changed to the Underwood bill.

Senator DILLINGHAM. How does the price at which they have been sold in this country compare with your production cost?

Mr. WILCOX. The price at which they have been sold in this country is generally from 10 to 25 per cent less than our production cost; that is about the way it would figure in these exhibits that I am filing with the committee.

In connection with the argument frequently advanced that it would be impossible for the customs department to obtain the American valuation of goods landed in this country, would say that the customs department has been valuing for years the cotton yarns imported by this company, which yarns are made exclusively in England, there being no American manufacturers of this product in the finer counts, which in some cases are used by us.

We have also included in Exhibit D the actual duty paid by us under the present tariff on purchases of yarn made during the past two years, to show the wide fluctuation of such duty payments because of the difference in price as between the date of purchase of the yarns and the date of the invoices. As compared with the duty under the present tariff of 2 2½ per cent to 27½ per cent, the duty actually paid by the American Textile Co. has ranged from 11 per cent to 58½ per cent, because of the fluctuation in prices and exchange rates during the last two years. (See Exhibit C.) We believe that such fluctuations are inevitable during such a period and that they

would be no greater under the American valuation plan. As a matter of fact, under the American valuation plan, the importer who purchases goods abroad should certainly be as well assured of the cost landed in this country as has been the case during the last two to five years, as the importers have been subjected to the same fluctuations that we have in landing importations.

The lace industry has suffered for many years from undervaluation of imported laces and to such an extent that without American valuation, we believe the lace industry is doomed in this country. The American Textile Co. has a capital investment of $700,000 and in only one year of the last 7 years has it earned an operating profit, notwithstanding the most rigid economy in all departments of its business. (See Exhibit E.) The president and treasurer have served for many years without salary or any compensation whatever, and the board of directors have also for many years given their services to the company as required without compensation, even as represented by a nominal director's fee.

During the last five years, three lace manufacturers in Rhode Island have gone out of business as a result of the general conditions affecting the industry, and one other company has recently been reorganized with a very large loss to the original investors in the enterprise.

Are there any questions?

The CHAIRMAN. How much of an increase in duty do you need on the basis of the American valuation?

Mr. WILCOX. We feel that on the basis of the former duty, the same duty should be placed on lace in the new bill as was placed upon it in the old bill, with the American valuation plan both for yarn and lace; that is, the duty on imported yarn, which is freely used by the lace manufacturers, has not been reduced. It remains the same. We feel that the duty on lace should remain the same as in the old act, substituting the American valuation.

Senator WATSON. The present law?

Mr. WILCOX. Yes, sir; substituting the American valuation for the foreign valuation.

Senator MCCUMBER. You want an increased duty, in effect?

Mr. WILCOX. Yes, sir.

The CHAIRMAN. What increase would it be over the Payne-Aldrich rate?

Mr. WILCOX. The Fordney bill as passed by the House increases the duty about 10 per cent I should say over the Payne-Aldrich rate. The present rate of duty on the basis of American valuation would probably show an increase of about 80 per cent over the Payne-Aldrich rate. The lace manufacturers on the basis of American valuation would of course be obliged to pay much higher prices for imported yarn than under the Payne-Aldrich act.

(The exhibits referred to are as follows:)

EXHIBIT B.

NEW YORK, *July 25, 1921.*

AMERICAN TEXTILE CO.,
*Pawtucket, R. I.*

GENTLEMEN: The most staple set of vals in our line, as you know, is the gooseneck set, our No. 9807 set. At the prices at which we have this set marked to-day it is simply impossible to sell it on account of the European competition. Inclosed

please find a sample of a double gooseneck, No. 010989, being sold in small quantities in the market by Hyman Bauman & Co., 115 Fifth Avenue, at 20 cents per dozen, regular terms, 7/10/60 extra. One of their salesmen stated to a customer to-day if they would buy a quantity, they could give them a lower price even than 20 cents a dozen. You can readily see that we are up against it, as in my opinion our machines will not be able to start again on vals as it is simply out of the question to try and do any business with this line. No doubt I will have other samples to send you of gooseneck vals showing that all the importers can undersell us.

Inclosed please also find a much finer set than ours, Nos. 22373 and 22370, at 30 cents per dozen, regular terms, being sold in the market by Goodman & Dessauer. If any customer wanted to buy a quantity from them no doubt they can sell it cheaper.

Regret exceedingly that conditions are such that we can not possibly sell any vals for you, but as I have submitted so many times samples showing how cheaply importers can sell vals and still make a profit, I am sure you understand it.

Yours, truly,

AMERICAN TEXTILE CO.
E. A. FREEMAN.

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EXHIBIT C.

Sample 010989. Offered by Hyman Bauman & Co., 115 Fifth Avenue, New York City, at 20 cents per dozen.

Analysis shows: Made of 140/2 and 90/1 yarn; 12 point machine; 16 carriage width; 16 inches to the rack quality.

Samples 22373 and 22370. Offered by Goodman & Dessauer, Eighteenth Street and Fifth Avenue, New York City, at 30 cents per dozen.

Analysis shows: Made of 140/2 and 90/1 yarn; 12 point machine; 20 carriage width; 16 inches to the rack quality.

Both these samples are standard merchandise. Both are made of the same material and the quality is exactly the same, the only difference being the width.

It is seen that the prices are inconsistent. If the price of 22373 and 22370 is correct and not overpriced, pattern 010989 represents undervaluation or dumping.

Compare our No. 9802 and No. 9807 standard vals, which under present conditions figured with to-day's price on raw material and to-day's reduced labor, 9802 and 9807 can not be sold at 30 cents per dozen without loss, and patterns 22370 and 22373 are better quality than our 9802 and 7.

Pattern 010989 should be priced at not less than 16/20 or 4/5 of the selling price of pattern 22373 (30 cents) or 24 cents per dozen.

This is not an isolated or unusual case, but merely illustrates what is happening continually and has been going on for years to the detriment of the domestic lace industry. This can easily be verified by any domestic manufacturer.

American valuation may not entirely remedy this condition, but it certainly will go a long way toward it.

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EXHIBIT D.

AMERICAN TEXTILE CO.,
*Pawtucket, R. I., July 29, 1921.*

The lace trade uses fine counts of yarn at present not manufactured in this country, so we are compelled to import from England our so-called "bobbin yarns." We are importers as well as manufacturers. We use approximately $200,000 worth of imported yarns a year. The accompanying list shows the percentage of duty paid on the various yarns which we have imported. This percentage is figured on the price paid to the English spinner. It will be noted that the amount of duty actually paid is quite different from the ad valorem rate. This is brought about by the fluctuation in the prices abroad as well as the variance in exchange.

| Count. | Duty. | Paid on purchase price. | Count. | Duty. | Paid on purchase price. |
|---|---|---|---|---|---|
| | *Per cent.* | *Per cent.* | | *Per cent.* | *Per cent.* |
| 70/1 | 22½ | 11½-53½ | 140/2 | 27½ | 22½-42½ |
| 90/1 | 25 | 33 -36½ | 160/2 | 27½ | 19½-58½ |
| 98/2 | 25 | 11 -25 | | | |

*Cost per pound of yarns from Europe for American Textile Co.*

| Date of order. | Date of invoice. | Count. | Price per pound paid spinner. | Duty per pound. | Per cent invoice value paid for duty. | Cost per pound. |
|---|---|---|---|---|---|---|
| Mar. 6, 1918 | Jan. 18, 1919 | 160/2 | $2.55 | $0.83 | 32½ | $3.38 |
| June 27, 1919 | Oct. 9, 1919 | 90/1 | 2.39 | .79 | 33 | 3.18 |
| July 1, 1919 | do | 140/2 | 2.21 | .85 | 38½ | 3.06 |
| Do | Oct. 28, 1919 | 140/2 | 2.21 | .93 | 42 | 3.14 |
| June 27, 1919 | do | 90/1 | 2.39 | .87 | 36½ | 3.26 |
| Do | do | 90/1 | 2.39 | .80 | 33½ | 3.19 |
| Aug. 1, 1919 | do | 140/2 | 2.21 | .85 | 38½ | 3.06 |
| June 27, 1919 | Jan. 2, 1920 | 90/1 | 2.40 | .88 | 36½ | 3.28 |
| Aug. 1, 1919 | do | 140/2 | 2.23 | .95 | 42½ | 3.18 |
| Do | Jan. 8, 1920 | 140/2 | 2.23 | .75 | 33½ | 2.98 |
| Do | Jan. 9, 1920 | 140/2 | 2.16 | .69 | 32 | 2.85 |
| Nov. 14, 1919 | do | 140/2 | 2.92 | .69 | 23½ | 3.61 |
| Aug. 1, 1919 | Jan. 19, 1920 | 140/2 | 2.16 | .72 | 33½ | 2.88 |
| Nov. 14, 1919 | Feb. 5, 1920 | 140/2 | 3.02 | .68 | 22½ | 3.70 |
| Oct. 14, 1919 | Feb. 22, 1920 | 140/2 | 3.02 | .76 | 25 | 3.78 |
| Jan. 1, 1920 | Feb. 26, 1920 | 140/2 | 3.51 | 1.24 | 35½ | 4.75 |
| Do | Mar. 10, 1920 | 140/2 | 3.51 | .85 | 24 | 4.36 |
| Do | Mar. 24, 1920 | 140/2 | 3.51 | .96 | 27½ | 4.47 |
| Do | May 11, 1920 | 140/2 | 3.48 | 1.27 | 36½ | 4.75 |
| Jan. 2, 1920 | Aug. 9, 1920 | 98/2 | 3.11 | .34 | 11 | 3.45 |
| Nov. 19, 1919 | do | 160/2 | 2.95 | .77 | 26 | 3.72 |
| Jan. 2, 1920 | Nov. 22, 1920 | 98/2 | 3.11 | .41 | 13 | 3.52 |
| Nov. 19, 1919 | Dec. 23, 1920 | 160/2 | 2.95 | .77 | 26 | 3.72 |
| Jan. 2, 1920 | do | 98/2 | 3.11 | .34 | 11 | 3.45 |
| Do | Jan. 18, 1921 | 98/2 | 3.11 | .34 | 11 | 3.45 |
| Do | Jan. 24, 1921 | 160/2 | 2.95 | .75 | 25½ | 3.70 |
| Do | do | 160/2 | 3.87 | .75 | 19½ | 4.62 |
| Do | Jan. 31, 1921 | 98/2 | 3.11 | .34 | 11 | 3.45 |
| Do | Feb. 9, 1921 | 160/2 | 3.83 | .75 | 19½ | 4.58 |
| Do | Feb. 26, 1921 | 160/2 | 3.83 | .77 | 20 | 4.60 |
| Do | Mar. 21, 1921 | 160/2 | 3.83 | .77 | 20 | 4.60 |
| Do | Apr. 4, 1921 | 160/2 | 3.83 | .77 | 20 | 4.60 |
| Do | May 9, 1921 | 160/2 | 3.83 | .85 | 22 | 4.68 |
| Sept. 4, 1918 | Nov. 22, 1918 | 160/2 | 2.84 | .80 | 28½ | 3.64 |
| Do | Dec. 13, 1918 | 160/2 | 2.84 | .80 | 28½ | 3.64 |
| Sept. 4, 1918 | Jan. 31, 1919 | 160/2 | 2.84 | .86 | 30½ | 3.70 |
| | | 160/2 | 3.07 | .86 | 28 | 3.93 |
| May 10, 1919 | June 5, 1919 | 140/2 | 2.13 | .65 | 30½ | 2.78 |
| Do | June 25, 1919 | 140/2 | 2.12 | .65 | 30½ | 2.77 |
| | | 90/1 | 2.33 | .64 | 27½ | 2.97 |
| July 8, 1919 | July 17, 1919 | 140/2 | 2.03 | .79 | 39 | 2.82 |
| | | 70/1 | 1.87 | .57 | 30½ | 2.44 |
| Aug. 12, 1919 | Sept. 11, 1919 | 160/2 | 3.02 | .97 | 32 | 3.99 |
| July 8, 1919 | do | 70/1 | 1.85 | .56 | 30½ | 2.41 |
| Aug. 12, 1919 | Oct. 10, 1919 | 160/2 | 3.02 | .97 | 32 | 3.99 |
| July 8, 1919 | do | 70/1 | 1.85 | .57 | 30½ | 2.42 |
| Aug. 12, 1919 | Oct. 27, 1919 | 160/2 | 3.02 | 1.00 | 33 | 4.02 |
| July 8, 1919 | do | 70/1 | 1.85 | .57 | 30½ | 2.42 |
| Aug. 12, 1919 | Dec. 3, 1919 | 160/2 | 3.02 | .80 | 26½ | 3.82 |
| July 8, 1919 | do | 70/1 | 2.10 | .49 | 23½ | 2.59 |
| Aug. 12, 1919 | Jan. 16, 1920 | 160/2 | 3.04 | .76 | 25 | 3.80 |
| Oct. 16, 1919 | do | 70/1 | 2.17 | .43 | 19½ | 2.60 |
| Aug. 12, 1919 | Feb. 9, 1920 | 160/2 | 3.03 | .83 | 27½ | 3.86 |
| Oct. 16, 1919 | do | 70/1 | 2.16 | .53 | 24½ | 2.69 |
| Aug. 12, 1919 | Mar. 1, 1920 | 160/2 | 3.04 | .84 | 27½ | 3.88 |
| Oct. 16, 1919 | do | 70/1 | 2.17 | .53 | 24½ | 2.70 |
| Dec. 31, 1919 | Apr. 15, 1920 | 160/2 | 3.04 | 1.78 | 58½ | 4.82 |
| Oct. 16, 1919 | do | 70/1 | 2.17 | .78 | 36 | 2.95 |
| Dec. 31, 1919 | May 10, 1920 | 160/2 | 3.78 | 1.90 | 50½ | 5.68 |
| Oct. 16, 1919 | do | 70/1 | 1.98 | .95 | 48 | 2.93 |
| Do | June 14, 1920 | 70/1 | 1.98 | 1.06 | 53½ | 3.04 |
| Dec. 31, 1919 | do | 160/2 | 3.78 | 1.96 | 52 | 5.74 |
| Oct. 16, 1919 | July 7, 1920 | 70/1 | 1.98 | 1.06 | 53½ | 3.04 |
| Dec. 31, 1919 | do | 160/2 | 3.78 | 1.96 | 52 | 5.74 |
| Dec. 24, 1919 | Aug. 20, 1920 | 70/1 | 3.07 | .35 | 11½ | 3.42 |

Cost do not include freight, consular fees, cost of spools and cases, cartage, customs entry, and clearance services.

EXHIBIT E.

*American Textile Co. operating results.*

[NOTE.—Operating deficits in italic.]

| | Gross sales. | Operating profits. | | Gross sales. | Operating profits. |
|---|---|---|---|---|---|
| 1913 | $594,890.30 | $596.68 | 1917 | $637,270.33 | *$88,658.20* |
| 1914 | 639,994.17 | *118,883.60* | 1918 | 716,224.17 | *38.95* |
| 1915 | 541,730.46 | *58,284.71* | 1919 | 934,832.97 | 101,571.39 |
| 1916 | 681,852.92 | *7,019.78* | 1920 | 668,327.01 | *8,833.58* |

The CHAIRMAN. Is there any gentleman present who has been overlooked and not been given an opportunity to be heard?

(No response.)

The committee will adjourn for the day, as the list of those who desire to be heard has been exhausted. We will resume to-morrow with the gentlemen who were to be notified to appear to-morrow, and with every prospect of closing the hearings on valuation and proceeding on Wednesday to the hearings on the embargo, which will close the open hearings, for the present, as already announced, until the committee can meet in executive session and consider the questions involved in valuation and embargo.

The witnesses are excused and the room will be cleared for the use of the committee.

(Whereupon, at 12.30 o'clock p. m., the committee adjourned until to-morrow, Tuesday, August 2, 1921, at 10.30 o'clock a. m.)

## Tuesday, August 2, 1921.

The committee met, pursuant to adjournment, in room 312, Senate Office Building, at 10.30 o'clock a. m., Hon. Boies Penrose presiding.

Present: Senators Penrose (chairman), Smoot, McCumber, Dillingham, Watson, McLean, Curtis, Simmons, and Walsh.

The CHAIRMAN. The committee will come to order. The hearing will be continued, and, it is hoped, will be finished to-day, on the individual testimony relating to American valuation, so called.

The first gentleman to be heard, according to the schedule, is Mr. H. D. Bowie. You represent Mr. J. L. Ambery, do you not?

Mr. BOWIE. I represent the American Doll Manufacturers' Association.

The CHAIRMAN. You are actually in the doll manufacturing business yourself?

Mr. BOWIE. Yes, sir.

The CHAIRMAN. Proceed.

### STATEMENT OF H. D. BOWIE, REPRESENTING THE AMERICAN DOLL MANUFACTURERS' ASSOCIATION, NEW YORK, N. Y.

Mr. BOWIE. The American valuation, which is the subject at hand, with regard to dolls, is the only subject which I care to talk about. The fact that dolls are manufactured at the present time in only two countries outside of the United States—Germany and Japan—puts dolls into the class of goods and merchandise manu-

factured only in countries of low labor costs; and under the present method of assessment of duties it is always in favor of the country that has the extremely low labor cost. There is no other country at the present rate of exchange and with the present wages that is able to compete in shipping dolls to the American market.

Previous to the war there were practically no dolls manufactured in America. During the war we built up an industry of about twelve to fifteen million dollars, without the competition of Germany. It was during the war that Japan entered into the field.

In the previous hearings before the Ways and Means Committee the question of duty on dolls came up. The rates asked for were far in excess of any before heard of, with the currency revision proposition which was expected at that time to be of some help to us, and then, when this new tariff bill was written, including the American valuation, we for the first time saw the possibility of competing with German merchandise and even with Japanese merchandise.

The market value of merchandise is absolutely unobtainable in such countries as Japan, for the reason that there are no dolls of the type imported into the United States made in Japan except for exportation. In the so-called commercial institute in Japan American manufactured products collected by the Japanese consular service are on display, with American prices, and it is from those samples of every conceivable kind of merchandise that the Japanese manufacture comparable merchandise and ship it to the American market.

There are absolutely no dolls similar to the type sold in America made in Japan for Japanese consumption. You could travel the whole length of Japan and you would not see them in any shop. The market price of the doll is the invoice value. There is no home market value of the merchandise.

Because of the fact that it has been testified here that there is keen competition in the doll business, I brought with me two small samples of practically comparable merchandise to show you and to quote the domestic selling price and the present wholesale selling price in New York of those two. I have them here in my grip.

This doll [indicating] is a doll of German manufacture, and this [indicating] is a doll of American manufacture. It was manufactured during the war without competition, but at the present time is in competition with German merchandise now coming in. This doll was bought from a jobber in New York at $11.18 a dozen. This doll [indicating] is the product of a doll factory in New York. The head is the product of a pottery factory in New Jersey, and the wig is made by a wigmaker in New York. The total assembled doll could be sold to the jobber or to the wholesaler in New York for about $30 a dozen.

Senator McCUMBER. The other is sold for how much?

Mr. BOWIE. $11.18.

Senator McCUMBER. After paying duty?

Mr. BOWIE. After paying duty. It is sold by a jobber to a retailer for resale; but this doll [indicating] will be sold by a manufacturer to a retailer for $30 a dozen.

The CHAIRMAN. Are they of similar weight and material?

Mr. BOWIE. The dolls are hardly exactly comparable. The German doll is a little shorter. The head is a little larger. It would be possible to secure an exactly comparable doll to this. The German merchandise runs up in varying ranges. The American merchandise, on account of the high cost of the dies and the machines, are made in fewer sizes. The German merchandise, being a home-made product, they have been able to make a considerably larger and longer range. If this doll were made in America in the same size it would cost very little different. It is simply the weight of the material, and the labor entering into it would be exactly the same.

Senator WALSH. Are these prices the prevailing current prices, or are they exceptional?

Mr. BOWIE. That doll [indicating] was bought from a jobber.

Senator WALSH. In the regular course of business?

Mr. BOWIE. In the regular course of business, and the price quoted is the manufacturer's regular price.

It would be easy enough to adjust the American valuation on merchandise made in this country. The fact of comparable merchandise entering into this in most countries, to my mind, would be simply for the reason that most of the merchandise imported into this country is manufactured from samples taken from this country to the other country for manufacture. In the case of Japan that is absolutely true. A sample is taken from this country by somebody interested in Japanese manufacture, and they copy the details. It should be easy and simple with that method of manufacture to find articles that are comparable, as they are manufactured from an article taken across.

There is one other point a little outside of the doll manufacture. We have at the present time been receiving large orders for this year's business which would be considered nothing before, but they are quite considerable orders from Canada, due to the fact that Canada has just placed a duty amounting to 12 cents on German merchandise, whereas the American department stores are standing still, or, as you have heard so often, on their way back, having bought German merchandise.

It seems possible, according to the reports that we see in the papers that German competition will be ruinous. For instance, the New York Times has an article, dated July 25, headed "German industries entering on a boom; artificially cheap labor and coal are basis of general revival in many branches."

It goes on to say, in short:

> The simple explanation of the mystery of Germany's economic revival is hard work plus cheap raw materials, artificially cheap coal and labor, the latter conditioned by artificially cheap bread and housing, all artificial because maintained solely by State control through fixed maximum prices.
>
> The Journal of Commerce and Commercial Bulletin of July 29, 1921, has a long article on the low wages in Germany, which says, among other things:
>
> "The current opinion that Germany (given complete freedom to export, which does not at present exist) could undersell the other great commercial nations is unquestionably correct, for, measured by their gold equivalent, German wages are indeed extraordinarily low. In May the average hourly wage of a skilled metal worker was 6.60 marks, which at present dollar exchange is about 10 cents gold."

I simply quote those extracts to show the comparison with the wages in America in the doll factories to-day. Last year the average wage paid in New York State for factory labor I understand was about $25. We were paying an average wage to our workers last

year of $27. That included both men and women, with a percentage slightly in favor of the women. The workers in the pressroom who make these dolls make an average of $40. There are at present in New York City over 2,000 people who were formerly employed in doll manufacturing out of work.

Senator SMOOT. You refer to the wage per week?

Mr. BOWIE. Yes, sir. There is only one factory working in New York, which happens to be our own, and we are operating on one-quarter time. The other three so-called large factories have been closed tight since practically the first of the year.

Senator WALSH. What is the high-water mark of activity in this industry during the year?

Mr. BOWIE. During the war the demand for goods in this country made the buying season compare with the former import buying season. In January, February, and March we secured our orders and started to manufacture against orders in hand. I might say that for the past four years that condition prevailed, and we always had something to look forward to. This year, in January, February, March, and April, our sales were about one-tenth of what they were in the previous year, and as we went on manufacturing we have in stock about three times as much goods as we have sold.

Senator WALSH. That would indicate that the wholesalers and retailers are holding back their orders?

Mr. BOWIE. The wholesalers and retailers have gone abroad and placed a certain amount of business abroad and are either waiting for that merchandise and not intending to place orders with us, or they anticipate lower prices in this country.

I suppose that we are in the same fix as every other manufacturer. There is very little buying.

It is within the province, I think, of this committee to make a drastic change in tariff legislation, such as American valuation, and that will immediately start this country on a buying basis, because if this American valuation goes through nearly everybody will know exactly what the merchandise is going to cost, and we will at least start in. We need some very drastic legislation of this type, which would overthrow the customs service work for the past hundred years and put them on an entirely new basis.

Senator WALSH. Prior to the war can you state what percentage of the dolls sold in this country were imported?

Mr. BOWIE. Previous to the war I think there were about $2,000,000 worth of dolls imported.

Senator WALSH. What was the value of the product made in America?

Mr. BOWIE. The product made in America at that time, I think in 1914, was around three-quarters of a million dollars. During the war that business grew to about $12,000,000, due to the fact that there were about 125 to 130 manufacturers who entered the field.

Senator WALSH. So that the consumption, so to speak, of dolls during the war increased from three-quarters of a million to twelve millions?

Mr. BOWIE. Previous to the war we had very little export business. Two years ago we sold over $100,000 worth of goods in South America. At the present time we can not sell a dollar's worth of goods in South America.

Senator SMOOT. The prices were a great deal higher, too.

Mr. BOWIE. It would represent quite a decline in prices, this year.

Senator WALSH. Those are very startling figures; do you not think so, gentlemen, that this industry should increase during the war from three-quarters of a million dollars to twelve million dollars?

Mr. BOWIE. That was due primarily to the fact that there was an effort to sell the dolls in this country due to the possibility of being able to put dolls in places where they had never reached before, but other countries can come back and get into the fields we have opened.

I just want to say one thing more about the value of the merchandise abroad with the idea of the buyer of the merchandise in view.

I had the pleasure of going abroad and buying merchandise. When a man goes abroad to buy merchandise he has one thing in view—he goes to buy and to compete with the merchandise manufactured in America. He knows the value of the merchandise before he goes abroad. If he knows the duty is 10, 20, or 30 per cent, he knows exactly, when he goes abroad, how much less he has to pay in order to compete. It seems only natural that the buyers should go to the nation where they know that the labor costs are low, where merchandise can be produced 75 per cent cheaper than it can be produced in this country. When the merchandise comes into this country this country collects a duty of 25 per cent of the real value of the merchandise.

There is another feature, that merchandise coming into this country to-day is coming in at prices ridiculously low. There have been prices quoted in these various hearings that it seems almost impossible that merchandise could be made for; and that merchandise is not always comparable, as I am frank to admit has been brought out. It is to a certain extent camouflaged merchandise.

If the American valuation should be adopted and you place a duty on an article that that is supposed to represent—and they claim that it is the same in material, looks, fabric, and everything—there would be more value in the merchandise than we are getting from the other side, because it would hardly pay a man to buy an article for 5 cents if he knew he was going to pay 25 cents duty on it. The flood of cheap merchandise, which, to a certain extent, is the curse of this country, would be stopped more by this American valuation than by assessing any amount of duty that could be put on, because it would bring the merchandise up to the standard of good merchandise.

The CHAIRMAN. The next gentleman to be heard is Mr. H. C. Ives.

### STATEMENT OF H. C. IVES, REPRESENTING THE TOY MANUFACTURERS OF THE UNITED STATES OF AMERICA (INC.), NEW YORK, N. Y.

The CHAIRMAN. You appear for Mr. F. D. Dodge, do you not, Mr. Ives?

Mr. IVES. Yes, sir; I appear for Mr. Dodge and for the Toy Manufacturers of the United States of America. I am also a manufacturer in Bridgeport, Conn., and head of the Ives Manufacturing Corporation.

The CHAIRMAN. You are a toy manufacturer yourself?

Mr. IVES. I am, sir.

The CHAIRMAN. Will you state briefly your views?

Mr. IVES. Yes, sir; I will be very brief. I have a statement to submit, and I would like to make a few remarks in connection with it.

In submitting our statement on American valuation we desire to state in the beginning that we shall discuss this question only on its merits as the basis for assessing ad valorem duties.

The opponents of American valuation are experts on foreign invoice values or importers.

The proponents are men who are experts on American market values or Government officials whose duties require them to weigh evidence.

Government experts who have spoken in favor of American valuation are such men as Judge Marion De Vries, Chief Justice of the United States Court of Customs Appeals; Hon. Herbert C. Hoover, Secretary of Commerce; and James B. Reynolds, for five years Assistant Secretary of the Treasury in charge of the Customs Service—men trained to consider evidence and to determine whether a case has been proved. These men are unanimous in their testimony that foreign valuation has failed and that American valuation is necessary and feasible. Those who have been for years hearing evidence on foreign market values maintain that they are seldom accurately obtained and that instead the invoice values of individual shipments are used as the basis for estimating duties. And still further, that those invoice values are not in many cases true values. Sufficient evidence has been introduced to prove beyond any reasonable doubt that great pains has been exercised by foreign exporters to confuse or conceal the true foreign market value.

Experts who have appeared in opposition to American valuation are Government employees whose duties are to find values and who, we understand, in practice come to depend upon invoices from abroad for their information.

Employees whose work is of this type are proverbially opposed to change as any employer can testify.

I have just had a case of that kind in my own plant in reorganizing the detail workers, those who have been working on detail. These employees objected to the reorganization scheme and did not want it. As soon as they found out how the new scheme would work and how the work was coming on they are the most valuable ones that we have. I think when they come to see what this thing means you will have a wonderful lot of workers in connection with the American valuation plan.

The business men who are coming here to oppose this change are either importers who are really agents of foreign manufacturers, or merchants who import a greater or smaller volume of goods. The opposition of the first class is easily understood—they naturally prefer a system which in practice takes invoice values as the basis for duties and which leaves the determination of the accuracy of those values to agencies located in a foreign country surrounded by all the difficulties that it is possible to impose.

That is one of the evils that we feel exists at this time, and it is hard for me, at the same time, to comprehend why the American merchant is so much in favor of the old régime. Certainly every dollar's worth of merchandise which is imported into the United States and sold takes that much away from the purchasing power of the American public.

One has only to go up through New England to see what real depression is. The entire section of New England, where most of

the small articles are made—notions, buttons, and everything of that description which the import articles conflict with—is practically dead. I am quite sure that if you should go through the mercantile establishments of the country to-day you would find them fairly well stocked with German merchandise while our own plants are lying idle.

When it comes to the discussion of the ease of determining American values we feel that there is no one more competent to speak on that point than the American business man. He certainly is qualified; and as far as determining American values is concerned, he certainly is competent to do it himself, because he has to buy American products from all over the United States, from all points, and has to buy them far in advance.

There is no difficulty whatever in determining American values. The business man buys his materials on that basis, and therefore there is no difficulty whatever in the Government's finding out what the American values are.

Senator SIMMONS. That might be so if a particular product was produced in the United States; but suppose it is not produced in the United States, but there is some other product sold in the United States as a sort of substitute for it of comparable value. Would you have difficulty then?

Mr. IVES. I would say not, sir. There is the established American value there. That is brought down by the local competition, American competition, one man with the other.

Senator SIMMONS. How would you establish comparable value? The thing is not produced here. You want to find something that is produced here with which you can compare it. You tell the committee that you would find no difficulty in finding that thing of comparable value. Why, in your judgment, should we adopt comparable value for the purpose of increasing the valuation if the thing is not produced in the United States at all?

Mr. IVES. If the thing is not produced in the United States, it would seem to be entirely up to the judgment of the customs officials.

Senator SIMMONS. What is your idea, where a thing is not produced in the United States, of forcing up its value by comparing it with some other product? What is accomplished upon the theory of tariff protection? What is accomplished by that? If the thing is not produced at all in the United States, why should you go about seeking something of comparable value for the purpose of raising the valuation of that?

Mr. IVES. We could not.

Senator SIMMONS. You could not under the act? Is that your construction of it? That is not my construction of it.

Mr. IVES. It would seem to me that that is a matter entirely in the discretion of the customs officials. If an article is not comparable with any other article in America, they have to use their own judgment.

Senator MCCUMBER. If it is sold in America, they can find out the selling price in America?

Mr. IVES. They could.

Senator SIMMONS. But there is produced in this country something of comparable value. I think that is the language of the act. You

think that you ought to make that the standard for the valuation of that product?

Mr. IVES. I have a little example here. Take the duty on toys, which, under this bill, I believe, is 10 per cent. The toy costs in Germany $6. The American price on competing merchandise is $10. The cost of the German article, including the duty, would be $10. If the American manufacturer should raise the price to $12, the German toy would then cost $6 plus 40 per cent of $12 ($4.80), or $10.80; $10.80 immediately gives the importer an advantage of $1.20 over the American manufacturer.

Senator SIMMONS. In other words, if you are producing a toy and Germany is not selling that specific toy at all, and you can find some other toy that the children might like just as well and it would sell just as well as that, then you value the article that you produce just according to the value of this toy that you think is just about as popular as your toy?

Mr. IVES. If it is comparable.

The CHAIRMAN. Are not the cases where there is nothing comparable very rare?

Mr. IVES. Quite so.

Senator SMOOT. I think the bill provides for that.

Senator SIMMONS. Then you leave it very largely to the discretion of the appraiser to go out and find something comparable.

Senator SMOOT (reading):

* * * shall mean the value of the imported merchandise on said date for sale (whether or not there shall be an actual sale), for consumption or use in the United States in its condition, etc.

Senator SIMMONS. I am talking about finding a comparable article. As I understand this witness and as I understand this bill, the appraiser would go out and look for something of comparable value. Of course, he would be aided very largely by the producer in this country in finding it, but in the last analysis you would have to rely upon the judgment of the appraiser as to whether it was of comparable value or not.

The CHAIRMAN. The case is so rare, as I understand it——

Senator SIMMONS. If it is so rare, there might not be any particular necessity of including it. It is only upon the theory that it occurs frequently——

The CHAIRMAN. It does not occur frequently.

Senator SIMMONS (continuing). That there is any excuse for injecting this very indefinite and uncertain element into this bill.

Mr. IVES. I might say for your further information that every year, early in the season, in New York there is held what is called a toy fair. At that fair the products of the toy manufacturers are shown, from the big manufacturers to the small manufacturers. Every line is represented there. Prices at that time are quoted for the year. It is a very simple matter for an appraiser to visit that fair and familiarize himself with prices. In fact, all the buyers attend that fair before going abroad, and the foreign manufacturers get a line on what the American manufacturer is doing at the same time. It is the simplest matter in the world to make comparisons and get all the data necessary.

Senator SIMMONS. Say, for instance, that you are producing a child's horn. Suppose the Germans send in a horn that is something

like it and that is much more popular than yours, because probably it is a little differently made. Do you think that you should compare those two things in order to get the value?

Mr. IVES. Comparable price and quality.

Another thing that it has a tendency to do is to get the American manufacturer up on his toes and keep him alive and keep him working, planning and contriving to beat his foreign competitor. It also means that the foreign competitor is going to do the same thing, which results in better merchandise. We must be put on a parity.

Senator SIMMONS. If you are producing enough toys in this country for the children, although the Germans may have some other toys that are altogether different from yours, you do not want them to come in and sell them to the fathers and mothers in this country except at the price of having the value of their toys raised to the value of your toys, although they may be of a different kind or character?

Mr. IVES. There is very little chance for variation, sir. It is a matter of the ingenuity of one manufacturer compared with that of another——

Senator MCCUMBER. Is there anything imported from Germany or elsewhere that has not its prototype in America?

Mr. IVES. Hardly.

Senator MCLEAN. Do you not think that the rising generation of American children can be safely brought up on American toys?

Mr. IVES. Absolutely; and the matter of a toy is a matter of the early education of the child. Why not bring them up on American ideas instead of on German ideas? There is the point. Why buy German toys for American children, or why buy Japanese toys?

Senator SIMMONS. Why not follow your argument right on and say that America can produce anything she needs, and therefore we do not want anything to come from abroad?

Mr. IVES. We want to do as Germany does. We want to accept those things that we need and not accept those things that we do not need. We could not ship a toy into Germany to-day, but Germany ships them into this country.

Senator SIMMONS. You would like to see an embargo upon every product that is produced——

Mr. IVES. No, sir; you do not get me right.

Senator SIMMONS. That is the logic of your proposition.

Mr. IVES. I want to see the American toy manufacturer have a fifty-fifty break with the foreign importer. That is a good sporting man's proposition. We do not want anything more.

Senator MCLEAN. Is there any reason why we should give Germany the benefit of the doubt?

Mr. IVES. Not to my way of thinking. I believe in America for the Americans.

Senator SIMMONS. I am perfectly willing, if you gentlemen want to frame a tariff to protect a similar article produced in this country, that you should do it; but if you want to frame a tariff which indirectly would work an embargo, I am against it.

Mr. IVES. If you will take pains, sir, to look at the brief submitted by the Toy Manufacturers of the United States of America you will find that all they ask for is a good sporting man's chance, a fifty-fifty break. If that is not good enough for anybody, I do not know what is.

Senator SIMMONS. My own judgment about it is that this provision is introduced for the purpose of starting out upon a scheme of embargo.

Mr. IVES. I never got that impression from it.

Senator SMOOT. That is the first time I have ever heard it intimated.

Senator WATSON. Senator, if you did not impose a tariff that would protect the American manufacturer from an article that is comparable to what is being made in this country, you might just as well not have a tariff at all.

Senator SIMMONS. Senator, there is hardly anything in certain lines where you can not find something that can be used as a substitute for it.

Senator WATSON. That is quite true; but if you do not protect the American manufacturer from that article that is comparable to what he is making, you might just as well not have a tariff, because that comparable article comes in and puts him out of business.

Senator SIMMONS. This provision not only purports to protect a particular article and to further protect it by raising the valuation, but it proposes to extend that same protection to every article that could be used as a substitute for it.

Senator SMOOT. Not at all.

Senator WATSON. Is not that entirely right?

Senator SIMMONS. No. Put the duty directly upon the substitute, if you want to, but not put it indirectly upon the substitute.

Senator WATSON. We will argue that out in the committee.

Mr. IVES. I have here a statement or brief as drawn up by the association which I will submit. It covers the field.

The CHAIRMAN. It will be printed in the notes as a continuation of the witness's statement.

Mr. IVES. I would like to have it entered as evidence, sir.

The CHAIRMAN. I want to tell all the witnesses, as I have done heretofore, that if they will apply to the clerk ample opportunity will be given them to correct the proof of their remarks. It is the desire of the committee to have them as accurate as may be. It is the fault of the gentlemen concerned if they let them get into the permanent record in any slipshod way.

Senator WATSON. Have wages been reduced in your establishment?

Mr. IVES. Yes, sir.

Senator WATSON. How much?

Mr. IVES. I should say 10 to 12 per cent.

Senator SMOOT. What are you paying, now, on the average, for labor?

Mr. IVES. My position is this: I have a lot of employees that have been with me for a great many years, good, staid, steady people, and rather than come down too severely on the wage I have called them all in session and had a heart-to-heart talk, and increased production, which would seem to me is the more liberal way of doing, until such time as it is absolutely necessary to go further.

Senator MCCUMBER. You have increased their efficiency?

Senator WATSON. Pardon me. You did not answer the question. What is the average wage?

Mr. IVES. I am afraid that you have hit me on an embarrassing question, because they are divided up——

The CHAIRMAN. You employ a good many women, I suppose?

Mr. IVES. The women are getting on an average of $15 to $16 a week, which is a pretty good wage at this time. The pressmen are, on an average, on day work, of 50 cents an hour, but they are working on a bonus scheme which helps them out a little over that. It is a very good wage at this time.

The CHAIRMAN. Do you employ many children?

Mr. IVES. I can not do that.

The CHAIRMAN. You can employ them after they pass a certain age.

Mr. IVES. There are about a dozen that have to leave at 4.20 in the afternoon; that is, during vacation time. That is another point where we are terribly handicapped when it comes to foreign competition.

The CHAIRMAN. I know that.

Mr. IVES. We have to go up against child labor and home labor, all of which we can not do in our line of industry.

The CHAIRMAN. The committee realizes that and has had it presented to them.

Senator WALSH. Where is your factory located?

Mr. IVES. In Bridgeport, Conn.

The CHAIRMAN. Have you anything further to say to the committee?

Mr. IVES. Nothing, unless you have any further questions.

**BRIEF OF H. C. IVES, REPRESENTING THE TOY MANUFACTURERS OF THE UNITED STATES OF AMERICA (INC.).**

In submitting our statement on American valuation, we desire to state in the beginning that we shall discuss this question only on its merits as the basis for assessing ad valorem duties. We recognize that American valuation must stand or fall on that point. That fact, of course, is familiar to members of this committee, but so many witnesses have seemed confused in regard to it that we feel that it is wise to make our position clear at the opening of the argument.

Several witnesses have based their objections to American valuation on the ground that they consider the rates of duty in the bill as passed by the House of Representatives too high and prohibitive. Even if that were the case, such an argument does not prove that American valuation in itself is unreasonable and unworkable. The rate on toys may be too low but we defer all argument on that rate until your committee takes up consideration of that section of the tariff bill.

The opponents of American valuation are experts on foreign invoice values or importers.

The proponents are men who are experts on American market values or Government officials whose duties require them to weigh evidence.

Government experts who have spoken in favor of American valuation are such men as Judge Marion De Vries, Chief Justice of the United States Court of Customs Appeals, Hon. Herbert C. Hoover, Secretary of Commerce, and James B. Reynolds, for five years Assistant Secretary of the Treasury in charge of the customs service—men trained to consider evidence and to determine whether a case has been proved. These men are unanimous in their testimony that foreign valuation has failed and that American valuation is necessary and feasible. Those who have been for years hearing evidence on foreign market values maintain that they are seldom accurately obtained and that, instead, the invoice values of individual shipments are used as the basis for estimating duties. And still further, that those invoice values are not in many cases true values. Sufficient evidence has been introduced to prove beyond any reasonable doubt that great pains has been exercised by foreign exporters to confuse or conceal the true foreign market value.

Experts who have appeared in opposition to American valuation are Government employees whose duties are to find values and who, we understand, in practice come

to depend upon invoices from abroad for their information. Has one of them been a man who has tried in European countries or any country to get foreign market values? Can they show that the records which they have compiled in New York or other ports contain such data as of the date of exportation of any considerable portion of the merchandise they appraise? Reference was made before your committee to 500,000 numbers of laces on record in New York. Is any of that data, much less the bulk of it, anything other than foreign invoice values—not market value?

Employees whose work is of this type are proverbially opposed to change as any employer can testify. Such workers get accustomed to a certain method and their whole temperament rebels against a change. In any office in the country a change, such as the one proposed from foreign value to American value, would be vigorously opposed by the routine workers and could only be put into operation if the manager or owner, who correspond to the judicial and Treasury officers of the Government, found the need for it and insisted that the detail workers adopt the new principle and find the ways and means necessary to carry it out.

The business men who are coming here to oppose this change are either importers who are really agents of foreign manufacturers or merchants who import a greater or smaller volume of goods. The opposition of the first class is easily understood—they naturally prefer a system which in practice takes invoice values as the basis for duties and which leaves the determination of the accuracy of those values to agencies located in a foreign country surrounded by all the difficulties it is possible to impose. Further, it is necessary to disprove the invoice value, otherwise it stands. It is very difficult to secure the evidence that a court requires. Therefore the so-called cases of undervaluation do not measure the extent of undervaluations, because the greater bulk are cases in which undervaluation is strongly suspected but the legal evidence can not be obtained.

The opposition of the merchants who are dependent upon American workers for their trade is more difficult to understand. Why should the investment in hundreds of factories be jeopardized to save department stores from inconvenience in pricing a small per cent of their goods and appraisers from the trouble of developing a new system of records and new methods for finding values?

The American business men who are appearing in favor of American valuation are men who know from long experience that they suffer from evils that are inherent in foreign value as the basis for ad valorem duties. They say we know that imported goods have repeatedly been placed on sale at prices which can only mean that the full amount of duty was not collected. They are helpless to assist the Government in determining foreign values but are able and ready to place their own records at the disposal of the Government, and these will prove American values adequately and easily.

And when it comes to the discussion of the ease of determining American values, who is more competent to speak on that point than an American business man? Is he not better qualified than the representative in this country of a foreign manufacturer? American manufacturers are finding American values every day—the success of their business depends on it. American manufacturing is highly competitive. If a manufacturer should go into the market for raw materials and fail to find the true market value, and buy accordingly, he would soon go into bankruptcy. No factory could survive if the purchasing department did not know how to get American values and did not buy accordingly. These manufacturers tell your committee out of the long experience they have had that American values can be found, and they would loan to the Government their purchasing agents or other trained men who could in a short time install the system required to enable the appraisers to get results just as readily.

Objection is raised by many opponents of American valuation that the markets of the United States are scattered, whereas the markets abroad are concentrated. American business men meet that situation every day when they buy materials. And their problems are more difficult than those which would confront the appraiser, because the markets for raw materials, to which specific duties in general are applied, are much more widely scattered than the markets for fabricated goods, to which ad valorem duties in general are applied. Even small and comparatively poorly organized toy factories buy lumber in New England, Texas, and Wisconsin on the same day, and they do so because they can find and do find the American market value of the different grades and kinds of lumber required for their products. That is simply a typical example.

Representatives of other industries have repeatedly testified that there is one principal market for their merchandise where the appraisers can readily secure the data on all wholesale prices. That is also true of the toy industry. Every year there is held in New York a toy fair, at which the goods of practically every large and small

toy manufacturer are displayed. The prices quoted there are on goods which will be delivered in the following October and November.

The implication that many witnesses have made is that the foreign manufacturer must start production further ahead of the date of delivery than the American. He does not in toys, and probably does not in any line. From the nature of the toy business, the bulk of the toys are sold at retail during the Christmas holidays and are therefore not needed by the stores until fall. The jobbers demand a little earlier delivery so that they may have the goods in their warehouses for shipment to their customers in the fall. It is well known that a factory can not afford to stand idle, and to avoid closing down, toy manufacturers come into the market in January and February and offer prices which must stand for the whole season—the calendar year. They do this in order to get as many orders as possible early in the spring. From experience they are able to determine from the spring orders the probable total volume of sales in each particular number, and this enables them to go ahead with production in the spring. This policy keeps employed during the whole year hundreds of persons who would otherwise be seasonal workers.

Therefore, the American prices on toys can be obtained in New York in February of any year for that calendar year. The Government appraisers can get these prices and examine the merchandise at the same time. The buyers for the department stores do so and, as a matter of fact, try to see the domestic merchandise before they go abroad. We know that the representatives of foreign manufacturers also get the prices in the spring. As New York is the American market for toys, and as samples of practically all kinds of toys can be found on display in that city every day in the year, the appraisers would have at hand complete data on toys.

The same is true of Chicago, as a toy fair is held there immediately after the fair in New York is closed.

It has come out repeatedly that whenever opponents of American valuation quote specific instances and cite a particular industry to prove their objections to American valuation such objections are easily and completely answered by the American manufacturers who are familiar with the actual trade conditions in this country.

One of the principal objections which has been raised to American valuation is the possibility that it would offer an opportunity for American manufacturers to manipulate sales and establish a fictitious American market value. So far as our study of the testimony has gone, that objection has been raised only by importers or agents of importers. We American toy manufacturers have each time said to ourselves. "So far as our own knowledge goes we do not see how such manipulation could be practiced, and the methods suggested are so round about that they would seem to be prohibitively expensive." We are therefore compelled to believe that the parties who raise this objection are speaking from knowledge as to the advantage which has been gained by manipulating foreign market values to reduce the amount of duty. One of the principal reasons why we ask for American valuation is so that we can help the Government check undervaluations that are probably general and flagrant under present conditions which favor the importer and hamper the American manufacturer when the determination of values is involved. If those familiar with importing practices believe that a false market value could be established in this country under American valuation, we are ready to agree that similar methods have proved effective in establishing false market values in foreign countries, and that the testimony of Government experts to that effect is correct.

The objection that American manufacturers might combine to raise prices in order to increase the duty has been so completely answered by other witnesses that we would not consider it necessary to go over that ground again if the point had not been raised as recently as July 27. Unless the duty is 100 per cent, there is no class of merchandise which could be manipulated by American producers except to their own hurt. Take the duty on toys of 40 per cent for a concrete example: If a toy costs in Germany $6, and the American price of competing merchandise is $10, the cost of the German toy, including duty, would be $10. If the American manufacturers should raise the price to $12, the German toy would then cost $6 plus 40 per cent of $12 ($4.80) or $10.80. Ten dollars and eighty cents immediately gives the importer an advantage of $1.20 over the American manufacturer.

Unfortunately, the source of objection to American valuation is not always indicated in documents prepared by the Tariff Commission. We refer particularly to page 24 of the pamphlet, Information Concerning American Valuation as a Basis of Assessing Duties Ad Valorem, which was submitted to the chairman of the Committee on Ways and Means on March 26, 1921. Toys are cited as a conspicuous example of the possibility for easy manipulation of the American market by importers. We, as experts in the toy industry, know that the scheme there outlined could not be worked.

The actual conditions of the toy business, as stated above, show that because prices quoted in the spring are normally for delivery in the fall. Abnormally low spring prices for immediate delivery would not reduce the amount of duty because the basis for estimating the duty would be the prices in force in the fall when the majority of the merchandise leaves Germany. The law provides that the price shall be the wholesale "on the date of exportation." But, disregarding that point, if the small amount of goods carried over from one season could be used to establish a false American market value, how much more readily could the same volume of merchandise be used to establish a fictitious price abroad? But it would be impossible in practice to establish false American values because the quantities offered would be so small, and the number of transactions so few, that any conscientious and wide-awake customs official would instantly detect such a fraud.

It is further stated in this report of the commission that it is objected that jobbers' prices fluctuate violently. We know that jobbers' prices do not fluctuate during a calendar year, because it is the custom of the trade to quote prices in the spring for fall delivery. The only fluctuations would be those due to an effort to get rid of slow-moving goods. Such reductions would ordinarily not be made until late in the season, after the bulk of the imports had been entered, or immediately after the holidays, before the imports for the next year had begun to come in. From the very nature of the toy industry, a reliable jobber can not change his prices violently during the calendar year on staple or popular toys. Jobbers' prices may vary in different sections of the country; but on American goods, which under the proposed plan would be the basis for estimating duties, the differences can always be accounted for by freight and other charges incidental to the delivery of the goods. As American manufacturers we would be satisfied to have the American values fixed by the prices quoted in New York. On noncomparable foreign goods we could only find out by experience whether the importers could put over fraudulent values on the appraisers, and if they should we will be in a position to ascertain this fact and assist the Government officials in running it down. We believe that in the beginning the New York market price on noncomparable toy imports would also be the basis for assessing duties.

That the practice of using foreign-market value has fallen down is amply proved by the fact that Congress was compelled to adopt either foreign export value or home value, whichever is higher, in the emergency tariff bill. Our wonder is that Congress only partially abandoned an imperfect system instead of meeting the condition by eliminating all the difficulties of determining foreign values by adopting American valuation.

The objection that an importer must know his total cost, including duty, months in advance of the delivery of the goods and that it can not be determined under American valuation, and he therefore can not continue in business, is answered by two arguments: (1) American prices are quoted just as far in advance of delivery as foreign prices and can be obtained on toys. They are no doubt available in all other lines. We know of no reason why American prices should change more frequently than foreign prices. If that is true what is the practical difference over the present law?

The second argument is that any fluctuation in American prices could not possibly be as violent as the recent fluctuations in the German mark. This fluctuation will probably continue for months and years. Fluctuations have not stopped the importing of toys from Germany as the present condition of our industry clearly proves, although goods when finally delivered have cost much more or less than was anticipated when the order was placed. The chaotic condition of foreign exchange which makes the adoption of American valuation the only solution that will preserve American industries is the best possible proof that importers can do business when the final price is not known months in advance.

In closing, we wish to reiterate the fundamental reason why American valuation should be adopted:

(1) It will prevent undervaluation.

(2) It will equalize exchange so far as the basis for assessing duties is concerned.

(3) It will collect the same amount of duty from all countries and eliminate the present discrimination in favor of countries of low standards of living.

(4) It will make it unnecessary to ask for a rate on toys, which would be absolutely prohibitory against most other countries, if it were made high enough to protect our industry against Germany, which is our principal competitor.

The CHAIRMAN. The committee will hear from Mr. W. O. Coleman.

STATEMENT OF W. O. COLEMAN, PRESIDENT OF THE AMERICAN FLYER MANUFACTURING CO., CHICAGO, ILL.

The CHAIRMAN. State your name to the committee.

Mr. COLEMAN. W. Ogden Coleman, president of the American Flyer Manufacturing Co., Chicago. We manufacture toy trains.

The CHAIRMAN. You are in the business yourself?

Mr. COLEMAN. Yes, sir; I am president of the company.

The CHAIRMAN. And what is the name of the company?

Mr. COLEMAN. American Flyer Manufacturing Co.

The CHAIRMAN. All right. Proceed in your own way, Mr. Coleman.

Mr. COLEMAN. In appearing before this committee I appear only as a plain train manufacturer who asks that you give us reasonable protection against the present abnormal conditions due to the low labor costs abroad and the depreciated currency. That is all we ask. We ask only a fighting chance to meet that competition.

Last year our factory produced 875,000 complete trains.

The CHAIRMAN. Is that all you make—just trains?

Mr. COLEMAN. Trains are all we make.

Senator WATSON. Mr. Chairman, are we going into the schedules this morning? I thought the whole subject of discussion to-day was American valuation and nothing more.

Mr. COLEMAN. That is all I will speak about.

The CHAIRMAN. That is all we are going into, and I think we can finish it during the morning session.

You will not be very long, will you?

Mr. COLEMAN. No, sir; I will make it very brief.

The CHAIRMAN. The committee is not so much interested in trains as it is in the valuation.

Mr. COLEMAN. There [exhibiting a sample] is just a sample of what we make. I brought it along so that you could see what I was talking about.

Last year we produced 875,000 complete trains. We make only trains. A year ago at this time we were employing 400 people. Our average weekly pay roll was approximately $12,000. To-day our plant is completely closed down. It has been closed since the 1st of July, and it will probably be closed for at least another month.

The CHAIRMAN. Why is it closed?

Mr. COLEMAN. I will get to that in just a minute.

The CHAIRMAN. All right.

Mr. COLEMAN. In spite of this fact, however, that we are closed down, I am confident that our concern is able to meet foreign competition if you put us on the real basis that we should be placed upon.

Senator WALSH. Without this 40 per cent protection provided in this bill, could you meet competition?

Mr. COLEMAN. No, sir.

Senator WALSH. You want that, of course?

Mr. COLEMAN. Yes, sir.

The CHAIRMAN. Are any German trains coming in?

Mr. COLEMAN. Yes, sir; I have some samples of them.

The CHAIRMAN. How long have they been coming in?

Mr. COLEMAN. They started to come in last year, but only a very few. They have been coming in since the first of the year.

Senator MCLEAN. All of them are on time, I take it?

Mr. COLEMAN. Yes, sir.

The CHAIRMAN. That would be a novelty in this country. Are they coming in in great amounts now?

Mr. COLEMAN. Yes, sir; they are. You can find them on sale practically every place in New York, and gradually they are getting farther and farther west.

We went into the toy business in 1907. It was a side line. Gradually, from 1907 to 1914, we built up a little line of trains. In 1914 the war came along and gave us our opportunity. We discarded all the other lines of goods we were making and devoted our energies entirely to toys.

Senator WALSH. How many toys were you producing then? What was the volume?

Mr. COLEMAN. In 1914?

Senator WALSH. Yes.

Mr. COLEMAN. It was around 90,000 trains.

Senator WALSH. What was your production last year?

Mr. COLEMAN. 875,000.

Senator WALSH. Proceed.

Mr. COLEMAN. From 1914 to 1920 practically every cent of profit which we made—and it was only small—went into the improvement of our product and into making special dies and special machinery to meet the keen competition which we felt sure was coming.

Mr. COLEMAN. That we were successful in doing this is illustrated by the few parts that I have brought here to show what we have accomplished. These are what we call ties. They fasten the tracks together.

In 1914 it took three machines and three operators, each operator performing a separate operation, to make 20,000 pieces a day. To-day after having spent $10,000 in experimenting and making special tools one operator, using one machine, is producing over 40,000 pieces. Our idea was to get the cost of production down; that is what we tried to do.

The CHAIRMAN. Is yours the only concern that makes these trains exclusively?

Mr. COLEMAN. No, sir; there are four others. Mr. Ives, who has already addressed the committee, makes trains and also some boats. However, he makes trains largely. The Lionel Co. of New York also makes them, as does the Hafner Manufacturing Co. of Chicago.

Senator WALSH. How many trains were imported last year?

Mr. COLEMAN. I can not tell you, Senator. The amount was practically negligible.

Senator WALSH. How many were imported in the first six months of this year?

Mr. COLEMAN. I can not tell you because imports are not divided into units of trains, but a large quantity have come in.

The CHAIRMAN. It is the menace that you want to guard against, is it not?

Mr. COLEMAN. I beg your pardon.

The CHAIRMAN. It is the menace or the danger that you want to guard against?

Mr. COLEMAN. Yes. They are coming in, as I will show you later.

People from whom we have had orders and people we shipped earlier in the year have come along later and asked us to cancel. In one case

I wrote and asked why they now wished us to cancel their order. Here is the reply:

I have your letter of July 11 and have carefully noted the contents.

I fully understand your position in the matter and can only say that I would prefer to buy from your concern or any American concern rather than buying German goods. As a matter of fact, I have been so prejudiced against German goods that up to the present writing I have not purchased a dollar's worth. However, I have seen many lines (not alone toys) which have been offered to me at prices far cheaper than the American make. I will therefore be compelled, in justice to my business, to buy my merchandise at the lowest price, providing, of course, that everything else is equal.

Of course, I have not purchased any of the trains to take the place of yours, for I have quite a few American Flyers on hand. As I am able to purchase the foreign trains I wrote you about from jobbers who carry them in stock here, it is unnecessary for me to order in advance. I have, however, instructed my manager to order one of the trains I had in my mind, and I will send same to you upon receipt, and also let you know the price I will have to pay for them.

I am very glad to cooperate with you, and, as stated above, would much prefer to give you the business, provided everything is equal. These few lines are for the purpose of explaining to you my position in the matter.

That is just one letter. We have had a great many letters which are just exactly the same. The dealers take the position that if they do not import the goods, their competitor across the street will, and that as a result thereof they will suffer.

Senator WATSON. Do you know what wages are paid in similar institutions in Germany?

Mr. COLEMAN. No, sir.

Senator WATSON. What wages do you pay?

Mr. COLEMAN. Our wages, taking boys and girls together, average approximately 50 cents an hour.

Senator SIMMONS. Did you ever find out from the author of that letter just what the character of those toys was?

Mr. COLEMAN. That has not come in, but I have some samples which will illustrate the point that I have in mind.

Senator WALSH. Will you give us the name of the author of that letter?

Mr. COLEMAN. I will, Senator, if you insist. As a matter of fact, I have sent a copy of this letter to Senator Penrose, so that the committee has a copy in its files.

The CHAIRMAN. Senator Walsh can see that letter in the files, if he desires to.

Senator SIMMONS. I think it would be very helpful if you could give us your price and the price at which the German article is sold.

Mr. COLEMAN. Yes.

As I was saying, in 1914, the war gave the American toy manufacturers their chance. By 1919 the total production, according to the Bureau of Commerce reports, was $45,000,000; in 1920 it was $50,000,000.

During this same time, while toy production increased 300 per cent, generally speaking, the production in our own country increased, in dollars and cents, 2,000 per cent, until in production last year we reached 6,000 complete trains per day. You can figure that out for yourselves; it is 11 trains per minute. To-day we are shut down.

Senator WATSON. How many hands do you employ?

Mr. COLEMAN. Last year?

Senator WATSON. Yes.

Mr. COLEMAN. Four hundred people, when we were making that production.

The CHAIRMAN. They are using German trains?

Mr. COLEMAN. Do you mean the people of this country?

The CHAIRMAN. Yes.

Mr. COLEMAN. Yes, sir.

Senator WATSON. This whole question depends upon the difference between the cost of production at home and abroad, does it not?

Mr. COLEMAN. That is the whole thing.

Senator WATSON. Can you show that difference?

Mr. COLEMAN. I have sample trains right here with me.

Senator WALSH. It also depends upon the ability of Congress to substitute the condition of the world market——

Mr. COLEMAN (interposing). I did not catch that, Senator.

Senator WALSH. You can not restore at once the condition that existed during the war. In the readjustment of this problem we have to realize that production everywhere must be revived.

Mr. COLEMAN. Surely and all that we ask for is an even chance.

Here are sample trains. This is a train bought in New York on July 27, from a New York jobber. The price was $8.50 per dozen. Here [indicating] is our train, which costs, landed in New York, and selling to the same trade that the jobber would sell to—the retail trade—approximately $10 a dozen. That includes the freight.

Senator WATSON. What is the difference; is it $8.50 and $10?

Mr. COLEMAN. $8.50 and $10.

This jobber bought it from an importer.

Now, if I am correct, I believe that the gentleman who represented the novelty and fancy goods importers told the committee yesterday that the importer had to add 25 per cent to the landed cost to cover the cost of doing business, and on top of that he has to add his profit.

Senator WATSON. What is the tariff now?

Mr. COLEMAN. Thirty-five per cent. On top of that the jobber has to make his profit and has to add his cost of doing business.

I figured it back and I do not see how it could possibly have cost over $5 landed in this country, against $10 for our train.

Senator WATSON. Why do you say that?

Mr. COLEMAN. Well, I will give you the figures. First, you take $5 a dozen and then add 25 per cent. That is $1.25.

Senator WATSON. Why do you add 25 per cent?

Mr. COLEMAN. Because the importers said yesterday they had to add 25 per cent to the landed cost to cover the actual cost of doing business.

Senator SMOOT. Twenty-four per cent is what the firm from Chicago added.

Mr. COLEMAN. That brings it up to $6.25. Assume that 10 per cent is a fair profit for the importer and add that 10 per cent to $6.25. That brings it up to $6.87. That is what it sells to the jobber for. The jobber has to add 20 per cent to cover the cost of handling. If you take 20 per cent of that, you have $1.37, which brings it up to over $8. The price that I bought it for was $8.50.

Senator WALSH. From the wholesaler?

Mr. COLEMAN. From the wholesaler. As a matter of fact, I bought it from the wholesaler to whom we formerly sold a great deal of goods.

Senator WALSH. Were the goods identical?

Mr. COLEMAN. Yes, sir; they are; at least as nearly so as possible. In fact, their car is larger.

Senator MCCUMBER. It would cost you more to manufacture their car?

Mr. COLEMAN. Obviously it would, Senator.

Senator MCCUMBER. Are they the same?

Mr. COLEMAN. Their car has a bottom in it, while our car has not.

Senator MCCUMBER. Is there anything in the material and method of production in either car to give one superiority over the other?

Mr. COLEMAN. No, sir.

Senator WATSON. You explained a while ago that you had a machine that turned out many of these cars.

Mr. COLEMAN. Yes, sir.

Senator WATSON. Have the Germans that machine?

Mr. COLEMAN. I do not know. They may have one as good as or better than the one we have. My point was that we had improved our methods.

Senator WATSON. I know that, but I wanted to know if they had as good a machine.

Mr. COLEMAN. They probably have. They have not been sleeping all this time.

This is another train.

Senator WATSON. A German train?

Mr. COLEMAN. Yes. It costs $12 from the wholesaler. Our price would be $15—the landed price. This would probably cost $8 landed.

Senator WATSON. Have you any competition except German competition?

Mr. COLEMAN. That is all.

The CHAIRMAN. What do these trains retail for?

Mr. COLEMAN. I have one here. Here [indicating] is one bought at New York at retail. There are two cars.

Senator WALSH. A German train?

Mr. COLEMAN. Yes, a German train. There are two cars, four pieces of track, and this engine has an automatic brake on it. Our engine has no brake at all.

Senator WATSON. The members of the committee are all too old to be interested in toy trains.

Senator SMOOT. I take exception to that.

Mr. COLEMAN. This track has an automatic trip on it. The result is that when the train goes over it it stops. That is an added feature and an added expense. That is sold at $1.25; that is, at the retail stores.

Senator WALSH. What are the prices at the wholesale places?

Mr. COLEMAN. I have not a train similar to this at the wholesale price.

Senator WALSH. How much is added to the price of the train that you sell in America to the wholesaler and how much is added to the German trains?

Mr. COLEMAN. Well, I should say approximately 40 to 50 per cent. Oh, wait a minute. I am taking it from the sale price. It is 66⅔ per cent of the cost.

Senator SMOOT. That would be the minimum, would it not?

Mr. COLEMAN. That would be the minimum.

Senator McCUMBER. At what price? Did I understand you to say there is only 66⅔ per cent added to the retail price above the wholesaler?

Mr. COLEMAN. Yes. Take the train here, which costs landed in New York $10 a dozen, and sells in New York all the way from $1.25 to $1.50; in other words, the train that costs them $10 sells from $15 to $18 a dozen.

Senator McCUMBER. To whom?

Mr. COLEMAN. To the consumer—the purchaser. The retailer adds at least 66⅔ per cent.

Senator McCUMBER. The reason I inquired into the 66⅔ per cent is that I bought one like that the other day and paid $6. That is just a few days ago. That is more than 66⅔ per cent.

Mr. COLEMAN. It probably was a better make of train.

Senator McCUMBER. I think not.

Mr. COLEMAN. Here is a train that I paid $1.25 for, and here is a train, of American make, which was bought for $1.25. As I have already said, this one has an automatic trip on it, an additional feature.

As to our factory, at the beginning of the year, in order to keep our people employed, we started with 3,000 trains per day. We kept that up until April, when we got down to 2,000 trains per day. In June we cut the number down to 1,000 trains per day, and on July 1 we stopped production. During this time the cost of the German mark fell from $1.65 per hundred marks, in February, to $1.25 per hundred marks at the present time. The cost of the German goods landed here fell and, naturally, the cost being less, the duty was less, so that the two things were against us.

During the first six months of the year—and I have taken these figures from the report of the Bureau of Foreign and Domestic Commerce—the imports of toys increased from $333,000,000 in January, to $607,000,000 in May.

For the last 11 months, ending in May, the total imports of toys into this country, according to the report of the Bureau of Foreign and Domestic Commerce, amounted to $9,122,000. For the same period of a year ago, ending in May, 1920, the imports were only $4,931,000.

Senator WALSH. What do these statistics show for the same period in 1914?

Mr. COLEMAN. I have not the same 11 months for 1914, but for the year 1914 the total was practically $8,000,000, or a little over $7,000,000.

Senator WALSH. What will be the total for this year at the ratio named?

Mr. COLEMAN. Well, it is a little bit difficult to tell. You mean by taking up to June?

Senator WALSH. Yes.

Mr. COLEMAN. It would be approximately $10,000,000. It is over $9,000,000. And there is the point. You can see for yourself the way imports are jumping. In April it was $382,000,000, and in May, $607,000,000. Now, the imports are just beginning.

Senator SMOOT. You said millions. You meant thousands?

Mr. COLEMAN. Yes, thousands.

Senator SIMMONS. Mr. Coleman, will you answer this question:

Mr. COLEMAN. Yes.

Senator SIMMONS. What is your price now compared with the price you sold goods at in 1918, 1919, and 1920?

Mr. COLEMAN. It is difficult for me to say just what they were sold for in 1918 and 1919. They are approximately 15 per cent less than in 1920.

Senator SIMMONS. You do not know how much less than in 1919?

Mr. COLEMAN. They are about the same as in 1919.

Senator SIMMONS. In other words, you reduced the price 15 per cent?

Mr. COLEMAN. From a year ago at this time; yes.

Senator MCLEAN. What is the cost of production as compared with 1914?

Mr. COLEMAN. Well, judging by labor, our cost of production is over 100 per cent more.

Senator MCLEAN. And what is the cost of production in Germany as compared with 1914?

Mr. COLEMAN. That I can not tell you, but——

Senator MCLEAN. If it has doubled here and has doubled there, you would double the difference, wouldn't you?

Mr. COLEMAN. Yes, sir. But there is a difference in the depreciated exchange.

Yesterday while I was listening to the hearings before this committee I heard one of the gentlemen say that the wages in Germany in the industry in which I am interested were only one-fourth of what the prewar wages were.

Senator MCLEAN. I do not know that it has doubled there.

Mr. COLEMAN. No. I do not know the facts. I simply mentioned what was said by the gentleman yesterday.

Senator MCLEAN. But if it is has doubled, you would have to double the cost of production?

Senator SIMMONS. It was said before the war, as I remember it, that the wages over there then were starvation wages. In view of that statement, I do not know how they are living there now.

Mr. COLEMAN. That is quite a question.

Senator SIMMONS. I have heard the argument made again and again, especially before the war, that the wages there were starvation wages. Now, if they are one-quarter as high as they were then, it seems to me that makes a striking situation.

Senator MCCUMBER. I though that before the war the Germans were more prosperous than they have ever been.

Senator SIMMONS. Well, the statement was made that the wages were starvation wages.

Mr. COLEMAN. I referred to what one of the gentlemen said yesterday in regard to what the workmen were getting before the war as compared with what they are getting now.

Senator SMOOT. But that comparison is on a gold basis.

Mr. COLEMAN. Yes; on a gold basis.

Senator SMOOT. He can purchase three times the amount of goods in Germany.

Mr. COLEMAN. But it is German wages we have to compete with.

Senator SMOOT. He is not getting fewer German marks than before.

Mr. COLEMAN. Oh, no.

An objection to the American valuation which has been presented repeatedly is that the American value will not be known in time to enable the importer to quote definite prices to his customers. So far as toys are concerned, our prices for the following Christmas are announced to the trade in January and February and are soon known to the importer, as the following letter illustrates. This letter was written to me by another toy train manufacturer in Chicago. It shows clearly just how confident the Germans are that they can so far undersell us that they can completely put us out of business. Here is Mr. Haffner's letter. He says:

I know you will be personally and vitally interested in the statement made to the writer by John Bing, the New York representative of Bing Bros., toy manufactueres, of Nuremburg, Germany, during a conversation in his office during the New York toy fair.

Mr. Bing produced the price list of your company, the Ives Manufacturing Corporation, and my concern, the Haffner Manufacturing Co., and boasted that his prices on direct competitive numbers of toy railroads were a little lower than the lowest prices of the American trade manufacturers, and he could have sold at considerably lower prices than he did if it were necessary to get the business.

I believe you realize fully the seriousness of such competition, which, of course, is possible only because of the depreciation in exchange of the German mark.

Several of our customers stated to me on a recent trip that their German toy importations cost them landed at United States ports, duty paid, less than 3 cents per mark.

In other words, they are underselling us now in order to get the business. He was out to get the profit.

Senator SMOOT. That is the way they will all do in Germany.

Mr. COLEMAN. Yes.

Gentlemen, the only thing that will save the American toy industry from the present abnormal low wages abroad and depreciated exchange is to adopt the American valuation plan and base your duties on cost of similar merchandise in this country.

The American valuation will make duties equal from all countries, regardless of the cost of production or depreciation in their exchange.

American valuation will avoid undervaluation and fictitious valuations. The same John Bing who was referred to in Mr. Haffner's letter is the head of a $10,000,000 toy combine in Germany that manufactures goods practically exclusively for export through himself. This being the case, he can establish a selling price for himself abroad at whatever he pleases and make his profit on the sale of goods in this country after he has brought them in at a value which does not include all of the real costs which were contemplated when the present law was written.

Senator SIMMONS. You say the American valuation will avoid undervaluation. Don't you think that it would sometimes result in gross overvaluation in order to increase the tariff rates?

Mr. COLEMAN. What is that?

Senator SIMMONS. Will it not sometimes result in gross overvaluation in order to increase the tariff rates?

Senator SMOOT. That would depend upon the ad valorem rates fixed.

Senator MCLEAN. And it would depend upon foreign competition.

Mr. COLEMAN. This same John Bing, as I have said, is the head of a $10,000,000 toy corporation or combine in Germany that manufactures goods practically exclusively for export through himself.

Senator SIMMONS. Suppose there are four manufacturers of trains. Suppose they get together and form a combine. They say, "By raising the price of our toys, we can increase the duty of the Germans

because we increase the value at which the product will be appraised when it enters the country."

Mr. COLEMAN. All right.

Senator SIMMONS. May that not lead to overvaluation?

Mr. COLEMAN. What is the American manufacturer going to do if he keeps raising the price? If he does that, people will not buy that particular toy; they will buy some other toy.

Senator SIMMONS. I do not know that the American people will do that sort of thing. They seem pretty much disposed to pay whatever is asked if they want the article. If your train is controlled by a monopoly, you can raise the price as much as you please.

Mr. COLEMAN. But you can not force buyers to buy it.

Senator SIMMONS. But you can raise it as much as they will stand. The public seems disposed to stand a great deal.

Mr. COLEMAN. During the war our prices advanced.

Senator SIMMONS. Certainly they did.

Mr. COLEMAN. Wait a minute. They advanced less than 80 per cent over the prewar prices. Now, there are a few commodities——

Senator SIMMONS. I am not talking about that. I am not referring to you particularly.

Mr. COLEMAN. You spoke of us train manufacturers.

Senator SIMMONS. I said if you combine.

Mr. COLEMAN. There are few items that I can find the price of which in 1920 had not been advanced more than 80 per cent over the prewar value.

Senator MCLEAN. When you raise the price you get an increase on account of the difference——

Mr. COLEMAN. Yes.

Senator MCLEAN. And just as soon as you bring about that increase it works to the advantage of the German manufacturers, does it not?

Mr. COLEMAN. Certainly.

Now, may I refer again to John Bing. I have said that as the head of a $10,000,000 combine in Germany he manufactures goods practically exclusively for export through himself. In other words, if he wants to do so, he can sell goods to himself at less than what it actually costs to produce in Germany and then make a profit on the selling price in this country. Inasmuch as he controls the factories the profit goes to him and he is perfectly satisfied.

The American valuation will give the American manufacturer a chance to continue in business instead of being driven from his own home market, because of the fact of abnormal low cost of production abroad and depreciated currency.

American valuation will not inflate prices to the consumer. During the war the American toy industry grew until it was completely able to supply the home market, which resulted in the keenest kind of competition among American manufacturers. If the duties on foreign toys were assessed on American valuation, and that seems to be a just request, we should have an opportunity of competing with the imported goods on an equal basis. It would be real competition which would permit a rapidly growing industry to live.

Senator SIMMONS. What rate of duty would you have to have, leaving out German valuation, in order to protect you?

Mr. COLEMAN. I would not attempt to answer offhand, because I have not prepared myself.

Senator WALSH. According to these prices, it would be about 200 per cent.

Mr. COLEMAN. It would be something like that.

Senator WALSH. These trains here are $5 per dozen, and you say you make and sell them for $10.

Mr. COLEMAN. It would take approximately 100 per cent on the article that costs $5. It will vary with different articles, of course. It is difficult to tell.

Senator SIMMONS. Would you say that with the American valuation of 40 per cent you would be protected?

Mr. COLEMAN. Yes, sir.

Senator SIMMONS. Without the American valuation probably it would be 100 per cent?

Mr. COLEMAN. Yes, sir.

Senator SIMMONS. So that the effect of the American valuation in your case is to raise your potential protection from 40 per cent to 100 per cent?

Mr. COLEMAN. Possibly, in the one individual case; but that is not the question. As I say, I am not here arguing on the rate question. It is not so much the question of what the rate is. We would be satisfied with 10 per cent if that would give us sufficient protection.

Senator SIMMONS. I am trying to find out what protection we will give you by the adoption of the American valuation.

Mr. COLEMAN. Yes.

Senator SIMMONS. In your case it would be 100 per cent as against 40 per cent. It is 40 per cent in the bill, but potentially it is equal to 100 per cent.

Senator WALSH. I am going to ask the witness to leave this memorandum with us.

Mr. COLEMAN. I shall be very glad to do that.

It has been argued that because our present system has been in operation for over 100 years, it should continue indefinitely. The same argument is, of course, applicable to any change. And from the testimony you have heard of experts, you can see that they feel that it is possible in a short length of time to have the new law working smoothly.

The importers claim under American valuation they could not tell what their landed costs would be. So far as toys go, I have shown the prices can be ascertained six to eight months ahead, and by basing the duties on American valuation the importer would know what the amount of the duties would be. The uncertainty due to fluctuation in exchange would be eliminated.

I have attempted to show you how our industry has expanded while German competition was cut off by war conditions.

I have also shown that, in spite of improved manufacturing methods under the present condition of abnormal cheap foreign labor and depreciated currency, the foreign manufacturer is able to undersell the American manufacturer.

So far as the toy industry is concerned, I think that I have successfully answered the objections of the importers to American valuation. And I believe that if, as I have shown, American valuation is practical for the toy industry, it can be worked out for other

industries if the men who are acquainted with the peculiar conditions of each industry are called in.

Senator SIMMONS. You say that the appraiser would know the amount of protection and you would know, but the American citizen buying the product would not know. He would not know the amount of potential competition he was paying, would he?

Mr. COLEMAN. Possibly not.

Senator SIMMONS. I think it is a mighty good thing to let the American people know what they are called upon to pay.

Senator MCLEAN. It seems to me that this American valuation would encourage that very thing. Now, it is laid on the wholesale price in this country?

Senator SIMMONS. Yes.

Senator MCLEAN. We all know there is a very wide spread between the wholesale and retail prices. The profits are, in some cases, unconscionable. If we published the wholesale price to the American people wouldn't the tendency be to reduce the retail price?

Mr. COLEMAN. I would not be surprised.

Senator SIMMONS. There is not likely to be much publicity given to that matter.

Senator MCLEAN. Well, I think the American people to-day are getting restless——

Senator SIMMONS. Oh, I think they are, too.

Senator MCLEAN (continuing). Over the unconscionable prices they are paying.

Mr. COLEMAN. I might add that one of the favorite arguments of the jobber or retailer, when you ask why they prefer to get imported merchandise, is that they can make a bigger profit. I might add, also, that these trains which I procured by chance—I got them without realizing this fact—had no marking showing the country of origin. There was a wrapper on this package here, but it was merely the packing wrapper which would not be shown on the retail shelf. That showed that it was made in Germany. I have gone over the box very carefully. Here is a label with nothing on it. There is nothing on the bottom of the box; nothing on the cars, and nothing on the engines. That is the kind of competition we are up against.

Senator WALSH. They sometimes mark American manufacturers' names upon them, do they not?

Mr. COLEMAN. As an example of that, I might cite this: The Daisy air rifle is made in Plymouth, Mich. That company out there had some air rifles returned to it to be repaired. They were sent to the repair department. The report came down that these rifles were not made on their dies. The head of the concern went up and he said, "I can not understand that; they are Daisy air rifles." Investigation of the matter showed that they were made in Japan and that every single part had been duplicated.

Senator WALSH. They also make Spalding's baseballs and bats. Have you been in the export business?

Mr. COLEMAN. Yes.

Senator WALSH. Of course, during the war that business increased?

Mr. COLEMAN. Yes.

Senator WALSH. How much?

Mr. COLEMAN. Our total export business last year was over $150.000. I am including Canada.

Senator WALSH. What was it in 1914?

Mr. COLEMAN. Nothing.

Senator WALSH. To what countries did you export?

Mr. COLEMAN. Practically every country on the globe—South America, South Africa, China, etc.

Senator SMOOT. How many foreign orders have you now?

Mr. COLEMAN. We have none, with the exception of one order from England.

Senator SMOOT. Does that amount to very much?

Mr. COLEMAN. Approximately $5,000.

Senator WALSH. That is the amount of this year's business?

Mr. COLEMAN. Yes.

Senator WALSH. This year's business?

Mr. COLEMAN. That is practically all we have to-day. We have had a few sample orders. We still have some of our Canadian business.

Senator SIMMONS. Have you made an effort to put goods on the foreign market?

Mr. COLEMAN. Yes; during the war and up to the present time, we have spent over $10,000 in advertising. We spent $3,000 in making special design cars.

Senator SIMMONS. Did you sell any to England during the war?

Mr. COLEMAN. Yes.

Senator SIMMONS. How many?

Mr. COLEMAN. You probably know that they had an embargo part of the time. You could not take toys into England. In 1915 we shipped approximately $7,000 or $8,000 worth of goods into England. Last year we had orders for over $30,000 of goods for England. Subsequently, their order was canceled, when German goods began to come into the market.

Senator MCLEAN. Has England an embargo on German toys now?

Mr. COLEMAN. I can not tell you. They have had it.

Senator WALSH. This condition to which you refer is due to new competition since the war, and also to curtailment of purchasing power?

Mr. COLEMAN. Yes; in part.

I thank you.

The CHAIRMAN. We will now hear from Mr. Joseph F. Lockett. Mr. Lockett was on yesterday's calendar, but at the request of Senator Walsh he was carried over until to-day.

Mr. Lockett, you reside in the city of New York, do you not?

Mr. LOCKETT. That is a mistake, Mr. Chairman: I am from Boston.

STATEMENT OF JOSEPH F. LOCKETT, BOSTON, MASS., COUNSEL FOR NEW ENGLAND IMPORTERS AND TRADERS' ASSOCIATION (INC.).

Mr. LOCKETT. I am a lawyer and am counsel for the New England Importers and Traders' Association (Inc.).

The CHAIRMAN. In what line of endeavor are they engaged?

Mr. LOCKETT. In importing various kinds of merchandise which come into New England. This organization has 100 members and is incorporated under the laws of the State of Massachusetts. Our

president, Mr. Theodore Jones, of Jones, McDuffee & Stratton Co., and our secretary, Charles L. McAleer, of Jordan Marsh Co., both of Boston, Mass., are the committee who are with me.

The CHAIRMAN. Will you submit your remarks as briefly as possible, Mr. Lockett?

Mr. LOCKETT. Mr. Chairman, I shall be very brief, for I appreciate the patience of the committee and the fact that there are many other witnesses yet to be called upon.

My remarks will be addressed, not to any particular industry, but largely in reply to and against some of the arguments which have been made by the proponents of this legislation. My remarks will be largely upon the legal phases of the question.

The CHAIRMAN. You are opposed to the legislation, are you?

Mr. LOCKETT. Yes; we are most decidedly and vehemently opposed to the enactment of the proposed bill.

Senator SIMMONS. Speak out boldly. You may not have many supporters here, but you will find a few.

Mr. LOCKETT. I think you will have no trouble hearing me, Senator.

At the outset, Mr. Chairman, I think it is a safe assertion that the theory of any protective tariff bill is to provide for the difference in the cost of production, or the cost of labor, as between foreign markets and the home market. With that view in mind, there has been a tendency, I think, upon the part of the American manufacturers interested in this matter now before the committee, to be very zealous in their desire to continue, if possible, the maintenance of high prices and large profits, all of which does not work out to the benefit of the ultimate consumer, notwithstanding the fact that the American laborer may be employed at a reasonable and profitable wage.

The proponents of this legislation have advocated the adoption of this method upon two bases or for two reasons.

The first is the need of greater protection because of the depreciation in foreign currencies. They claim the American manufacturer and the laborer, likewise, is thus not receiving the same degree of protection which he would otherwise have received, or is entitled to receive, when the exchange is normal under the theory of any protective tariff bill.

With that phase of the discussion I shall not take the time of the committee, because Mr. Doherty, who is to follow me, is counsel for the National Council of American Importers and Traders, the head office being in New York, and he is, perhaps, one of the best-posted men in this country upon this situation, and he will address the committee. I may add that anything he says with regard to that situation has the approval of our association.

The second proposition which has been advanced by the proponents of this measure has for its foundation the alleged undervaluation now existing.

I have tried very hard to read all of the testimony which has been printed by this committee, and I attended the hearings here on last Wednesday and yesterday, but I have not as yet seen a single instance of any concrete proposition, the name of any particular importer, or the value of the merchandise upon which it has been alleged undervaluation has taken place.

The discussion, so far as I have been able to see it, has been entirely academic.

When, as has been said by Mr. Burgess in his testimony before this committee, it is alleged that there has been an undervaluation of about 25 per cent, it seems to me, Mr. Chairman, that, in the interest of fair play, in the interest of the importers, and to show their good faith, that 25 per cent should be carefully investigated to see whether or not it really exists.

I am going to refer for a moment to the testimony of Mr. Burgess given at the hearing on June 25, at which time, if I correctly interpret what he said—and I shall not attempt to read his testimony verbatim—it means that this percentage of 25 per cent of undervaluation was based upon the fact that out of a certain proportion of invoices which he may have seen, or of which he had knowledge, the importer raised his value upon entry, and because the importers complied with the law by entering his goods at what he supposed was the market value, Mr. Burgess alleges that this in and of itself is evidence of undervaluation.

The law prescribes, if the committee will bear with me for a moment, that the consular invoice must set forth the contract price for the goods. The law also provides, as you gentlemen well know, that the duty is to be paid at the price at which the merchandise is being freely offered for sale in the markets abroad. The importer is obliged upon entry to raise his purchase price to equal that of the foreign market value, and unless he does this, and the Government afterwards raises the value, and the case after going to the courts is eventually decided against the importer, a penalty is assessed in the sum of 1 per cent for every 1 per cent that the appraised higher value exceeds the entered value. The penalty, as it is called, is applied to the appraised value. The difference in duty between the appraised and entered value upon the particular commodity is likewise assessed at the rate of duty applicable to the particular commodity. So, in cases decided against the importer, the Government is enriched by the payment of the penalty and by the payment of the amount of difference in duty between the appraised and the entered values on the commodity in question.

Senator WATSON. Do you think the difference in exchange has anything to do with the tariff?

Mr. LOCKETT. I do not want to discuss that if I can help it, Senator. I want to confine myself to another phase of the question. Mr. Doherty is going to discuss that matter. Perhaps you were not here when I made that statement. If it is agreeable and you will not think me impolite, I would prefer to leave that to Mr. Doherty.

Senator WATSON. Of course; proceed in your own way, sir.

Mr. LOCKETT. So, therefore, before this committee seriously considers anything which has been said with respect to the alleged undervaluation the committee should ascertain and determine what undervaluation really is.

I would define it about as follows: Undervaluation is where an importer has deliberately intended to defraud the Government by not entering his goods at the value prevailing in the foreign home market, he knowing what said value is at the time he makes his entry. I think the word "undervaluation" unexplained implies

fraud upon the part of an importer. In this connection I want to say the Government has the power to reliquidate any entry, after one year, where fraud is shown.

While I do not happen to have the statistics at hand, I know that in the port of Boston these cases are very rare. At the port of New York, which is a large port of entry, such cases may be more common.

Senator WALSH. We, in Massachusetts, have retained our Puritan virtues.

Senator MCLEAN. That is, you let them in on the invoiced valuations?

Mr. LOCKETT. Not necessarily. It depends upon the fact as to whether or not the invoice price is the market price. I say that in Boston a man may enter his goods at the market price. We will assume, for instance, that he has raised the value upon entry. If he does raise the value of his own volition there is no penalty. The local appraiser has the right to appraise that merchandise, and when he has done so, if that appraisement is higher than the entered value of the importer, then the importer has recourse to the courts. He may then go before one of the judges of the Board of United States General Appraisers. Undoubtedly some of you gentlemen know some of them. Judge Fischer is one of them. There is a further appeal by either the Government or the importer from the decision of the one judge to a board of three other judges, and by protest the case may eventually go to the United States Court of Customs Appeals.

So I contend that this talk about undervaluation has become an obsession, I think, with some American manufacturers. They have heard of it so long by others that they really do believe it exists.

So far as I can find, there is not any evidence before the committee of undervaluations.

The statement of Mr. Burgess, on page 30 of the hearing of Monday July 25, is deserving of some comment. Where the importer has honestly complied with the law and has deliberately raised the price to equal the foreign market value, that can not be considered undervaluation. The only way to get at undervaluation is to find those cases reliquidated after one year and those other cases in which there has been evidence, outside of the official record, to indicate that was an intent to defraud the Government.

Mr. Chairman, in answer to the question asked yesterday by Senator Dillingham of a gentleman representing the American Textile Co., I want to say this The Senator asked for some instance where undervaluation had occurred and in what way it affected his business. This witness did not attempt to define undervaluation or to refer to any particular instance. The fact simply is that he believed that American valuation had come to be quite a factor in this matter without being definitely able to put his finger upon any alleged undervaluation of merchandise which came into competition with his manufactured product.

Mr. Burgess was asked by Senator Simmons, as I recall the testimony, if, during previous discussions relative to a revision of the tariff——

Senator SIMMONS (interposing). It was the emergency tariff.

Mr. LOCKETT. I understood you to refer to the revisions in 1909 and 1913.

At any rate, Senator Simmons asked a question as to whether an agitation for adoption of the American plan had not been prevalent for many years. Now, the statement has been repeatedly made, as you Senators know, that the present system has been in vogue for a long time. That statement in and of itself is not an insurmountable objection to the proposed change. There is nothing in the record, so far as I am able to read, tending to indicate that undervaluation exists now any more than it has in the past; that undervaluations now are different from those that have existed for the past 100 years. So, therefore, the alleged undervaluation of foreign goods is not, in my judgment, a factor which should be seriously considered by this committee as a reason for this change, because there is no evidence before this committee upon which such a finding could be based. The statements of alleged undervaluations are mere assertions, mere conclusions, and are without any real basis or foundation.

I think, also, that there has been a tendency on the part of the American manufacturers to believe that because of the tremendous depression in business the enactment of the American valuation plan will prove to be a panacea for all ills.

I believe it was Senator Watson who on yesterday asked one of the witnesses what proportion of the business depression, so called, he would attribute to the importation of foreign goods, and he could not give a definite answer.

Senator SIMMONS. If you should take the testimony that we heard while considering the emergency tariff, in connection with some testimony as to the low costs of production in Germany, you would find there has been an increase in value and something very nigh akin to overvaluation.

Mr. LOCKETT. Yes.

Senator SIMMONS. Witnesses have testified here, for the Government, that German values in the port of New York were somewhat higher than before the war, and if they are making things at a lower rate or at a lower cost in Germany than before, those values must have been overvaluations.

Mr. LOCKETT. I suppose that may be so, Senator.

Most of the cases which I have tried before the courts—and I may say that I am a practicing customs attorney——

Senator SIMMONS. There was some intimation when we were taking that testimony, as I recall it, that they had deliberately valued the goods imported at higher rates because they wanted to get the price up as near as possible to the price in America.

Senator WATSON. That evidence was adduced under the dumping provision.

Senaror SIMMONS. Yes; under the dumping provisions. In other words, they were coming over here and they wanted to get full advantage of the high market prices, and put on a high value, probably a much higher value, than in Germany.

Mr. LOCKETT. Of course, Congress took cognizance of that fact by providing that the export value should be used for dutiable purposes when said value is higher than the home market price.

Senator WATSON. That is a permanent provision?

Mr. LOCKETT. That is a permanent provision.

From a reading of the record I should say that these alleged undervaluations are charged merely in cases where a man has complied with the law. There is a wide variance in the testimony of the experts.

I believe it has been testified to that the alleged undervaluation was something less than one-tenth of 1 per cent, while Mr. Burgess put it as high as 25 per cent. I contend that before you can go to the people of the country and give them as a reason for the adoption of the American valuation plan that it is to prevent undervaluation the committee ought to be supplied with more concrete evidence of undervaluation than has been presented to it up to this time.

Let me make just one more point. I do not like the reflection which has recently been cast by these American manufacturers who feel they are, in a sense, in the position of the king who can do no wrong and, consequently, are not subject to the same criticism as some other people are.

Mr. Burgess also made this statement:

> Second, the possibility of securing actual dutiable valuation would be greatly decreased. Instead of having to deal with foreign manufacturers and agents, whose interest is to misrepresent and who usually refuse to give information of any value, the American manufacturer and wholesale dealers, in whose interest the Government desires the information, would be not only willing but anxious to furnish such information as the Government would require.

I can not let that statement go unchallenged in so far as the people whom I represent are concerned. I do not think that there is any reason for assuming that the importer deliberately and intentionally tries to evade the revenue laws of the country. You gentlemen know the importers. You have seen many of them here. I will venture the suggestion that when it comes to the question of moral turpitude in the exercise of their business relations with the Government and with the people generally their standing will be quite as high and as free from just criticism as that of the American manufacturers.

Senator McLEAN. The point is you want to get your goods as cheaply as you can.

Mr. LOCKETT. That is right. We want to get them in honestly, though.

Senator McLEAN. But your incentive is entirely different from that which actuates the other man?

Mr. LOCKETT. Oh, I can not see that at all.

Senator McLEAN. You are a commission man?

Mr. LOCKETT. Not necessarily, Senator.

Senator McLEAN. I have no doubt that the men engaged in it are honest men, but the incentive is directly in opposition to that which actuates the American manufacturer.

Mr. LOCKETT. But isn't that directly contrary to your quotation of a moment ago?

Senator McLEAN. No; because your treasure is abroad.

Mr. LOCKETT. Our treasure is here. Our goods are here and our treasure is here. In that respect the importers are in the same position as the American manufacturers. Our goods are sold here and our profit is here.

Senator McLEAN. No; you must deal in American made goods.

Senator WALSH. The purpose of this bill is to reverse the incentive?

Senator McLEAN. I prefer to give the benefit of the doubt to the American manufacturer rather than to the German manufacturer.

Senator WALSH. I would like to give them both fifty-fifty.

Mr. LOCKETT. May I also add that I believe, as Senator Reed said the other day or observed in answer——

The CHAIRMAN (interposing). We heard Senator Reed.

Mr. LOCKETT. May I just use this for purposes of illustration?

The CHAIRMAN. It would seem to be repetition.

Mr. LOCKETT. But I want to use it as an illustration.

The CHAIRMAN. Well, as an illustration it will be admitted; proceed.

Mr. LOCKETT. Senator Reed said, in the hearing of Monday, July 25:

> Well, just to clear it up, while there might not be the incentive to lower the cost of production, because that is already taken care of by the desire of the man to produce goods as cheaply as he can and make as much profit as he can, it is nevertheless true that the system suggested would have a tendency to remove the incentive or necessity for lowering the price.

I think that is an exact summary of the situation.

Senator Smoot had called attention to the fact previously that it would not necessarily follow that the price would be higher, but Senator Reed's definition of the proposed legislation that it "would have a tendency to remove the incentive or necessity for lowering the price," seems to express it exactly.

The CHAIRMAN. That remark did not apply to dyestuffs.

Mr. LOCKETT. It was made while Mr. Page was on the stand.

The CHAIRMAN. Well, we have that testimony.

Mr. LOCKETT. Another point I desire to make is this, that if, under the law as proposed, prices in the United States are to be taken as a basis and this legislation is to be adopted, I suggest, Mr. Chairman—and I sincerely hope it is a constructive suggestion—that it would be wise, fair, and just to enact, as a part of the law, a provision which will shift the burden of proof so that when the Government raises the value upon appraisement the Government will have to establish its case before the courts by a preponderance of the evidence that the value which it claims is correct. That is the reverse of the present practice. It seems to me, under the proposed law, the importer is going to be put at a decided disadvantage when it comes to trying to prove, as he now has to under the present law, that his entered value was correct. To do that he would have to go to the very men—dealers and manufacturers—who are chiefly responsible, perhaps, for having his goods advanced, and must ask them to testify or subpœna them into court to testify in his behalf. This would be unfair and prejudicial to his interests.

There has been a great deal of talk and testimony before this committee with respect to the inability to obtain evidence of foreign value abroad. I have been trying customs cases for many years and I have never had any difficulty. I might say that I have had no cases covering goods from Germany, with one exception. I have had no difficulty in obtaining information as to foreign values, and I know that the Government has not, in the cases which have come to my knowledge, had any difficulty in obtaining information about foreign values.

Mr. George C. Davis, with Mr. Otto Fix, who has done and is still doing a very constructive work in charge of the certified valuation report bureau of the appraisers' office at New York City, gathers information as to the values of goods entered at all the ports in the country, which information is disseminated among the various collectors of customs. They have those values, so that when the American manufacturers come to you and tell you of the great difficulties that exist in obtaining foreign values under the present law, I think their statements, in all fairness, may be said to be largely exaggerated.

Senator WATSON. We will be compelled to have a higher tariff.

Mr. LOCKETT. I think that is right.

Senator WATSON. Just a minute, if you please. We will be compelled to have a higher tariff on account of German competition more than on account of any other competition in the world, with the possible exception of Japan.

Mr. LOCKETT. I think that is right.

Senator WATSON. Suppose that we put a tariff on that will be sufficient to protect the American manufacturer from the German competitor, wouldn't that shut out the imports from every other country in the world?

Mr. LOCKETT. It might and it might not.

Senator WATSON. Wouldn't it be an absolute prohibition?

Mr. LOCKETT. It might or it might not, depending upon conditions.

Senator WATSON. No; would it not absolutely?

Mr. LOCKETT. I would say it would not absolutely.

Senator WATSON. Why not? If you put on a tariff sufficiently high to protect us from German competition and the German manufacturer is producing at a far lower rate or price than any other competitor, then, perforce, would not that prohibit competition from any other country in the world?

Mr. LOCKETT. On goods coming from Germany?

Senator WATSON. Could we get anything from Italy or England or France under those conditions?

Mr. LOCKETT. As to such goods as were made in England and not in Germany.

Senator WATSON. But what are they?

Mr. LOCKETT. I can not answer offhand. You asked me if there would be an absolute prohibition. I do not think there would be. I think there would be as to goods coming from Germany or similar goods made in other countries, but as to other goods not made in Germany, there would not be. Germany does not make every kind of merchandise in the world.

Senator WATSON. Not every kind, possibly, but a great many varieties.

The CHAIRMAN. Are you nearly through?

Mr. LOCKETT. One more word and I shall be through. I think a word or two should be said in behalf of the——

Senator SIMMONS (interposing). Just before you come to that: Is Germany making sufficient quantities of these toys to supply the American market entirely? If she is selling at so much lower prices than any other country in the world, then we would likely import only from Germany. If Germany is making toys way under what England is making them for, or any country, and the door is open to Germany in this country, we would likely import only from Germany.

Senator WATSON. It would be true up to the point of the supply made in Germany, but I suppose Germany makes only about half enough.

Senator SIMMONS. There is no question about her ability to make enough.

Senator WATSON. But she can not make enough to entirely supply the American demand, of course.

Senator SIMMONS. No; I suppose not.

Mr. LOCKETT. In conclusion, it seems that before this committee can conscientiously say that the American-valuation plan is to be adopted the committee would have to be satisfied from the evidence, just as it would be necessary for a court and jury to be satisfied, that the proponents of the bill have made out a good case; and in that connection I contend that the burden of proof is upon them to show that the change will be beneficial to the interests of all the citizens of this country. I think that they have not made out a case on the record. But, assuming that the committee differed from me and you feel that a case has been made, I would like to suggest that a provision for the estimation of the value upon which the duty is to be paid, as presented by experts, is a much better provision and a much clearer provision and will work out much better for all concerned than the provision now embodied in the pending bill.

Senator WALSH. Will you draft such an amendment as you speak of?

Mr. LOCKETT. I shall be very glad to, but what has been suggested is merely the repetition of a published document.

Senator SIMMONS. I was very glad to hear you say something about the importers. The importer, I may say, has been under suspicion in our hearings and has been looked upon as an undesirable citizen. If we eliminate the importer altogether, we would necessarily at the same time about eliminate the exporter.

Mr. LOCKETT. I do not see how you can help it, Senator.

Senator WALSH. And I do not think there is any desire to impute false motives.

Senator SIMMONS. I have heard it so often said around here "Oh well, that comes from an importer."

Mr. LOCKETT. Yes; that is true.

The CHAIRMAN. I want to assert for myself—and I hope I voice the sentiments of the committee—that, notwithstanding Senator Simmons's statement, I am approaching these questions with an open mind.

Senator SIMMONS. I think the chairman is, so far as I know. I want to clear him.

The CHAIRMAN. In view of the fact that the chairman has been cleared, the committee will adjourn at this time until 2.30 o'clock this afternoon, at which hour Mr. Doherty will be heard, followed by other witnesses.

(Thereupon, at 12.25 o'clock p. m., a recess was taken until 2.30 o'clock p. m. of the same day.)

AFTER RECESS.

Senator MCCUMBER (presiding). The committee will come to order. Mr. Doherty, I believe you are the next witness on the list.

STATEMENT OF THOMAS J. DOHERTY, REPRESENTING THE NATIONAL COUNCIL OF AMERICAN IMPORTERS AND TRADERS, NEW YORK CITY.

Senator SMOOT. What is your residence, Mr. Doherty?

Mr. DOHERTY. New York City.

Senator SMOOT. Whom do you represent?

Mr. DOHERTY. I represent the National Council of American Importers and Traders. That is an organization that has at present over 300 members who are located in practically all the large cities of the country and in some of the smaller cities.

I should like to explain, because of some questions relating to the character of organizations represented here, that this is no mushroom concern, nor was it formed for the purpose of spreading propaganda. In the early part of this year when some proposed legislation was discussed it excited a great deal of interest among those who were concerned, among merchants who were importing foreign merchandise, and many questions were asked and a good deal of correspondence ensued. It finally became obvious that it was necessary for them to get together and have a meeting and exchange views and determine for themselves whether any of this proposed legislation was or was not inimical to their interests. As a result of that the organization was formed, and it is incorporated under the laws of the State of New York. It is intended to be a permanent organization for the purpose of rendering what services we can, both to the importing fraternity and to the Government, in connection with imported merchandise. From the appearance of things I am inclined to believe that the importers will need all the assistance, both human and divine, that they will be able to summon to their aid.

During all this discussion as to the proposed change in the basis of valuation this organization did not take any stand, because the preamble to its constitution declares that it does not and will not take any stand on public questions until such matters have been fully discussed and their bearing on the welfare of the importing interests fully considered. Consequently, our organization did not go on record as to this matter until there was an actual concrete piece of legislation presented.

The phase of the domestic valuation question that is presented to the committee is, of course, contained in section 402 of H. R. 7456, which directs that imported merchandise shall be appraised for duty on the basis of comparable and competitive American products; and, briefly, if there is none such, then the appraising officers are authorized to use any means, or all means, or no means at all, to determine the value. The grant of power to these appraising officers under the second half of this section 402 is absolutely amazing; it is appalling; and so is the responsibility which it casts upon them. Consequently, to this section 402 I shall address my remarks.

Senator SMOOT. You would not object to having an amendment to the House provision requiring in such a case that the importer make an affidavit as to the price at which the goods were to be sold?

Mr. DOHERTY. Senator, you do not need any affidavit. The trouble is that the importers will not be able to give that.

Senator SMOOT. Are you opposed to that?

Mr. DOHERTY. You can not put a prophecy in an affidavit.

Senator SMOOT. But are you opposed to that being done?

Mr. DOHERTY. Opposed to what?

Senator SMOOT. The importer making an affidavit as to the price at which he sells the goods in America, just the same as he is compelled to-day to make an affidavit as to what the invoice price is in foreign countries.

Mr. DOHERTY. No; there would not be the slightest objection to that if he knew, but he could not control the future course of prices. In respect to this section 402, it is utterly impractical and impracticable. It is unsound economically. It is not in harmony with the canons of good business at all. And without making the language too strong, I think it is really the most monstrous piece of legislation that has ever been put out by either House of Congress in connection with tariff matters. It is unworkable as it stands.

Senator SMOOT. Otherwise it is all right?

Mr. DOHERTY. I have a few more things to say about it. I am going to point out categorically some of the objections that we have to this section 402, and then I shall discuss them. In the first place, it does not comport with the facts and with the realities of international commerce. It does not fit in with the transactions of business life. It can not be made to apply to business as it is conducted and as it must be conducted. Secondly, it will undoubtedly result as it stands now in a substantial increase in commodity prices, and that just at a time when labor is being deflated, wages are being reduced, and then, again, it will arrest, to a very great extent, the downward trend of commodity prices to a normal level. It will bring this result because it will, to a very considerable degree, eliminate foreign competition.

It will especially hamper and restrict international commerce in this way: A great deal of international commerce consists of the taking of orders in this country for goods to be made in pursuance of those orders, which goods are not in stock, but which have to be made and will not enter into commerce in this country for six months or nine months after the orders are placed. It is manifest that if the prevailing American selling price at the date the goods are shipped from the other side will govern the basis of duty, the importer can not possibly know what the prices prevailing are or will be a year or nine months hence. Again, if there is no comparable American article at the time this order is placed, there may possibly be one made in the interim. So, therefore, he will not know whether his goods will be appraised upon the basis of this comparable price or not.

Right at the very beginning I want to call your attention to the language used in section 402. It says:

> Except as otherwise provided by law, the word "value" wherever used in this act or in any other law relating to the appraisement or the classification of imported merchandise shall mean the price on the date of exportation of the imported merchandise at which comparable and competitive products of the United States are ordinarily sold, etc.

The first thing is what do you mean by "comparable and competitive"? Apparently, the articles must be both comparable and competitive. Now, what is the meaning of "comparable"? Not one of the proponents of this legislation—and by actual count you have had 25 of them before you—has ventured on a definition of "comparable"; and many of us have discussed the matter over and

over and we are unable to find out the meaning of the word. There is a word going into the law without any definition attached to it, a word that is clearly open to construction and to varied interpretations, and a word which, of course, will have to be construed by customs examiners. Frankly, I do not know what it means, and whatever it does mean, or whatever you gentlemen intend it to mean, ought to be put into the statute. Certainly it is a confession of impotence to write a word in the law and say, "We will get the courts to decide what it means." You must understand that the function of the courts in such cases is simply to give effect to your intent. Consequently, it must be your intent that will govern the courts. So why not express your intent right now?

Senator McLEAN. You prevent fraud by law, but you do not express in your act what constitutes fraud?

Mr. DOHERTY. Indeed you do. You will find it in this tariff act right here, in two sections.

Senator McLEAN. Generally speaking, I mean; in the common law and the statute law against fraudulent conveyances and all kinds of fraud you do not undertake to define what acts shall constitute fraud. That is for the court and the jury to decide.

Mr. DOHERTY. The definitions in criminal law are quite concise and precise as well, and certainly no man was ever yet convicted of any offense unless it was defined in the law. But, nevertheless, this word "comparable" must be defined. There are several interpretations of it, several possible constructions. It may mean identity or it may have a looser meaning. It may include articles that are not identical. There is cause for litigation right away. Supposing you were to construe it as meaning identical; that is, identical physically. You would have to have an American article of exactly the same material and the same size and for the same use and having all physical features exactly alike. If you were to limit it to that it would have really very little application. It is astonishing to find from the research we have made how very few articles that are imported are identical with articles that are made here. Nearly always you will find some feature that distinguishes them.

Senator McLEAN. You have to find the market value in foreign countries of similar articles.

Mr. DOHERTY. No; we find the market value of the particular article.

Senator McLEAN. But in the markets of the world. You may have articles that have no market abroad; their only market is here.

Mr. DOHERTY. Yes. We do not have to compare them with anything else. We do not have to determine whether they are comparable with any article here. In all cases now under the present law the act of appraisement is the ascertainment of the value of the particular merchandise that is under appraisement. This word "comparable," Senators, is really very dangerous. You must define it. You must say what it means.

Senator McCUMBER. What suggestion would you make with reference to a definition that would meet your views?

Mr. DOHERTY. I have not formed any views on that particular thing, because I think this whole section is not workable at all. It can not be made to run, in order words. If you wanted to extend that provision, of course, you would have to use some such words as

"similar" and describe the particulars in which the similarities must be.

Senator McLEAN. What difficulty would you have in assessing your rate on the articles we had here this morning—toy trains?

Mr. DOHERTY. That would be a matter of extreme difficulty, although there is a difference in those trains. The American trains were somewhat different from the foreign trains. They lacked certain features. Those features went to the essence of the valuation.

Senator McLEAN. I think if you were an appraiser you would be quite capable. I do not wish to over-compliment you, but I think you would be quite capable as an appraiser.

Senator SMOOT. He was an appraiser and quite a good one a long time ago.

Mr. DOHERTY. I have served my apprenticeship in the appraiser's office.

Senator McLEAN. I think if you had had that problem when you were an appraiser you would have found no difficulty in handling it.

Mr. DOHERTY. I defy anybody here to define that word "comparable" and make it workable. If you mean identity, why not say so? But if you mean identity, or if you prescribe identity, then you will have such a limited class it is not worth while to upset the whole tariff system of the United States.

Senator McCUMBER. Then, you would not use it if you wanted to make it a workable law. Now, I am trying to ascertain what you would suggest as the best word to use.

Mr. DOHERTY. Let us get through with the destructive criticism first.

Senator McCUMBER. I did not know but what you could answer that question. You say "comparable" is not the right word.

Mr. DOHERTY. I do not know whether it is or not because I do not know what you mean.

Senator McCUMBER. I am asking you what, in your opinion, would be the right word.

Mr. DOHERTY. It all depends on what you intend to do. If you intend that the American article upon which you are going to appraise the foreign article must be the same, that is one thing.

Senator McCUMBER. Those two dolls that were presented here were not identical, and yet they were comparable.

Mr. DOHERTY. They were comparable in size, for example.

Senator McCUMBER. And material.

Mr. DOHERTY. And comparable in material. If you use the word "comparable" in connection with a substantive, if you say comparable in value or height or weight, I know what you mean; but when you use the word broadly without specifying in particular what it must be, I do not know what you mean.

Senator McCUMBER. We import from Canada a great deal of grain into the United States, wheat, known as bluestem; we raise on this side Scotch fife, we raise on this side a grain that is called marcus. If you would look at them you could not tell them apart. Would not they be comparable?

Mr. DOHERTY. There are many different varieties of wheat.

Senator McCUMBER. Would you not say that one was comparable with the other?

Mr. DOHERTY. I do not know enough about those particular grains to answer your question, but certainly——

Senator MCCUMBER. They are not identical; that is true.

Mr. DOHERTY. No; but a hard wheat, for example, grown in Canada is not comparable with the soft wheat grown in the United States.

Senator MCCUMBER. No; but it is comparable with the hard spring wheat grown in the United States.

Mr. DOHERTY. Then you have identity.

Senator MCCUMBER. No; it is not the identity, because it may be a different species, as I stated. One may be what they call bluestem and the other may be what they call marcus. They look very much alike.

Mr. DOHERTY. It is one of the favored arguments of the proponents of this legislation to resort to such things as wheat and copper and cotton, things that have a world market and a world value. If legislation were limited to them there would be no particular difficulty in administering it.

Senator MCLEAN. They constitute about what percentage of the entire importations?

Mr. DOHERTY. It is very slight. I think we have stopped importing wheat since the 27th of May.

Senator MCLEAN. Take sugar, for instance.

Senator SMOOT. Take plain woolen goods and plain cotton goods.

Mr. DOHERTY. Sugar pays a specific rate, so that is not affected by this legislation at all, but we do not import any plain cotton fabrics of any account. However, as to them, I dare say there would not be any great difficulty because you count the threads. The fineness of the yarns is what determines the value of those goods. So there you have an adequate basis for comparing them. The finer the yarn, of course, the more valuable the cloth.

Senator SMOOT. But it may be different in the warp and in the filling, and it may be twilled or plain. But they are comparable in order to arrive at a value.

Mr. DOHERTY. Again, I may be a bore, but I have got to get back to that because I think that ought to be cleared up.

Senator SMOOT. Yes; because time is flying.

Mr. DOHERTY. I am practically the first speaker on this side of the question, and you have already heard about 24 or 25 on the other side. I hope you will not limit me.

Even if you have identity, there are some refinements there. For example, you take two china dinner plates, both exactly the same size and made of the same ware. They will look to you entirely different because of the decorations thereon, and you say those are two entirely different things; but they are not. But those decorations consist of a certain number of colors and a certain number of printings, and that constitutes identity in their production and the cost of production. Assuming that both are equally attractive, the selling price would be the same. We have so many difficulties in connection with this rather loose phraseology that I felt it my bounden duty to call your attention to it.

If, on the other hand, "comparable" does not mean identity but permits the appraisers to use their discretion and to go far afield, then surely you have opened a Pandora's box of troubles and evils, the

end of which I do not believe any man can foresee. There is, I think, somewhere in these hearings a record of 261 examiners of merchandise in the United States.

Senator SIMMONS. What you mean is they may be comparable in some respects and not in other respects, and you do not know to what point to determine the question definitely as to whether they are comparable for purposes of levying this duty?

Mr. DOHERTY. Precisely. The statute as it is leaves it entirely in the dark. There are 261 examiners of merchandise, as I said, scattered throughout the United States. If you leave it to them to say whether one article is comparable with another, you are very apt to find serious differences of opinion and will find each examiner working in a different direction.

Senator WATSON. Does it not mean comparable up to a degree that it can be substituted in the market for the one to which it is compared?

Mr. DOHERTY. That is a still looser meaning, because you can substitute an aluminum spoon for a silver spoon with perfect satisfaction.

Senator WATSON. No; they must be comparable not only so far as shape is concerned but so far as material is concerned. You can import a pine table and a mahogany table. Are the two comparable? I do not think they are from a commercial standpoint, although they might be from the standpoint of size and shape. They are not comparable, as I understand it, from the term in this law.

Mr. DOHERTY. It is for you gentlemen to settle the meaning of the terms. As I said before, the whole aim of the courts is to ascertain the meaning of the legislators and give it effect. Why should you use a term which is so ambiguous and susceptible of different constructions and say lamely that you are going to leave it to the court to find out what you mean? This is the time to say what you mean.

Senator WATSON. We have not said that. I do not know of anybody that is saying we are going to put it in here with such a lame meaning that the courts will have to determine what it is.

Mr. DOHERTY. It is in here all right.

Senator WATSON. I thought you said that somebody on the committee stated that we were——

Mr. DOHERTY. No; I did not say that, but I did say that if you enact it into law the way it is now you are passing it up to the courts to decide what you mean yourselves.

Senator MCLEAN. The courts have to define contracts in restraint of trade.

Mr. DOHERTY. Yes; but surely you do not want to write a statute here every word of which has to be litigated.

Senator MCLEAN. The statutes that exist relating to tariff have had to be litigated.

Mr. DOHERTY. No; there are hundreds of paragraphs in the tariff law that never can give rise to the slightest bit of litigation because everybody knows exactly what they mean.

Senator MCLEAN. It is a reasonable interpretation of the word "comparable."

Mr. DOHERTY. It is a reasonable interpretation.

Senator MCLEAN. It has to be a reasonable interpretation of the word depending upon differing articles.

Mr. DOHERTY. Yes; but why do not you say what the meaning is here? Why not define it in the statute? Then you will not have to go into the courts.

Senator MCLEAN. It is a difficult matter to say in the act just what conduct on the part of a person who perpetrates fraud shall constitute that fraud.

Mr. DOHERTY. The statutes do say so and they are very successfully enforced, too. Without going outside of our own tariff statutes there are section in there which have always been successfully invoked.

I wish to emphasize the point that under this section 402 every single importation can be litigated right up to the United States Court of Customs Appeals and even in a limited class of cases to the Supreme Court. So there you are confronting the commercial community with a law which right from the very beginning nobody knows exactly what it means, and you have to wait to find out what it means until you get into court. Every single appraisement under section 402 can be litigated, and the reason is that a construction of a written instrument or the determination of the meaning of words and phrases is a matter of law for the court.

Senator SMOOT. Every item of importation can be litigated. The importer has a perfect right to protest.

Mr. DOHERTY. No, Senator; not without reason.

Senator SMOOT. Certainly he has.

Mr. DOHERTY. If you have a provision——

Senator SMOOT. I do not say that he can win his case, but he has a perfect right to begin it.

Mr. DOHERTY. But he has no excuse for beginning it.

Senator SMOOT. That is another thing, and he would have no excuse under this, but he could begin it all right.

Mr. DOHERTY. I beg your pardon, Senator. Supposing the appraiser assumed comparable to include similar even to a very vague and indefinite extent. It would be the right of the importer to bring an action to recover money that was unjustly taken from him.

Senator DILLINGHAM. If it were one of that vague character would it still be competitive?

Mr. DOHERTY. It may well be.

Senator DILLINGHAM. Do you think it ordinarily would be, if it were so unlike it?

Mr. DOHERTY. Your statute requires them to be both comparable and competitive. "Competitive" in some ways is also a loose word.

Senator DILLINGHAM. That meets your difficulty if they are required to be both, does it not?

Mr. DOHERTY. No; the same difficulty would exist as to whether both conditions have been met, whether they are both comparable and competitive.

Senator DILLINGHAM. But where they have to meet both there must be a considerable degree of certainty, must there not?

Mr. DOHERTY. No; the difficulty is just the same. Take the case mentioned by Senator Watson of a pine table and a mahogany table. They might be competitive under certain conditions. They both answer certain conditions. If you could not get one you would take the other, and certainly a pine and a mahogany table would compete

with poor people. A man would like to have the mahogany table and could only afford the pine table, but he could stretch himself and buy the mahogany table.

Senator DILLINGHAM. Do you honestly think that is a fair interpretation of the questions that might arise under this tariff?

Mr. DOHERTY. Certainly, Senator. I know from experience. I was for nine years in the appraisers' office in New York, then four years secretary to General Appraiser Fischer, and then for 11 years I was a Government attorney trying cases, both classification and appraisement.

Senator DILLINGHAM. When you held office if that question had come up would you have considered it seriously?

Mr. DOHERTY. We had to consider all questions seriously.

Senator DILLINGHAM. But such a question as that, the difference between a pine table and a mahogany table being comparable and competitive.

Mr. DOHERTY. I did not say they were comparable.

Senator DILLINGHAM. I want to know if you as an official would have considered such a proposition as that seriously—that is, that they would be both?

Mr. DOHERTY. I would; because it was very dangerous to consider as frivolous any question raised. You were very likely to make a mistake if you assumed from the beginning that your opponent was only playing.

As this language stands now it is open to construction by the court, and it would be made a subject for litigation. So, therefore, it is unworkable as it stands.

There is another feature, namely, the price is in the principal market or markets of the United States. That would present a very serious difficulty in determining values.

Senator SIMMONS. Suppose it said comparable in its use and in its value. Would that help out any?

Mr. DOHERTY. Well, that would result in some very strange bedfellows, because a great many things of widely different material and construction and value are used for the same purposes.

Senator SIMMONS. It seems to me that this bill means the thing that is not both comparable in its uses and in its value. You are directed to assimilate the value of the foreign goods to the value of a domestic product, and unless it is comparable in value it does not seem to fit this case. On the other hand, unless it is comparable in the uses to which that thing will be put when we get it here, it would not seem to fit this case.

Mr. DOHERTY. No; it would not, but it is value that you are trying to find out.

Senator SIMMONS. Exactly; therefore, they must be comparable as to value. That, I take it, would be assumed, but I do not see why the bill should not say that. If it said comparable in value and use, then I think you would have a standard by which you might determine whether there was that comparison, that relation, which this bill contemplates.

Mr. DOHERTY. I do not know whether that would help it a great deal, because you say comparable as to value. There is an unknown quantity. It is the value of one thing that you are trying to find. You assume that you know the value of an American article and you take that value and want to ascertain the value of the foreign article

do you not? That is what the appraisement is for—to determine value. You would not have the value of it because that is an unknown quantity.

Senator SIMMONS. It is not to be assumed that we mean here that you are to go through this process of fixing the value of a foreign product unless that product bears some comparable relation to some American product with which it would be sold in competition.

Senator SMOOT. In other words, there is not an American merchant that goes abroad to buy goods but what knows the value of the goods in America and he compares those goods with the value of the goods in the foreign land. If the foreign goods are cheaper he purchases them; if they are higher he will not buy them.

Mr. DOHERTY. Pardon me, Senator Smoot; that is like many general statements; it sounds plausible, but it will not stand analysis.

Senator SMOOT. Everything I have bought I have had to know the value of, and I knew what competition I had to meet. If my judgment was wrong I knew what would come to me, and that was bankruptcy. And so it would be with every purchaser of goods from a foreign country if he did not know the value of the American goods.

Senator WATSON. Of course, these goods are comparable and competitive.

Mr. DOHERTY. Which goods—the Senator's goods?

Senator WATSON. Yes. This law is made to apply to comparable goods, that is, goods which are competitive. If they do not compete it does not matter.

Mr. DOHERTY. Then it would mean made of the same material.

Senator WATSON. No. Could not something else be made like it and of a like quality?

Mr. DOHERTY. Of course it could.

Senator WATSON. Then, it is comparable.

Mr. DOHERTY. That is the vagueness in your law.

Senator WATSON. And it is comparable for use and for price.

Mr. DOHERTY. There is the whole trouble; we do not know exactly what is meant by the word. You possibly have it in your mind. All I am asking you to do is to write the definition of it and tell us just what it does mean. Then, at least, we shall know how to proceed. You must know exactly hwhat you mean. So this is the time and place to say so. Do not put us through a long course of litigation until we have reached the highest court in the land in order to determine just what this word means.

Another difficulty is that it requires value to be found in the principal markets of the United States. That presents a very practical difficulty. Of course, the obvious answer is that we have to do the same thing now under the present law; that is to say, we have to find the value in the foreign market. But that is a very much simpler process because most foreign countries are rather limited in extent as compared with our own country. Usually in European countries you can go from one market to another in a few hours, and there can not be any great discrepancy in the prices in the markets.

Senator SMOOT. That applies to all countries of the world, and that is as extensive as the United States.

Mr. DOHERTY. We do not now appraise goods in the world market. Goods take their value according to the price in the country of exportation.

Senator SMOOT. That is the world.

Mr. DOHERTY. If you buy goods in France, it is the market in France.

Senator SMOOT. And if they are comparable goods it is from the country that they come to. So you have to take the market price at places in the world from which you take the goods.

Mr. DOHERTY. I do not see that. If you are appraising French goods you appraise their value in the principal markets of France.

Senator SMOOT. Yes; and if the goods come from Germany, it is Germany; and if they come from England, it is England; and if they come from Japan, it is Japan. We have to know values, I think, in all countries of the world.

Mr. DOHERTY. But you do not have to compare prices in one country with prices in another country. Each country is a separate unit for appraisement purposes. Therefore, for France we only have to know what the value is in Paris, Marseille, or Bordeaux. They are only a few hours distant from each other. There can not be any great difference in price. But take our own country with its vast stretches of territory. The value must vary considerably in the different markets of the country.

That reminds me of the hearings before the Ways and Means Committee of the House last winter. I remember reading the hearings on the fish schedule. A man from the Northwest came and asked for a rate of 3 cents per pound on some kind of salt fish. He said he did not care anything at all about the cost of production; he only wanted that duty because he figured that was about equal to the freight rate from Seattle to New York. So the whole duty he asked for was the freight rate. He wanted to meet the Norwegian and Scotch and Irish fish in the harbor of New York on equal terms. That gives you some idea of the great difficulty there will be in determining the value in American markets.

Senator SMOOT. That is just exactly what we have met in every tariff bill under the valuation that is existing to-day. That same question of protection to cover the transportation to the centers of markets has been up every time we have had a tariff bill under consideration, and it will come up every time we have one under consideration.

Mr. DOHERTY. That man wanted to meet the European on even terms.

Senator SMOOT. Just the same as the California people want a duty on their lemons to meet the freight rates from California to New York, where the center of the trade is. There is something to be said in favor of that if you are going to try to get that market.

Mr. DOHERTY. I only adduce that as an illustration.

Senator SMOOT. But that is under existing law; that is under the valuation in foreign countries and not an American valuation. The American valuation will simplify that considerably.

Mr. DOHERTY. But you do not have to meet any such situation as that in a foreign country. There is no foreign country where one market is 3,000 miles away from another.

Senator SMOOT. There is. Take Germany and Japan or England and Japan. They are much farther apart than any market in the United States is from any other market in the United States.

Mr. DOHERTY. But you do not have to compare the markets of Germany with the markets of Japan.

Senator SMOOT. But you have to know the values.

Mr. DOHERTY. Of course you do, but here you do not have to make the common value for imports from Germany and Japan, but you do for the United States. There can only be one market value in the country.

Senator SMOOT. We can have the American value known just as well as we can know the value of all the other countries in the world.

Mr. DOHERTY. With all due respect to you, Senator, that is only an assertion.

Senator SMOOT. I say now without question of doubt in my mind that the appraisers can find the American value of goods as well as they can find the foreign value of goods in all of the different countries of the world.

Senator MCCUMBER. Let me suggest to the Senators that there are a number of witnesses to be heard and we are scheduled to get through with them to-day. We will have to allow the witness to finish his testimony as quickly as possible.

Senator SMOOT. I agree with that.

Mr. DOHERTY. In respect to section 402 as it stands, I want to say that nobody can tell what the appraisers will do under it. You had before you Dr. Page, the chairman of the Tariff Commission, and you will find on page 12 (hearing of July 25) that he said a reading of the pending bill does not enable him to ascertain how the appraisers are going to ascertain the American value. That statement is from a man with a trained mind. If his erudition and experience do not qualify him to be able to spell out from this statute how the American price is to be ascertained, how can you expect the 261 customs examiners in the United States to do it? They have not had the advantages of training that Dr. Page has had.

Again, I quote Senator McCumber in his remark that he had been unable to find out from a diligent perusal of the Ways and Means Committee hearings any foundation for this statute. I defy anyone to find anything in the Ways and Means Committee hearings which will justify this enactment that they have framed.

Senator WATSON. That is not the fault of the proposed law itself: that is the fault of the hearings.

Mr. DOHERTY. The hearings are supposed to have afforded the groundwork for this legislation. There were public hearings announced last winter. There was no hearing held on the American valuation in the House. I should like to mention that fact.

Senator WATSON. We are aware of that.

Mr. DOHERTY. I am going to modify that even. There were on May 3 last, at the invitation of the chairman of the Ways and Means Committee of the House, quite a number of people gathered there, myself among the number, and there was a sort of symposium on the subject of American valuation. There was no precise statute discussed. It was simply a sort of an abstract proposition.

Senator WATSON. You can not complain of what we are doing. We are giving everybody a chance to be heard here.

Mr. DOHERTY. Yes, indeed.

Senator SIMMONS. Suppose you were required to find the American value of wheat. Which value would you take, the Chicago value, the Baltimore value, or the value that the farmer gets for it? I notice in the papers certain quotations from Chicago. I figured the other day the price of wheat in Baltimore and I found it was much less there; and there is a mill not far from where I live, and I inquired their price, which I ascertained to be 20 cents less than it was in

Baltimore per bushel. Take cotton. What market would you select? In New York cotton is quoted now at about 13 cents. The same cotton would be quoted at probably any of the southern ports at about 10 cents. That would be quoted probably at the farm at about 9 cents.

Senator SMOOT. Let us go and buy cotton. We will make more money than we can in any other way.

Senator SIMMONS. That is a fact, cotton sells all over the South for two and two and a half cents less than it does in New York. I am just asking what value the witness would take as to wheat. Mr. Doherty, would you take the Chicago value, would you take the Baltimore value, or would you take the value of the wheat on the farm?

Mr. DOHERTY. Frankly, I can not answer that question.

Senator SIMMONS. Is not that one of the difficulties?

Mr. DOHERTY. That is one of the most serious difficulties.

Senator DILLINGHAM. If that cotton were received at New York would there be any difficulty in determining what the market value of cotton was at that place?

Senator SMOOT. There would be no difficulty in determining what it would sell for in New York. He is required to ascertain the American price——

Senator DILLINGHAM. At the chief market, etc.

Mr. DOHERTY. In the principal market or markets.

Senator SMOOT. That is not a mill down in North Carolina.

Senator SIMMONS. They are among the principal markets.

Senator SMOOT. Do you mean for wheat?

Senator SIMMONS. No; for cotton.

Senator MCCUMBER. I suggest that the witness be permitted to answer this one question. That is a fair example. Minneapolis is a great center for wheat in wholesale quantities. So is Chicago, and so is Buffalo. Now, there are three great wheat markets. Suppose that the prices were different to-day in each one of those markets. Which one would you take on a given day, or would you add the three together and divide the three in order to get an average? What would be your system of determining the market value under the provisions of the bill?

Senator SUTHERLAND. The difference is almost entirely a matter of freight rates in regard to wheat?

Mr. DOHERTY. Not entirely.

Senator MCCUMBER. No; everything sold on the exchange goes up and down according to certain influences of bulling and bearing the market, and they fluctuate very materially between those three points in prices. Under the bill, how are you going to arrive at what the value would be in those three principal markets on a given day?

Senator SIMMONS. Will the Senator permit me to supplement this? New Orleans is a great cotton market, and New York is a great cotton market. I think it is notorious that the New Orleans price is very much less always than the New York price. Which of those two would you take?

Mr. DOHERTY. Supposing two cargoes of cotton happened to arrive just about the same time, one in New Orleans and another in New York. They are both principal markets, if you like; but the price is different in each market. This bill does not throw any light on that. I submit that this bill does not afford any answer to that

question at all; nor can we find any answer in the reported decisions. There have been decisions defining the principal markets. In one of those decisions there was a question as to the market value of some dyestuffs.

Senator SMOOT. I do not know why you are discussing it, because cotton, if it had any duty, would have a specific duty, and wheat has always had a specific duty.

Senator SIMMONS. It is just an illustration of the difficulties they would have.

Mr. DOHERTY. Yes; I understood that was the purpose of the question. If we assume that cotton had an ad valorem rate, for example, how would you appraise those two cargoes, one arriving at New Orleans and one arriving at New York, both of them being principal markets of the country?

Senator SMOOT. I do not think there would be any difference in the two markets at all. I do not think there is any difference to-day in the different markets. On the retail price there would be, and when you sold to the mills there would be.

Senator SIMMONS. I venture to say that you can not find in a year's examination of the market reports in New York and New Orleans and Norfolk one in which there is not a difference as to the price in all three of those places.

Mr. DOHERTY. Even a slight difference would make a very considerable value in the appraisement of the merchandise, and with the very high basis of valuation that you are adopting here the rate of duty imposed would result in a substantial sum of money. So it is not an idle question or a mere academic question; it is a very practical question. Above all, I think it is an uncertainty that pervades every part of this section. A man does not know what is going to happen. A merchant does not know what his costs are going to be. He does not know what his goods are going to cost him landed. The business world already is in a condition of great confusion and disaster. This will only precipitate a chaos in which the customs officials and business men will be floundering around helplessly. It is a most inopportune time to change this system of valuation.

Senator SMOOT. Other countries have no trouble whatever with it.

Mr. DOHERTY. Other countries are not trying such a thing as this.

Senator SMOOT. I am going to put in the record a list of the countries that are doing it now and have been doing it all the time.

Senator SIMMONS. I think, Mr. Chairman, the committee understands Mr. Doherty's position on this phase of the matter. There are two other important phases that I would like to get him to discuss. The first question is one that was discussed here this morning. It relates to undervaluation. The second question relates to exchange.

Mr. DOHERTY. That undervaluation is a bugaboo that has been invoked at every tariff hearing since time out of mind. There have always been allusions to undervaluation, but no man has yet come forward with any concrete facts in that respect.

Senator MCLEAN. Let me call your attention to one now. This is taken from the official statistics of imports and duties, and it relates to the valuation of silk and the manufactures of silk. Take sewing silk and silk thread of every description. Under the act of 1897, in 1910 the value per unit of quantity withdrawn was 76 cents per pound.

Mr. DOHERTY. Pardon me. You said under the act of 1897 and in 1910. How could that be?

Senator MCLEAN. I am speaking now of the act before the Payne-Aldrich Act went into effect.

Mr. DOHERTY. That was in 1897.

Senator MCLEAN. Yes; the act of 1897.

Mr. DOHERTY. Well, how could the importations be of the year 1910 when you had a new act on August 5, 1909?

Senator MCLEAN. In 1908–9 the ad valorem rate on this product was 30 per cent.

Senator SIMMONS. That was the Dingley rate?

Senator MCLEAN. Yes. It was valued at 76 cents per unit. That same year when the Payne-Aldrich Act went into effect this product carried a specific duty of $1 per pound. This same product came in that same year at $2.99 a unit. The value of this product withdrawn from the customhouse was increased from 76 cents a unit to $2.99.

Mr. DOHERTY. How about the respective quantities?

Senator MCLEAN. This is the average on this article, sewing silk, twist, floss, and yarns of every description. In 1914 the duty changed from a specific duty of $1 per pound to 15 per cent ad valorem. In 1918 the process of reduction continued until it came in at $1.63 per unit, and it had increased in value more than 300 per cent during that time.

Mr. DOHERTY. Under an ad valorem rate it came in at $1.63 per unit?

Senator MCLEAN. Yes; that is the unit value, and it had increased in value over 300 per cent, whereas in 1913, under a specific duty of $1 per pound it came in at $2.99.

Mr. DOGHERTY. That is taken from the book of statistics of imports and duties?

Senator MCLEAN. Yes. How are you going to explain that?

Mr. DOHERTY. You can go through that book taking one article after another, and you will find most amazing inconsistencies. I have often noticed that myself. I have gone through it time and again and I have seen the same articles some times at 20 cents and some times at $2. The only surmise I can make is that they are due to varying conditions of trade or extraordinary transactions.

Senator SMOOT. But it always happened when an ad valorem duty is assessed and following a specific duty, or vice versa. It always happens when that change is taking place.

Mr. DOHERTY. With all due deference to you, Senator, have you gone through it so carefully that you can say it always happens that way?

Senator SMOOT. I have not gone through it every year, but I know that whenever a change is made in the rate of duty that same thing happens, particularly with silk.

Mr. DOHERTY. Goods that pay a specific rate of duty are not appraised at all, as a matter of fact.

Senator SMOOT. Yes; we appraise them and they are appraised when they come in on the invoice so as to keep the amount of importations into this country.

Mr. DOHERTY. They are not appraised with the same exactness.

Senator SMOOT. They give the actual value, I think, then, but when there is an ad valorem duty they get them in here as cheaply as they can.

Mr. DOHERTY. That may be entirely legitimate.

Senator SMOOT. You were here in 1909, were you not, when we were making the tariff

Mr. DOHERTY. I was with the Ways and Means Committee; I used to come over here to see Senator Aldrich.

Senator SMOOT. You know we had quite a time then with this undervaluation proposition, and I think you were interested in it at that time.

Mr. DOHERTY. I am very deeply interested in it.

Senator SMOOT. But you say it is all a bugaboo.

Mr. DOHERTY. I did not say that.

Senator SMOOT. I thought that was the word you used.

Mr. DOHERTY. I said that great bugaboo of undervaluation is always raised and is being played up now to the nth degree, but I do not think it is justified by anything in the way of facts or records. I know something about that, because I was fighting undervaluation for 11 years. In fact, I was very much surprised to see appearing here the other day an American manufacturer whom I had prosecuted for undervaluation and recovered a pretty good judgment.

Senator SMOOT. That fellow was an importer?

Mr. DOHERTY. That is when he was moving over to this country and bringing his machines in. Now, he is accusing everybody else of that rascality, just the same as some others here have done. But there is not any such great amount of that undervaluation as people would have you think. That has been advertised very largely. I recall seeing in these hearings what was said to be a copy of a speech delivered to the Berlin Chamber of Commerce. I recognized that as an old friend. I took the trouble to go through my old tariff papers, and I found one pamphlet which contained that speech. It was not dated. However, I could tell from the contents that the pamphlet was printed while the act of 1897 was in effect.

Senator MCCUMBER. Mr. Doherty, you and the Senators together have now consumed one hour out of the two and a half hours that we have allotted for this afternoon, and there are eight other witnesses. So, I think that you will see the necessity of making your statement as brief now in closing as may be, so as to give these others an opportunity.

Mr. DOHERTY. Senator, it has been my effort since I started to make it brief.

Senator MCCUMBER. I stated that "you and the Senators together."

Senator MCLEAN. I do not think he is responsible for the time consumed.

Senator MCCUMBER. Certainly not.

Senator SIMMONS. I want to say that the reasons I have asked him questions and the reason I asked him more questions than heretofore is because out of the great number of witnesses who have appeared he is the second witness who has appeared here against the American valuation plan since I have been attending the meetings of the committee. I was not here every day last week.

Senator WATSON. He is a man of large experience.

Senator SIMMONS. He is a man of large experience. I think, in view of the fact that there has been so much testimony of so many witnesses in favor of this, that when we get a witness here who opposes it we should give him ample opportunity, and we ought to ask him questions.

Senator McCUMBER. We have a little responsibility to those other witnesses who have been subpœnaed to be here to-day and to give their testimony to-day, and who probably have business in other sections of the country. And my appeal was rather that we allow this witness to complete his testimony rather than the testimony of Senators.

Senator McLEAN. If he has any suggestions on the subject of this plan, I want to hear it.

Mr. DOHERTY. I am answering now one of the questions propounded by Senator Simmons—that is to say, about undervaluation—and, just as showing the quality of the propaganda against undervaluation, I was about to cite this supposed speech made in Berlin in 1905, which was trotted out before the Ways and Means Committee when Mr. Payne was chairman, in hearings under date of December 1, 1908. Once more when the Simmons-Underwood bill was under consideration it was printed in the hearings without any date at all; that is, in 1913. I find also that under date of November 6, 1917, it was once more presented through the Tariff Commission when it was considering this change to the domestic valuation basis. Again, you will find it in the hearings held last winter by the Ways and Means Committee, and, finally, here it has bobbed up once more, without any date, in the hearings of last week.

I submit that is not evidence of undervaluation. It looks terrible on its face, but that has no probative value now.

Senator McLEAN. You will admit that when a standard product like silk thread is increased in value over 400 per cent in a single year because of the change from ad valorem to a specific rate of duty that it looks "terrible."

Mr. DOHERTY. No; it does not look terrible. I have thought out that it can be explained on perfectly legitimate grounds. It is impossible in my mind that there should be any such gross undervaluation as that, because to admit that would be to convict our appraisers of being fools, imbeciles, idiots, or worse.

Senator SMOOT. Undervaluation in china has been just about as bad.

Senator SIMMONS. Has the amount of undervaluation, assuming that there has been some abuse in the matter of undervaluation heretofore, and I think there is, because, as you say, that constantly when these tariff duties have been up there has been some talk about undervaluation, some discussion on that subject—but we have never come to a plan as a result of those discussions—is that evil any greater to-day than it was when the Underwood tariff bill was adopted, and the Dingley bill was adopted, or when the McKinley bill was adopted, and when the Morrill bill was adopted?

Mr. DOHERTY. I say unhesitatingly, no. I think that by this time the appraisers have become more and more skillful in their duties and their quality has been very much improved. I might say of their knowledge on foreign values, it is almost uncanny, and the sense of values they have acquired in the course of their training is marvelous.

Besides that—always excepting the war conditions—our sources of information are getting better; they are not as good as they ought to be. But that can be remedied by increasing the number of agents that we send abroad, and also, if I may say, in being particular about their personality. Right on that point I want to cite some-

thing that is absolutely authentic. Only a few days ago in New York I met Examiner Patton—Senator Simmons may remember him—who was assigned for his committee in 1913, from the New York appraisers' office, a very high-grade man, one of the best examiners in the whole service, who had just returned from the Madeira Islands, having been sent over there to look into the production of Madeira embroideries and their proper appraisement, and he told me that while he was there he was not only shown freely all of the books of the men who export to America, but even the Swiss and French firms opened their books and told him to go right through them. There is no doubt in my mind that with men of a proper personality we should be able to secure all the information that we require abroad.

Senator SMOOT. Do you mean to go into the books to learn what the cost of these things is?

Mr. DOHERTY. I think so far as determining the actual sales prices are concerned, yes. I think they will show you the books.

Senator SMOOT. I know that two of the representatives of two of the very important Governments, when the emergency tariff bill was up, came before the committee and said their countries did not want any such legislation, and that they would retaliate if it was undertaken to be put into law.

Mr. DOHERTY. And that is quite right. I do not think you ought to put it into the law, because as it is in that law now it is wholly inoperative—the one that requires exporters to show their books. You provide there that if an exporter fails to show his books, the man who receives his goods here is going to be punished. That will not stand in law. I know that I am surrounded here by lawyers, but I make that statement without any hesitation. You can not punish A because B can not compel C to do something. The transaction between the American buyer and the European seller may be complete. There is no longer any privity of interest between them. Now, then, can the American purchaser compel the foreigner to show his books to a special agent? He can not do it.

Senator SMOOT. I agree with you.

Mr. DOHERTY. You can not punish me because I do not compel my foreign vender to do that.

Senator SIMMONS. It has been claimed here that our great trouble is in meeting German competition, and it is claimed that that is because Germany is now making goods so very cheap, that even they are cheap as compared to the cost of producing those goods before the war; that they are selling very cheaply in the foreign markets, which market price you would have to take in appraising now. I want to ask you this direct question: Do you know whether the German goods that are being imported here now are valued at more or valued at less; that is, whether they are invoiced at more or invoiced at less than those like goods from Germany were in the days before the war?

Mr. DOHERTY. As to that, I can refer you to the archives of this committee.

Senator SIMMONS. Are they making them very much cheaper now than before the war?

Mr. DOHERTY. That question ought to be considered res adjudicata, so far as this committee is concerned. It has been tried out before this committee in April last in the hearings on the antidumping bill.

Good, high-class evidence was presented here showing that in point of fact German goods are being imported into this country during this present year at higher prices in dollars than they were in 1914.

Senator SIMMONS. In gold dollars?

Mr. DOHERTY. Real money, gold dollars; yes, sir.

Senator SIMMONS. Therefore, if goods are selling cheaper in Germany now than they were before the war, they are being overvalued here instead of undervalued.

Mr. DOHERTY. That simply is not so. I have enough personal intimate knowledge of merchandise from that country to be able to say that the prices are ever so much higher than they were before the war.

Senator WATSON. In gold?

Mr. DOHERTY. Always in gold.

Senator SMOOT. But not as high as American goods?

Mr. DOHERTY. Then, simply, you have cause for the application of a new differential. If the difference between them is not sufficiently bridged by the duty, you will have to raise the duty.

Senator SMOOT. But in these very goods you are speaking about as being imported into this country at higher value, you know that Germany places as high as a 100 per cent tax upon those goods exported. If they want to cut the price, Germany can reduce 100 per cent, and she will do that if it is necessary to get the market, and that is why the goods, some of them, come into this country at higher prices than she is selling her goods right in her own home market. You know that to be the case?

Mr. DOHERTY. I know it.

Senator SMOOT. And that tax is imposed upon the goods that are exported. But if it becomes necessary to meet the competition in this country, she will do that.

Senator SIMMONS. We are inquiring right now as to the question of undervaluation. If Germany is invoicing these goods here very much higher than they sell for in Germany, then that is not an undervaluation; that is overvaluation, is it not, for the purpose of taxation?

Mr. DOHERTY. It certainly is.

Senator SIMMONS. And that is what we are discussing here—undervaluation for taxation here, or overvaluation for taxation here.

Mr. DOHERTY. When those goods are invoiced at such high prices the Government gets higher duty and the American manufacturers get high protection. But, as I said before, that is all in the records of this committee. I refer you gentlemen to the hearing of April 22 last on the bill H. R. 2435, where there is a full statement, name, and description of the exhibits, and the proof positive that the goods are being bought now in dollars at higher valuation than they were before the war. That has been proved to a mathematical certainty, and it does not make it any stronger to say it over and over again.

Senator SIMMONS. The reason I wanted that repeated to-day was that I was afraid some of my colleagues on the committee had forgotten it. [Laughter.]

Senator SMOOT. In reference to comparison of cost of goods in 1914 and to-day, of course, there is no comparison. It cost us 100 per cent more to make goods in this country. That is not the question.

Mr. DOHERTY. Oh, on some products 200 or 300 per cent. The German cost has gone up 400, 500, 600, and 700 per cent—in some instances 10 times as much.

Senator SMOOT. It may be on a piece of lace; but not the regular goods which people buy.

Mr. DOHERTY. I am not surprised if Senators have forgotten, because for the last week it has been dinned into their ears that Germany is getting labor for nothing and shooting goods over here at a fraction of their prices, as much as to say the appraisers are all asleep; in fact, some of the domestic witnesses had the affrontery to say that the appraisers did not appraise at all. And some of those fellows were in combinations here to keep up the prices and during the days of the war, when they had things all their own way, they were a mighty autocratic class.

Senator SMOOT. You better give the names.

Mr. DOHERTY. The toy manufacturers, Ives, Lionel, and others. They have not given the names of the undervaluers. They ought to do it. The chief special agent is in this room and has been here for some days. Men appeared here and talked glibly about undervaluation. Why do they not notify him, and he will get after them right quick. That is what he is there for. I wish he would get the collector of the port of New York to subpœna some of these men to make good on their talk, which, I believe, is done with deliberate purpose to deceive this committee.

Senator WATSON. Congressman Mott made a speech in the House on the 14th of July, on page 3955 of the Record, where he starts in and gives one instance after another of undervaluation. I do not know anything about it. My attention has just been called to it—mostly on importations of china.

Mr. DOHERTY (looking at the Congressional Record). That is all old stuff, on importations of Limoges china from France.

Senator WATSON. You do not suppose that that Representative goes back to 1910 and gives that by way of illustration?

Mr. DOHERTY. He does—1908 and 1911—all ancient history. That is what I say, all this old stuff is brought up all the time.

Senator WATSON. Then it is not very valuable evidence.

Mr. DOHERTY. That is of no use; it is a closed chapter. Some of those men were punished and some escaped punishment.

Many of those actual undervaluations do not involve any moral turpitude at all; they are merely technical. Sometimes a man who has made a purchase does not know that three or four others have had to pay more than he has. He is a very good buyer, and minding his own business strictly, quite satisfied to get a good bargain. Yet the first thing he knows, when his goods arrive in New York, they are raised.

I had the same experience myself, if you will bear with me a moment. During the war, of course, the supply of fancy goods from Germany was cut off, and particularly these glass balls which you hang on Christmas trees. Therefore the house I was connected with resorted to Japan, and a man went over there in good time to get good prices, placed orders, and they proceeded to fill them, and we had several shipments. Then another shipment came along, and, lo and behold, we were raised about 50 per cent, because the appraiser thought our goods were too low; and successive shipments were so advanced. I was quite at a loss, but finally it turned out that those Japanese manufacturers had actually taken the goods

which they had made for us, and which they had contracted to sell to us for low prices, and had sold them to some eleventh-hour customers, the big department stores, who had rushed over to buy goods for Christmas, and offered almost any price. These canny Japanese sold to them the goods that belonged to us; and for that reason we lost not only the merchandise, but we were jacked up by the appraisers and suffered several thousand dollars penalties.

That would be included, Senator, among the undervaluations. But it is purely a technical undervaluation. Under a law that tempered justice with mercy, we ought to have been excused from any penalty. But the law is inexorable and there could be no exception made:

Senator SMOOT. I do not think that is undervaluation at all.

Senator WATSON. When tourists come back and bring in goods, are those goods appraised on their wholesale or retail value?

Mr. DOHERTY. Theoretically on the wholesale price; that is the law.

Senator WATSON. What do you mean by "theoretically?" It is a practical question.

Mr. DOHERTY. The law says the duty shall be imposed upon the wholesale prices.

Senator WATSON. The law squarely states that?

Mr. DOHERTY. Oh, yes--at the usual wholesale price.

Senator WATSON. I did not know that; that is something new to me.

Mr. DOHERTY. A great many passengers do not know it, and in the rush of passing baggage it does not come up. But the next time remember that, that you are entitled to have the goods appraised on the wholesale price.

Senator SIMMONS. Mr. Doherty, are you going to address yourself to the other objection, growing out of difference in exchange?

Mr. DOHERTY. I do not think that is necessary, Senator, because upon that I call your attention again to the hearing of April 22. That was all fully covered. There has been no change in the conditions either in this country or in foreign countries since then.

I am sorry to say that a neighboring Government, Canada, has followed the evil example that the House of Representatives set at that time, and has enacted a currency law which forbids any depreciation of more than 50 per cent. They already feel they made a great mistake in that. I was in Ottawa two weeks ago and talked with the commissioner of customs there in connection with that.

Senator SIMMONS. What was that law?

Mr. DOHERTY. They provided that the collector of customs shall not permit any greater depreciation than 50 per cent from the proclaimed value.

Senator SMOOT. Twelve cents a mark?

Mr. DOHERTY. Twelve cents a mark, or 9 cents a lira. The result is that they have shut out goods from Germany, Italy, Austria, and those central European countries generally. There is a very striking similarity between the environments of tariff legislation in the two countries. At the elbow of the minister of finance there was a representative of the Canadian manufacturers who egged him on to this, and he accepted the advice of the Canadian manufacturers' representative against the advice of the minister of customs and the commissioner of customs. They warned him that the legislation was not advisable, but he chose to ignore their advice, and the result is that they are not getting the goods they want. Instead of getting a large

revenue from those goods, which this interested party assured the ministers they would get, they are getting none at all. And they listen with a very sympathetic ear to suggestions that there might be some way to bring those goods in in another way.[1]

Senator SMOOT. I received a letter the other day in response to a letter I wrote as to how the law was working up there—this very law—and stated very differently from what you have said, and I do not know but that I had better put it into the record.

Mr. DOHERTY. If it is contrary to what I say, it is contrary to the statements to me by the Canadian commissioner of customs. I was talking to him personally.

Senator WALSH. I suppose it depends upon whom you write to.

Mr. DOHERTY. Yes. But when you get to the commissioner, who is at the head of the service, you know whom you are talking to.

There are a great many more things I would like to dilate on. I wish you would lend me all the time that was occupied by the 24 orators in opposition.

Senator MCCUMBER. There may yet be six or eight witnesses to testify on the same side you do.

Mr. DOHERTY. I judge not, from the list. Appearing as we do, we are acting upon the suggestion and request of Senator Penrose, who asked that we nominate one or two to speak, and not to have a whole lot of orators to say the same thing. We complied very literally with that request. There have only been three witnesses who appeared on our side, and two of those were attorneys who had been specially employed by importers who wished to have their own representatives. But for all the rest of the importers of this entire country we are speaking.

Senator WATSON. What other points have you to make?

Mr. DOHERTY. I would like to advert to some of the testimony that was given by some of these men who testified; for example, that man de Jong, who held the floor two hours last Wednesday, and who brought up as an example for the necessity of changing the valuation a pile fabric that he said he used to get from the firms in Shelton—the Blumenthal firm in Shelton, at $4.50 a yard—and he found he could buy it in Germany at $2 a yard; whereupon the American dealers were obliged to reduce their price to $3.50. He left you with the inference that they were obliged to cut prices very materially because of the excessively low prices of the German product. He left you with the wrong impression. He did not figure in all the elements that go to constitute cost. As a matter of fact, that German product landed, duty-paid at $4.40, and there was not any need at all for the Shelton manufacturers reducing their price from $4.50 to $3.50, because he did not figure in the gross profit at all, nor did he figure in the transportation charges. He put down the naked foreign cost, plus the duty. And that is the same sort of dissimulation that runs through the argument placed before you by these interested parties.

I do not think that that is quite the fair way to treat the committee. You are laboring under tremendous difficulty. You do not swear the witnesses, and you have no one to cross-examine them, and I think it is only fair that men who come up before the committee should be truthful in their statements, and should state outright just what the facts are, so far as they know them, and not leave the committee under the wrong impression.

[1] See p. 342.

Senator McLEAN. Is it your view that we can provide protection against German importations under the present plan that will not operate as an embargo against importations from high-cost countries?

Mr. DOHERTY. I am glad you asked that question, because I have been desiring an opportunity of clearing up this question of competition between foreign countries. What do we care about competition between one foreign country and another?

Senator WATSON. What we want to do is to protect our own country. Since you are asking that question, how are we going to protect this country under those conditions?

Mr. DOHERTY. How are we going to protect American manufacturers from Germany without imposing an embargo against the high-cost countries? I say, we do not care anything about that.

Senator McLEAN. You have just said that Canada has adopted a plan by which she has prevented the importation of goods she needs.

Mr. DOHERTY. Yes.

Senator McLEAN. If we adopt a plan that operates as an embargo against all countries but Germany, may we not be in precisely the same position Canada is in regarding importations from other countries that we need?

Mr. DOHERTY. I do not see why there is any more necessity of enacting such a tariff than ever before. All ad valorem duties bear unequally on the different countries.

Senator McLEAN. Then you favor a continuation of the present plan?

Mr. DOHERTY. Certainly.

Senator McLEAN. And you offer no alternative?

Mr. DOHERTY. I say it is no affair of ours how much foreign countries compete with one another. Why should this committee tax American consumers to benefit England or France as against Italy, Germany, or Japan?

Senator WATSON. Why should we devise a tariff to permit imports from Germany and shut out all the other nations of the world?

Mr. DOHERTY. That is the result of natural causes; that is something we can not help.

Senator WATSON. It resulted that way.

Mr. DOHERTY. Why do we care about that?

Senator WATSON. We do.

Mr. DOHERTY. Why should you? Why should not we get the benefit of competition between foreign countries?

Senator WATSON. Then why not put up an embargo against Germany and the other nations at the same time?

Senator SMOOT. Why not put an embargo against our own manufacturers and buy German goods entirely?

Mr. DOHERTY. That is all airy persiflage. We ought to have the benefit of foreign competition of foreign countries. If we go to buy any foreign goods we ought to get them as cheaply as we can, always having a proper protective duty. In other words, I say the proper economic principle is to let every foreign country do that which it can do best. Then we get the benefit of it, and we can adopt an adequate tariff so far as the American industries are affected. I can not see for the life of me——

Senator McCUMBER (interposing). Suppose an article were produced in Japan for $1; it took $2 to produce it in France; and we put a tariff only so high but what the French merchant can still

import into the United States. Suppose we charge the French merchant 50 per cent on his $2; that would be $1. Could not the Japanese pay that $1 and still compete with the French?

Mr. DOHERTY. Why, of course.

Senator MCCUMBER. Then what objection would there be to compelling Japan to pay the same price, upon any theory that we would charge the Frenchman—whether upon ad valorem basis or whether on a specific basis?

Mr. DOHERTY. That is not the same thing at all. The Senator asked me if there was not some way by which you could equalize the production costs of foreign countries so that their landed cost here——

Senator WATSON (interposing). Oh, no; I did not ask you that.

Mr. DOHERTY. You take a series of different amounts and you add a like amount to each one, and you do not change the relative position—one is still higher than the other.

I just had one of those little things figured out here, Senator. An article was selling in the United States at $1 and it would have been 70 cents in England, 60 cents in France, 50 cents in Germany, 40 cents in Japan. If you impose the same duty on all of them; that is, a duty of 50 per cent on $1, the American selling price is 50 cents—you simply add 50 cents for each one of those amounts. That does not make any relative difference. Japan still has the advantage. The order still stands, Japan, Germany, France, and England. As a matter of fact, you have put a higher burden on that country which has already the highest cost. What consolation is it to that country to know that the low-cost country has also been advanced? None at all. Really, I can not take that seriously at all.

Senator WATSON. It costs less to produce goods in Germany than in any other country in the world right now?

Mr. DOHERTY. No.

Senator WATSON. Considering the rate of exchange, it costs less to produce goods in Germany than any other country, except Japan. Now, if we put a tariff on sufficient to protect the American manufacturer against those low-priced goods, can any other country ship their goods into this country?

Mr. DOHERTY. Yes.

Senator WATSON. How.

Mr. DOHERTY. Because it is very rarely that you will find exactly the same article shipped into this country from different countries. Take, for example, laces——

Senator WATSON (interposing). Does not Germany ship practically everything into this country?

Mr. DOHERTY. Not at all.

Senator WATSON. All woolens and cottons?

Mr. DOHERTY. We had no woolens from Germany for a long time, and no cottons either.

Senator WATSON. We have had some cottons, of course, we have.

Mr. DOHERTY. We get laces from Nottingham, England; we get laces from Calais, in France—I am taking normal times. We get burnt-out laces from Plauen in Germany and Barmen in Germany. We also get some laces from Belgium and from Italy.

That is all lace, but it is not the same thing; it does not compete; the Nottingham is entirely different from the Calais and the Plauen

lace, and the burnt-out article is different from the other, and the Belgian and Italian are mostly handmade laces.

Senator WATSON. And the things that Germany is sending into this country are unique to Germany, and other countries are not importing those things.

Mr. DOHERTY. That is altogether too sweeping. I say this, as a general rule there are such differences between the products of those various countries each one can go along side by side; each finds its own market. Where the goods are absolutely identical there is no hope; the lowest country will then win out. And that is very much to the advantage of our American consumer, and if that country is able to supply all our legitimate demands, and you levy sufficient duty to protect the American manufacturer, that situation is ideal. You are satisfied. Why should you care that if in the meantime the products from some higher-cost country are shut out? How is that any concern of ours? I do not see it at all—America first.

Senator WATSON. Is not that Germany first?

Mr. DOHERTY. No, no.

Senator WATSON. Are you a free-trader?

Mr. DOHERTY. No, indeed; I am not.

Senator WATSON. Are you a protectionist?

Mr. DOHERTY. I am.

Senator MCLEAN. That is Germany first, last, and all the time.

Mr. DOHERTY. I am straight-out Republican, and expect to continue to be one, and I am a protectionist. But I do not believe in any more prohibition than we have now. [Laughter.] We do not want any country——

Senator WATSON (interposing). When you speak of "prohibition" you touch a tender cord in the audience. [Laughter.]

Mr. DOHERTY. I may say I have some little sensibilities myself.

Senator WALSH. If you undertook to make a tariff law upon the basis of keeping out of this country the products of the low-cost countries, are you not leading directly toward confining every country in the world to its home market for its business?

Mr. DOHERTY. Practically, yes.

Senator WALSH. When you begin to say we must shape our tariff so that the low-cost producing countries can not come in you are practically putting up an embargo and leading toward each country only producing the amounts of goods its own people can consume.

Senator SMOOT. That would be the case if we had absolutely free trade in this country on everything. That same reasoning would apply if there was not a tariff in existence. If Germany can make goods cheaper than any place in the world, Germany will control the commerce of the world, as far as she can produce those goods.

Senator WALSH. I have some sympathy with the suggestion that we should not be obliged to compete with those countries that produce goods that are made in America at a lower cost or less cost. But I do not see why you consider that factor in drafting your tariff law to prevent those goods coming in. I do not see why you are not bound to go step by step toward putting up a wall and doing away with export business with every country in the world.

Senator SMOOT. The American valuation, in my opinion, is the only possible thing to equalize that. The question of whether it is a

tariff wall depends upon the rate we put in the bill, but the American valuation will equalize between Germany and England and France. One will have just as good a chance as another, as far as the amount of duty that will be imposed is concerned.

Senator WALSH. The goods then will come from the low-producing country.

Senator SMOOT. Of course, they will—free trade, tariff, anything.

Mr. DOHERTY. This new scheme does not cure that condition at all. It simply provides that all pay the same amount of duty.

Senator SMOOT. That is what it does.

Mr. DOHERTY. Production cost remains; landed cost remains.

Senator SMOOT. But it does give our American manufacturer a chance to manufacture goods in this country in comparison with the lowest——

Mr. DOHERTY (interposing). It simply gives additional protection.

Senator MCCUMBER. It gives us a greater amount from the lower-producing country.

Mr. DOHERTY. It also exacts a greater amount from the higher.

Senator MCCUMBER. Suppose we leave that practically the same. We would still get a proportionate amount from those whose home prices were much below the higher prices.

Mr. DOHERTY. I do not see how you can leave the low producing countries alone.

Senator MCCUMBER. Suppose we have an article produced in Great Britain for a dollar, and we will say a dollar is the American price here, and we charge 10 per cent—10 cents. If the same goods are produced in Japan, we will say, for a half dollar, and we charge 10 per cent ad valorem, why, on the ad valorem price they would only pay 5 cents; whereas if we take the American price you pay 10 cents just the same as the British?

Mr. DOHERTY. Exactly.

Senator MCCUMBER. And then we get 5 cents more on that particular article, would we not, from Japan?

Mr. DOHERTY. Her landed cost would be 60, and England $1.10.

Senator MCCUMBER. You have not raised England, but you have raised the other. I am assuming you have not put your tariff high enough to raise the tariff against the English manufacturer at all. but you have brought the others nearer to him.

Mr. DOHERTY. I do not get that at all.

Senator SIMMONS. You said you are a Republican?

Mr. DOHERTY. Yes, sir.

Senator SIMMONS. If we adopt this scheme, what will become of the old-time Republican doctrine of the tariff that was measured by the difference between the cost of production here and abroad?

Mr. DOHERTY. I do not want to get into politics now. But there seems to be no party differences as to protective tariff. This present law under which we are working, with all due respect, is practically a protective tariff, because it was personally intended by its sponsor in the lower House to be a competitive tariff, and the rates were made so they would compete. So it is really a protective tariff.

Senator WATSON. Do you mean to say that Senator Simmons deliberately formulated a protective tariff?

Mr. DOHERTY. Senator Simmons made 698 amendments to the tariff passed in the House of Representatives. I believe that is the correct number, is it not, Senator?

Senator SIMMONS. He made a great many amendments. It was over 600.

Mr. DOHERTY. It was over 600.

Senator SIMMONS. And 500 of them stuck.

Mr. DOHERTY. The tendency of your scheme will be a very pernicious one. The tendency will be to do away with outright purchases by American purchasers in the open European markets and it will tend to stimulate one of the greatest evils of our tariff system, one that has been denounced by successive Secretaries of the Treasury from away back, as far back as you can go, and that is that system whereby goods are consigned by a foreign manufacturer to an agent in this country. That is the result of this system.

You ought to think well over that, because that is a very bad thing from every standpoint, for this reason: At the present time a large house like Marshall Field & Co. makes a purchase in the open market in Europe and brings them in. Goods bought in the open market have a notorious value, and there is no trouble about the duty. Under this it will be decidedly to the advantage of the manufacturer who makes those goods to send them to his agent in this country, because he can make his own selling price in this market and his selling price can be lower than Marshall Field's selling price, because he has eliminated Marshall Field; he has eliminated that middle man. His dealings can be practically direct to the retailer. So he can absorb a part of the profit that Marshall Field & Co. made and still put his goods on the American market at a lower price than Marshall Field & Co. are able to sell them. That is a very bad thing.

I remember a striking passage in a report of Col. Tichenor, Assistant Secretary of the Treasury at one time, who was going through some foreign country and he noticed a row of magnificant mansions, and he asked who lived there, and he was told that the men who lived there were those who got wealthy consigning goods to America. Col. Tichenor was one of the best and brightest minds that ever graced the Treasury Department of the United States.

This bill as it stands now would have a tendency to aggravate that situation. It will eliminate the outright purchase, which is what we ought to have.

There are a whole lot of other things I would like to talk about, but I yield to the pressure of the committee; but at the opening of my remarks I insisted we did not know what "comparable" meant, and we do not know yet. So we have prepared here a summary statement based on the American selling price, as well as we know it. Under the second part of section 402—the part that provides a method for appraisement of goods that are not comparable with American products; in other words, where there is no American product at all—there are more of them, of course. In some cases, in order to comply as well as we could with the requirements of the committee, we have put down a thing as being comparable, although we had very serious misgivings whether it was or not. The first example that comes to my mind is the so-called prophylactic toothbrush—that is, a toothbrush with the bristles of varying lengths, a sort of a tuft at one end, the idea being that it can reach better into the crevices of the mouth. That is a well-known American article made in Florence, Mass. There is another toothbrush which comes from Japan, made in the same way; but it is not as good as the American article at all;

the bristles are not as good, the handle and back are not as good; but, as I say, in order to comply so far as we could with the spirit of the committee we called that comparable.

So we have prepared this summary statement which contains the description of the article and the country it comes from, and the foreign selling price, and the case and packing and transit expenses, rate of duty under the present law and the paragraph, the amount of duty under the present law, and the present selling price with a gross profit of 25 per cent; then the proposed rate under the Fordney bill and the amount of duty on the selling price under the terms of the Fordney bill. And, finally, the fourteenth column shows the equivalent ad valorem percentage; the fifteenth column is the one where we have put down a comparison where we thought we could find a comparison, where we spelled out comparison; and then the sixteenth column, shows duty under the Payne-Aldrich Act, and the paragraph number of the Payne-Aldrich Act.

All these examples were furnished by merchants in New York and other places at our request, in order to prepare for this hearing. They were furnished with a form and told to put down the exact figures just as they were taken from their books So that this summary represents actual transactions, and where there was any comparison possible it was an actual transaction also; that is, there was an American article that we deemed to be comparable with this one under the law.

I should like to offer that for the record, and I would like to have it printed in the record.

Senator McCUMBER. That will be printed as a part of your testimony.

Mr. DOHERTY. I could talk a whole lot about this and explain it.

Senator McLEAN. Did you appear before the Ways and Means Committee of the House?

Mr. DOHERTY. They had no hearings on this at all. We followed the exact language of the law. We certainly calculated it just exactly the way the merchant would calculate his costs and the selling prices. Those, as I say, represent the actual prices of goods that are bought and sold daily in the markets.

I should like also to put in evidence, if it is necessary, a copy of the hearing of April 22 before this committee. Is that necessary—to put it in evidence—or will you take judicial notice of it?

Senator McCUMBER. Is it a copy of hearings already had by this committee?

Mr. DOHERTY. It is the one on the antidumping bill in April last—antidumping and currency.

Senator McCUMBER. How long is it? If it is already printed it would seem it would not be necessary to reprint it again for the use of the committee, as the committee has it. But if it is brief and you would like to have it as a part of your testimony, I can see no objection to having it reprinted.

Mr. DOHERTY. It is about the size of that [exhibiting pamphlet to the committee].

Senator McCUMBER. I should think we ought not to go to that length in reprinting a pamphlet of that kind.

Mr. DOHERTY. I do not care for it particularly, although I should like to have it appear in this record that all the facts concerning the

rise of prices in German and other European goods since 1914 are in the files of this committee and on the records of this committee.

Senator McCUMBER. You may refer to any pages in that that you wish to refer to.

Mr. DOHERTY. The whole pamphlet deals with it, and I would like to have that well considered as part of our proof and considered in evidence the same as if witnesses were called here now and examined orally.

Senator McCUMBER. That will be done.

Mr. DOHERTY. The summary I have submitted contains no pyramiding and no exaggerations at all. The figures are those of actual transactions, and they are figured out according to the language of the law.

Senator SMOOT. I see you have selected such articles as razors, toothbrushes, and such things. You know we have always had a great deal of trouble with those, to protect against foreign countries.

Mr. DOHERTY. I think there are 250 commodities in all. We have done the very best we could to make as wide a selection as possible.

Senator McCUMBER. Is that all?

Mr. DOHERTY. No; it is not all. But I will have some consideration for those who follow me. I should like to have made a much fuller presentation, as there is a great deal to be said, and I should like to have said it, but I recognize conditions and bow to the inevitable.

I thank you very much for the hearing.

### SUMMARY STATEMENT BASED ON AMERICAN SELLING PRICE.

This statement is a summary based on 206 individual calculations covering as many different items of importations, including a comprehensive variety of goods. In this tabulated statement the items are numbered, beginning with 1 and ending with 206, and each separate entry is the result of a detailed calculation, the calculation sheets having been preserved, so that they can be referred to in verification of the summary.

Of necessity, such a statement as this must be, to some extent, conjectural because of the extreme uncertainty that attends computations under the very complicated system contained in the Fordney bill. Because the basis of duty—that is to say, the value upon which the duty will be assessed—is the selling price in the United States, which is itself a composite figure made up of many factors, and each figure must be resolved into those separate factors, there are wholly new problems in cost figuring presented. However, the particular computations summarized here represent actual importations at actual prices, and the picture here presented is a faithful reproduction of what will happen if and when this new system is put into effect.

The phrase used in section 402 of the Fordney bill, "comparable and competitive," completely baffles conjecture as to its meaning, and there is no pretense made here that those who prepared and presented this statement have mastered the difficulty. Every effort was made to secure an American article that was identical, or almost identical, with articles of import, but in only a very few instances could such similarity be found as would justify the statement that the goods were comparable. In column 15 of the tabulated statement percentages appear at intervals which represent the ad valorem duty upon foreign value equivalent to the duty imposed by the Fordney bill. It must be understood that these percentages as to comparable articles are given with reluctance because of the misgivings in respect to the precise meaning of the word "comparable." Taking, for example, article 7, which is a toothbrush made in prophylactic style by a well-known American concern and having a Japanese counterpart to the extent of containing bristles of uneven length, conservative figuring shows that the new duty will be equivalent to 124 per cent based upon the foreign value. The duty under the present law is 35 per cent and the duty under the Payne-Aldrich tariff law was likewise 35 per cent. There are a few other instances found where an American counterpart for the imported article was made the subject of calculation, and all such instances are in column 15.

In the vast majority of cases, however, no American article that could truthfully be said to be comparable was found, and it may be stated that this is representative of the general run of imports. In fact, it is because the imported article presents

some different features from the domestic article that the imported article appears in commerce at all. It may or may not be cheaper; it may or may not be more symmetrical or beautiful; it may or may not be as handy or convenient; and yet it may have some feature that distinguishes it from the domestic article and which appeals to the taste of a sufficient number of buyers to warrant its importation. In the true sense such articles are neither comparable nor competitive because they go along side by side and each finds its own market.

The preparation of this tabulated statement gave a very practical demonstration of the extreme difficulty business men will have in forecasting the effect of the tariff law upon transactions which will be completed in the future. A very large part of international commerce is made up of import orders; that is to say, the transactions involve the taking of orders for goods which are made to order but which will not be put upon the American market for some months after the order is taken and buyer and seller are committed to a price. Notwithstanding the many general statements that have been made to the effect that the buyer of European goods knows when he buys them what they will sell for, the inexorable fact remains that that certainty is based on the knowledge of what his goods are going to cost him landed. Without that knowledge it is utterly impossible for either buyer or seller to fix a price. There are too many possibilities intervening between the time of the contract and the time of delivery to make anything like certainty possible. It is well known that the domestic market is subject to violent fluctuations, and the enterprise and inventiveness of Americans are equally well known. Therefore, the American market may be totally different from the market when the order was placed and, furthermore, articles which at that time were not made in America at all may have in the meantime been developed.

Without reviewing this tabulated statement in detail, attention is especially invited to column 14 and to column 16. Column 14 shows the rate of duty carried by the Fordney bill based upon domestic valuations, reduced to an ad valorem based upon the foreign market value, while paragraph 16 shows the ad valorem duty carried upon the same article under the Payne-Aldrich law of 1909. A comparison of these two columns and of column 15, where there is any comparable article, shows some amazing increases of duty over the act of 1909. These ad valorem duties are higher in most instances than any duty that was ever levied by any tariff act in this country, and it is correct to say that the majority of them are higher than the most extreme protectionist ever urged.

Another feature noticeable is the wide discrepancy between the extremes of these duties without any apparent reason therefor. It is manifest from this that the rates, as fixed in this bill, have absolutely no relation to the economic facts and to the commercial conditions which a tariff law must necessarily take into account.

It may be that the relative paucity of comparable items is due, not only to the actual lack of such items, but also to the extreme difficulty of ascertaining whether or not such items exist. This new bill apparently puts the burden upon the importer, at the risk of being penalized if his information is incorrect, of finding whether there are articles comparable with his own and, if so, what their price is on the American market. This exacts of the importer an impossible task in the majority of instances. The United States is a very large country, and in some portions of the country there is a demand for and use of articles that are never found in other parts of the country. An importer bringing in such articles, located in a portion of the country where they are not used, would be utterly at a loss to find out what domestic-made wares were selling for on the American market.

Furthermore, the importer could depend only on hearsay for any information of this kind, and it seems intolerable that he should be punished by heavy fines because the information that is given to him is inaccurate and is found to be so by the appraiser. This law retains all the rigorous features of the old law, imposing heavy fines upon the importer in cases where the entered value is incorrect. Whatever excuses there are for this under the old law, based upon the ground that the importer knew what he paid for his goods and might be conceived to know what the prevailing foreign values were, there is no sound reason for it under the new law when the values upon which he must pay duty are values as to which he has no special knowledge. There is no human agency that might reasonably be expected to know the selling prices on the American market of all commodities except the United States Government. It has postmasters in every hamlet and it has an army of other employees, collectors of customs, collectors of internal revenue, and a myriad of other subordinates, and the innumerable attachés of the various departments of the Government, many of whom are now engaged in collecting and disseminating what purports to be commodity prices. Simple justice would require the Government to assume the burden of ascertaining and proclaiming prevailing prices for the guidance of its citizens who import goods and for the guidance of the customs officials who appraise them.

With this explanation the tabulated statement is printed, as follows:

[When the importers' wholesale selling price is accepted for duty purposes because there is no comparable American made article, see column 14; if comparable, see column 15.]

| 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 | 12 | 13 | 14 | 15 | 16 | 17 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Description of article. | Country of origin. | Selling price at foreign factory (varying units). | Case and packing. | Transit expenses. | Present rate of duty. | Paragraph of Underwood bill. | Amount of duty at present rates. | Present selling price, includes 25 per cent gross profit. | Selling price under Fordney bill, includes 25 per cent gross profit. | Proposed rate of duty under Fordney bill. | Paragraph of Fordney bill. | Resulting duty on selling price. | Not comparable on foreign factory selling price, plus packing equal to— | If comparable on foreign factory selling price, plus packing equal to— | Payne-Aldrich duty. | Payne-Aldrich paragraph. |
| | | | | | P.ct. | | | | | | | | P.ct. | P.ct. | P.ct. | |
| 1. Dye, fast light yellow, No. 2G. | Switzerland | $792.00 | $2.93 | $19.67 | [1] 30 | (2) | $259.65 | $1,432.33 | $2,113.68 | 35 per cent plus 7 cents per pound. | 26 | $770.65 | 97 | ..... | 30 | 15 |
| 2. Celluloid dolls | Germany | 74.49 | 2.10 | 10.64 | 35 | 342 | 26.81 | 152.05 | 240.76 | 25 per cent plus 65 cents per pound. | 30 | 93.34 | 122 | ..... | 35 | 431 |
| 3. Celluloid dolls (Art. No. 9). | Japan | 39.00 | 2.00 | 11.40 | 35 | 342 | 14.35 | 90.00 | 180.29 | .....do | 30 | 89.57 | 218 | ..... | 35 | 431 |
| 4. Celluloid dolls (Art. No. 9). | .....do | 39.00 | 2.00 | 11.40 | 35 | 342 | 14.35 | 90.00 | 167.20 | .....do | 30 | 72.25 | ..... | 176 | 35 | 431 |
| 5. Celluloid toothbrush | .....do | 7.32 | .10 | 1.10 | 35 | 336 | 2.59 | 14.80 | 21.60 | .....do | 30 | 7.68 | 103½ | ..... | 40 | 423 |
| 6. Celluloid toothbrush | .....do | 7.32 | .10 | 1.10 | 35 | 336 | 2.59 | 14.80 | 24.89 | .....do | 30 | 10.16 | ..... | 137 | 40 | 423 |
| 7. Celluloid toothbrush | .....do | 8.40 | .10 | 1.26 | 35 | 336 | 2.97 | 17.00 | 24.08 | .....do | 30 | 8.30 | 98 | ..... | 40 | 423 |
| 8. Celluloid toothbrush | .....do | 8.40 | .10 | 1.26 | 35 | 336 | 2.97 | 17.00 | 27.00 | .....do | 30 | 10.53 | ..... | 124 | 40 | 423 |
| 9. Ean de Quinine (No. 1265 R. & G.). | France | 3.908 | .16 | .579 | 60 | 48 | 6.121 | 14.850 | 46.88 | 60 per cent plus 40 cents per pound. | 57 | 30.51 | 750 | ..... | [3] 50 | 67 |
| 10. Face powder | .....do | 1.60 | .08 | .07 | 60 | 48 | .96 | 4.05 | 11.67 | 60 per cent | 57 | 7.00 | 437½ | ..... | 60 | 67 |
| 11. Infant powder | .....do | 1.202 | .025 | .073 | 60 | 48 | .78 | 2.681 | 8.67 | .....do | 57 | 5.202 | 424 | ..... | 60 | 67 |
| 12. Tin paints | Germany | 39.92 | 1.05 | 7.40 | 20 | 63 | 8.20 | 75.00 | 98.74 | 25 per cent | 62 | 24.19 | 594 | ..... | 30 | 56 |
| 13. Tin paint boxes | .....do | 57.46 | 2.40 | 6.47 | 20 | 63 | 11.87 | 105.00 | 132.66 | .....do | 62 | 33.16 | 554 | ..... | 30 | 56 |
| 16. Perfumed soap | France | 1.52 | .025 | .097 | 30 | 66 | .463 | 12.80 | 3.65 | 30 per cent | 77 | 1.095 | 71 | ..... | 50 | 69 |
| 17. Paper egg boxes | Germany | 34.53 | 2.80 | 11.28 | 35 | 324 | 13.06 | 82.20 | 98.80 | 20 per cent plus 5 cents per pound. | 130 | 25.49 | 70 | ..... | [3] 30 | 411 |
| 18. Earthenware | England | 150.50 | 6.00 | 10.06 | 40 | 79 | 62.60 | 305.55 | 332.11 | 28 per cent | 212 | 82.52 | ..... | 72 | 60 | 93 |
| 19. Earthenware | Holland | 297.81 | 5.00 | 56.08 | 40 | 79 | 119.20 | 635.78 | 753.38 | .....do | 212 | 210.95 | 71 | ..... | 60 | 93 |
| 20. Earthenware | England | 12.34 | .51 | 1.12 | 40 | 79 | 5.14 | 25.48 | 29.72 | .....do | 212 | 8.32 | 647 | ..... | 60 | 93 |
| 22. Earthenware | .....do | 166.56 | 6.00 | 13.20 | 40 | 79 | 69.02 | 339.71 | 395.23 | .....do | 212 | 110.66 | 61 | ..... | 60 | 93 |
| 23. Earthenware | .....do | 64.14 | 5.72 | 9.44 | 40 | 79 | 27.94 | 143.00 | 168.72 | .....do | 212 | 47.24 | 871 | ..... | 60 | 93 |
| 24. Earthenware | Italy | 238.64 | 17.50 | 92.15 | 40 | 79 | 102.40 | 601.00 | 741.04 | .....do | 212 | 207.49 | 81 | ..... | 60 | 93 |

[1] Plus 5 cents per pound.

[2] Sec. 501, act of Sept. 8, 1916.

[3] Plus 60 cents per pound.

| 1 Description of article. | 2 Country of origin. | 3 Selling price at foreign factory (varying units). | 4 Case and packing. | 5 Transit expenses. | 6 Present rate of duty. | 7 Paragraph of Underwood bill. | 8 Amount of duty at present rates. | 9 Present selling price, includes 25 per cent gross profit. | 10 Selling price under Fordney bill, includes 25 per cent gross profit. | 11 Proposed rate of duty under Fordney bill. | 12 Paragraph of Fordney bill. | 13 Resulting duty on selling price. | 14 Not comparable on foreign factory selling price, plus packing equal to— | 15 If comparable on foreign factory selling price, plus packing equal to— | 16 Payne-Aldrich duty. | 17 Payne-Aldrich paragraph. |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | P. ct. | | | | | | | | P. ct. | P. ct. | P. ct. | |
| 25. Earthenware vases | Japan | $12.00 | $3.80 | $10.95 | 40 | 79 | $6.32 | $43.20 | $56.91 | 28 per cent | 212 | $15.93 | 101 | | 60 | 93 |
| 26. Decorated china C. and S. | Germany | 61.80 | 9.69 | 14.10 | 55 | 80 | 39.32 | 165.00 | 244.54 | 40 per cent | 213 | 97.82 | 137 | | 60 | 93 |
| 27. Earthenware teapots | Czechoslovakia | 1.68 | .17 | .34 | 40 | 79 | .74 | 3.90 | 4.66 | 28 per cent | 212 | 1.30 | 70½ | | 60 | 93 |
| 28. Decorated chinaware | Germany | 108.30 | 11.65 | 18.20 | 55 | 80 | 66.07 | 273.00 | 395.29 | 40 per cent | 213 | 158.12 | 132 | | 60 | 93 |
| 29. Decorated chinaware | do | 1,315.75 | 132.48 | 138.22 | 55 | 80 | 706.53 | 3,177.31 | 4,532.71 | do | 213 | 1,813.08 | 125 | | 60 | 93 |
| 30. Decorated chinaware | Bavaria | 1,197.60 | 102.90 | 128.27 | 55 | 80 | 719.00 | [1] 47.88 | [1] 68.37 | do | 213 | 27.35 | 125 | | 60 | 93 |
| 31. China dinner sets | Germany | 379.60 | 27.28 | 49.85 | 55 | 80 | 223.78 | 907.35 | 1,305.00 | do | 213 | 522.00 | 128 | | 60 | 93 |
| 32. Holy-water fonts | do | 1.44 | | .12 | 55 | 80 | .79 | 3.15 | 4.46 | do | 213 | 1.78 | 124 | | 60 | 93 |
| 33. Chinaware | do | 1,359.75 | 153.00 | 374.71 | 55 | 80 | 833.25 | 3,600.00 | 5,399.17 | do | 213 | 2,159.67 | 142½ | | 60 | 93 |
| 34. Chinaware | Czechoslovakia | 15.00 | 2.30 | 1.57 | 55 | 80 | 9.51 | 37.84 | 53.89 | do | 213 | 21.56 | 156 | | 60 | 93 |
| 35. China cups and saucers. | do | 56.97 | 4.70 | 6.75 | 55 | 80 | 33.91 | 136.44 | 195.50 | do | 213 | 78.20 | 126 | | 60 | 93 |
| 36. Decorated chinaware | France | 142.61 | 5.59 | 8.15 | 55 | 80 | 84.95 | 330.00 | 446.71 | do | 213 | 178.68 | 121 | | 60 | 93 |
| 37. Decorated chinaware | do | 2.79 | .11 | .33 | 55 | 80 | 1.60 | 6.50 | 9.23 | do | 213 | 3.69 | 127 | | 60 | 93 |
| 38. Decorated chinaware | do | 126.72 | 4.40 | 8.00 | 55 | 80 | 72.12 | 287.00 | 397.49 | do | 213 | 159.00 | 121 | | 60 | 93 |
| 39. Decorated chinaware | do | 1,469.17 | 49.52 | 67.46 | 55 | 80 | 383.29 | 2,626.00 | 4,532.00 | do | 213 | 1,812.80 | 119 | | 60 | 93 |
| 40. Chinaware | Japan | 13.67 | 1.10 | 4.92 | 55 | 80 | 8.12 | 37.08 | 56.25 | do | 213 | 22.50 | 152½ | | 60 | 93 |
| 41. Jointed dolls | do | 34.56 | 2.96 | 12.45 | 35 | 342 | 13.13 | 84.13 | 142.48 | do | 1414 | 56.99 | 151 | | 35 | 431 |
| 42. Teacups and saucers | do | 13.75 | 3.84 | 13.13 | 55 | 80 | 12.43 | 64.20 | 102.06 | do | 213 | 40.82 | 180½ | | 60 | 93 |
| 43. Teacups and saucers | do | 18.00 | 3.20 | 12.05 | 55 | 80 | 11.66 | 60.00 | 95.00 | do | 213 | 38.00 | 179 | | 60 | 93 |
| 44. Teacups and saucers | do | 18.00 | 3.20 | 12.05 | 55 | 80 | 11.66 | 60.00 | 83.17 | do | 213 | 29.04 | | 137 | 60 | 93 |
| 45. Chinaware | do | 21.24 | 4.80 | 10.80 | 55 | 80 | 14.32 | 72.00 | 105.26 | do | 213 | 42.10 | 161½ | | 60 | 93 |
| 46. Tea sets | do | 39.88 | 4.01 | 10.49 | 55 | 80 | 24.14 | 104.69 | 155.37 | do | 213 | 62.15 | 141½ | | 60 | 93 |
| 49. Decorated china toy tea sets. | Germany | 93.75 | 8.59 | 15.61 | 55 | 80 | 56.29 | 232.00 | 337.00 | do | 213 | 134.80 | 132 | | 60 | 93 |
| 50. Decorated china figures. | Bavaria | [2] 177.65 | | 34.47 | 55 | 80 | 97.90 | 413.36 | 606.02 | do | 213 | 242.40 | 136½ | | 60 | 93 |
| 51. Decorated china figures. | Germany | 393.49 | 5.56 | 24.65 | 55 | 80 | 219.45 | 857.53 | 1,210.63 | do | 213 | 484.27 | 121½ | | 60 | 93 |
| 52. Decorated chinaware | Japan | 1,226.12 | 33.60 | 87.34 | 55 | 80 | 692.85 | 2,719.88 | 3,849.60 | do | 213 | 1,539.84 | 122 | | 60 | 93 |
| 53. China dinner ware | England | 393.19 | 6.02 | 10.47 | 55 | 80 | 219.57 | 839.00 | 1,170.51 | do | 213 | 468.20 | 117 | | 60 | 93 |

| | | | | | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 54. Heat-resistant glass chimneys (6-inch). | Germany | .26 | .09 | .11 | 45 | 84 | .16 | .82 | 1.31 | do | 217 | .53 | | 150 | 60 | 98 |
| 55. 10-inch ring top opal-dome shades. | do | 1.12 | .04 | .50 | 45 | 84 | .53 | 2.95 | 5.31 | do | 218 | 2.20 | | 189 | 60 | 98 |
| 56. 14-inch opal domes | do | [1] 3.06 | | 1.80 | 45 | 84 | 1.38 | 8.32 | 12.22 | do | 218 | 4.30 | | 140 | 60 | 98 |
| 57. Glass cone shades | Czechoslovakia | 2.45 | .37½ | .62½ | 45 | 84 | 1.26 | 6.28 | 9.32 | do | 218 | 3.50 | | 124 | 60 | 98 |
| 58. 3A glass prism | do | 1.54 | .03 | .40 | 45 | 84 | .71 | 3.57 | 5.03 | do | 218 | 2.25 | 143 | | 60 | 98 |
| 59. Goblet blown glass | do | 1.20 | .12 | .24 | 45 | 84 | .59 | 2.85 | 3.61 | do | 218 | 1.16 | | 187 | 60 | 98 |
| 60. Ornaments | Germany | 44.70 | 8.54 | 13.50 | 45 | 84 | 22.95 | 119.58 | 190.68 | do | 218 | 76.27 | 143 | | 60 | 98 |
| 61. Christmas tree ornaments. | do | 29.95 | 3.12 | 13.38 | 45 | 84 | 14.87 | 82.00 | 132.71 | 40 per cent | 218 | 53.08 | 160½ | | 60 | 98 |
| 62. Glassware | France | 24.60 | 3.24 | 6.64 | 45 | 84 | 12.29 | 62.00 | 96.97 | do | 218 | 38.79 | 139 | | 60 | 98 |
| 63. Decorated glass | Czechoslovakia | 365.38 | 18.48 | 27.00 | 45 | 84 | 172.80 | 778.21 | 1,173.88 | do | 218 | 469.55 | 122½ | | 60 | 98 |
| 64. Marble pedestals | Italy | 438.75 | 49.50 | 174.65 | 45 | 98 | 219.71 | 1,176.81 | 1,894.90 | do | 233 | 757.60 | 155 | | 50 | 112 |
| 65. Watch glasses | France | 4.60 | .05 | .18 | 30 | 161 | 1.40 | 3.31 | 13.80 | do | 238 | 5.52 | 119 | | 40 | 192 |
| 66. Tablespoons, aluminum. | Germany | 1.92 | .30 | .26 | 20 | 167 | .39 | 3.83 | 5.28 | 28 per cent | 339 | 1.48 | 66½ | | 45 | 199 |
| 67. Sewing machine needles. | do | .93 | .01 | .02 | 20 | 167 | .19 | 1.53 | 2.00 | 25 per cent plus $1.15 per thousand. | 343 | .54 | | 58 | 45 | 199 |
| 68. Machine needles | do | 1.20 | .02 | .03 | 20 | 167 | .25 | 2.00 | 4.80 | do | 343 | 2.35 | 193 | | 45 | 199 |
| 69. Pocket knives | do | 1.54 | | .154 | 55 | 128 | .847 | 3.40 | 11.764 | 30 per cent plus 30 cents each. | 354 | 7.13 | 463 | | [3] 40 | 152 |
| 70. Pocket knives | do | 1.134 | .057 | .057 | 55 | 128 | .6687 | 2.58 | 10.773 | do | 354 | 6.83 | 574 | | [3] 40 | 152 |
| 71. Pocket knives | do | 1.12 | .056 | .056 | 55 | 128 | .647 | 2.50 | 8.071 | 30 per cent plus 20 cents each. | 354 | 4.82 | 410 | | [3] 40 | 152 |
| 72. Pocket knives | do | .77 | .385 | .385 | 35 | 128 | .283 | 1.50 | 7.215 | do | 354 | 4.565 | 565 | | [3] 40 | 152 |
| 73. Pocket knives | do | .56 | .028 | .028 | 35 | 128 | .206 | 1.10 | 6.70 | do | 354 | 4.41 | 750 | | [3] 40 | 152 |
| 74. Pocket knives | do | .56 | .028 | .028 | 35 | 128 | .206 | 1.10 | 2.125 | 30 per cent plus 5 cents each. | 354 | .975 | | 174 | [3] 40 | 152 |
| 75. Pocket knives | do | .42 | .021 | .021 | 35 | 128 | .154 | .85 | 6.36 | 30 per cent plus 20 cents each. | 354 | 4.308 | 977 | | [3] 40 | 152 |
| 76. Pocket knives | do | .28 | .14 | .14 | 35 | 128 | .103 | .55 | 6.018 | do | 354 | 4.2054 | 1,430 | | [3] 40 | 152 |
| 77. Pocket knives | do | 12.60 | .63 | .63 | 55 | 128 | 7.27 | 28.20 | 38.80 | 30 per cent plus 30 cents each. | 354 | 15.24 | 115 | | [3] 40 | 152 |
| 78. Pocket knives | do | 8.40 | .42 | .42 | 55 | 128 | 4.85 | 19.00 | 28.53 | do | 354 | 12.16 | 138 | | [3] 40 | 152 |
| 79. Pocket knives | do | 5.04 | .252 | .252 | 55 | 128 | 2.909 | 10.50 | 20.32 | do | 354 | 9.696 | 183 | | [3] 40 | 152 |
| 80. Pocket knives | do | 3.36 | .168 | .176 | 55 | 128 | 1.94 | 7.50 | 16.231 | do | 354 | 8.469 | 240 | | [3] 40 | 152 |
| 81. Pocket knives | do | 2.10 | .105 | .105 | 55 | 128 | 1.212 | 4.75 | 13.133 | do | 354 | 7.539 | 342 | | [3] 40 | 152 |
| 82. Pocket knives | do | 1.40 | .07 | .07 | 55 | 128 | .808 | 3.15 | 11.422 | do | 354 | 7.026 | 480 | | [3] 40 | 152 |
| 83. Manicure scissors | do | 1.25 | | .125 | 30 | 128 | .412 | 2.38 | 9.44 | 35 per cent plus 20 cents each. | 357 | 5.70 | 456 | | [3] 15 | 152 |
| 84. Ladies' scissors | do | 1.47 | | .147 | 30 | 128 | .441 | 2.74 | 10.04 | do | 357 | 5.914 | 402 | | [3] 15 | 152 |
| 85. Ladies' scissors | do | 1.25 | .0625 | .0625 | 30 | 128 | .40 | 2.40 | 6.23 | do | 357 | 3.275 | | 250 | [3] 15 | 152 |
| 86. Ladies' scissors | do | .847 | .084 | .042 | 30 | 128 | .279 | 1.65 | 5.645 | do | 357 | 3.275 | | 352 | [3] 15 | 152 |
| 87. Ladies' scissors | do | 3.04 | .30 | .15 | 30 | 128 | 1.00 | 6.00 | 11.47 | do | 357 | 5.10 | | 153 | [3] 15 | 152 |
| 88. Plier | France | 4.65 | | .23 | 30 | 128 | 1.40 | 8.50 | 11.10 | 25 per cent plus 10 cents each. | 361 | 3.35 | | 72 | [3] 15 | 152 |

[1] One set.

[2] Including case.

[3] Plus specific duty.

| 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 | 12 | 13 | 14 | 15 | 16 | 17 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Description of article. | Country of origin. | Selling price at foreign factory (varying units). | Case and packing. | Transit expenses. | Present rate of duty. | Paragraph of Underwood bill. | Amount of duty at present rates. | Present selling price, includes 25 per cent gross profit. | Selling price under Fordney bill, includes 25 per cent gross profit. | Proposed rate of duty under Fordney bill. | Paragraph of Fordney bill. | Resulting duty on selling price. | Not comparable on foreign factory selling price, plus packing equal to— | If comparable on foreign factory selling price, plus packing equal to— | Payne-Aldrich duty. | Payne-Aldrich paragraph. |
| | | | | | P. ct. | | | | | | | | P. ct. | P. ct. | P. ct. | |
| 89. Pocket knife | England | $10.19 | $0.40 | $0.40 | 55 | 128 | $5.82 | $22.50 | $32.42 | 30 per cent plus 30 cents each. | 354 | $13.33 | 126 | ..... | 1 40 | 152 |
| 90. Razors | ....do | 12.97 | .52 | .51 | 55 | 128 | 7.42 | 28.50 | 36.44 | 30 per cent plus 20 cents each. | 358 | 13.33 | 99 | ..... | 1 40 | 152 |
| 91. Table knives | ....do | 4.66 | .18 | .18 | 30 | 128 | 1.45 | 8.50 | 14.95 | 35 per cent plus 8 cents each. | 355 | 6.19 | 128 | ..... | 1 15 | 152 |
| 93. Watch mainsprings | Switzerland | 6.30 | .31 | .63 | 30 | 161 | 1.98 | 12.30 | 18.10 | 35 per cent | 367 | 6.34 | 96 | ..... | 40 | 192 |
| 94. Watch mainsprings | ....do | 6.30 | .31 | .63 | 30 | 161 | 1.98 | 12.30 | 15.45 | ....do | 367 | 4.34 | ..... | 65 | 40 | 192 |
| 95. Thread | France | 1.52 | .03 | .05 | 25 | 150 | .39 | 2.65 | 3.70 | 35 per cent plus 10 cents per pound. | 382 | 1.18 | ..... | 76 | 1 30 | 179 |
| 96. Lamecargent No. 22 | ....do | 1.58 | .02 | .05 | 6 | 150 | .10 | 2.20 | 3.24 | 30 per cent plus 10 cents per pound. | 382 | .97 | ..... | 60 | 1 30 | 179 |
| 97. Silver satin ribbon | ....do | .97 | .02 | .03 | 40 | 150 | .40 | 1.90 | 3.35 | 45 per cent | 382 | 1.49 | ..... | 150 | 1 60 | 179 |
| 98. Gold satin | ....do | 3.28 | .07 | .10 | 40 | 150 | 1.34 | 6.39 | 17.25 | 55 per cent | 382 | 9.49 | 283 | ..... | 1 60 | 179 |
| 99. Halfine gold bouillon. | ....do | 9.60 | .19 | .29 | 25 | 150 | 2.45 | 16.70 | 25.75 | 35 per cent plus 10 cents per pound. | 382 | 9.23 | 94 | ..... | 1 30 | 179 |
| 100. Halfine bouillon fringe. | ....do | .31 | .01 | .01 | 50 | 167 | .16 | .65 | 1.65 | 55 per cent | 382 | .91 | 284 | ..... | 45 | 199 |
| 101. Imitation gold bouillon tassels. | ....do | .54 | .01 | .02 | 20 | 167 | .11 | .91 | 2.86 | ....do | 382 | 1.57 | 285 | ..... | 45 | 199 |
| 102. 5-inch fringe, bouillon. | ....do | .42 | .01 | .01 | 20 | 167 | .085 | .70 | 2.20 | ....do | 382 | 1.21 | 281 | ..... | 45 | 199 |
| 103. Gilt belting | ....do | .28 | .01 | .01 | 40 | 150 | .12 | .56 | 1.00 | 45 per cent | 382 | .45 | 155 | ..... | 1 60 | 179 |
| 104. Magnets | Germany | 57.60 | .84 | 5.74 | 20 | 167 | 11.69 | 101.25 | 160.45 | 35 per cent | 393 | 56.16 | 96 | ..... | 45 | 199 |
| 105. French bronzes | France | 168.16 | 24.10 | 29.25 | 20 | 167 | 38.44 | 346.59 | 553.78 | ....do | 393 | 193.82 | 101 | ..... | 45 | 199 |
| 106. Willow hampers | Belgium | 4.00 | ..... | .81 | 25 | 175 | 1.00 | 7.75 | 13.74 | 40 per cent | 411 | 5.50 | 137½ | ..... | 40 | 214 |
| 107. Splint baskets | Germany | 10.08 | ..... | 7.36 | 25 | 175 | 2.52 | 28.61 | 49.83 | ....do | 411 | 19.93 | 198 | ..... | 40 | 214 |
| 108. Xmas roping | Japan | 51.00 | ..... | 6.80 | 20 | 368 | 10.20 | 90.00 | 115.60 | 25 per cent | 412 | 28.90 | 56½ | ..... | 35 | 463 |
| 109. Baskets, not stained | Germany | 12.25 | .49 | 4.29 | 25 | 175 | 3.19 | 27.00 | 34.06 | ....do | 413 | 8.52 | 67 | ..... | 35 | 214 |
| 110. Bamboo fruit baskets, stained | Japan | 27.00 | 2.00 | 10.14 | 25 | 175 | 7.25 | 61.20 | 87.00 | 30 per cent | 413 | 26.10 | 90 | ..... | 40 | 214 |
| 111. Seagrass chair | China | 2.15 | ..... | 4.28 | 15 | 176 | .32 | 9.00 | 12.86 | 25 per cent | 414 | 3.22 | 150 | ..... | 35 | 215 |

| | | | | | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 112. Lacquered wooden trays. | Japan | 43.97 | 1.84 | 14.55 | 15 | 176 | 6.87 | 89.64 | 120.72 | .....do..... | 414 | 30.18 | 66 | ..... | 45 | 199 |
| 113. Pencil box | Germany | 2.24 | .20 | .56 | 15 | 176 | .37 | 4.50 | 6.00 | .....do..... | 444 | 1.50 | 61½ | ..... | 35 | 215 |
| 114. Immortelle flowers | France | 40.00 | 2.00 | 4.00 | 25 | 210 | 10.50 | 70.00 | 92.00 | .....do..... | 751 | 23.00 | 55 | ..... | 25 | 283 |
| 115. Cotton organdie, in the raw, 40-inch. | England | 17.48 | .12 | .85 | 27½ | 252 | 4.84 | 31.05 | 35.73 | 29 per cent | 903 | 8.35 | ..... | 47½ | ..... | 315 |
| 116. Cotton gloves | Germany | 1.75 | .10 | .15 | 35 | 260 | .6475 | 3.67 | 5.714 | 40 per cent | 914 | 2.285 | 123½ | ..... | ..... | 324 |
| 117. Child's voile dress | France | 6.20 | .12 | .68 | 30 | 256 | 1.90 | 12.00 | 16.67 | 33 per cent | 918 | 5.50 | 87 | ..... | 50 | 324 |
| 118. Child's voile dress | .....do | 6.20 | .12 | .68 | 30 | 256 | 1.90 | 12.00 | 16.00 | .....do | 918 | 4.95 | ..... | 80 | 50 | 324 |
| 119. Child's voile dress | .....do | 6.20 | .12 | .68 | 30 | 256 | 1.90 | 12.00 | 16.67 | .....do | 918 | 5.50 | 87 | ..... | 50 | 324 |
| 120. Embroidery linen | Ireland | 842.92 | 7.03 | 50.58 | 30 | 283 | 235.00 | 1,540.70 | 1,916.02 | 28 per cent | 1009 | 336.49 | 63 | ..... | ..... | ..... |
| 121. Irish dress linen | .....do | 37.25 | ..... | [2] 1.86 | 30 | 283 | 11.17 | 67.00 | 83.20 | .....do | 1009 | 23.30 | 59 | ..... | ..... | ..... |
| 122. Linen | .....do | 1.42 | ..... | .08 | 35 | 283 | .50 | 2.65 | 3.19 | .....do | 1009 | .89 | 62.7 | ..... | ..... | ..... |
| 123. Linen napkins | .....do | 3.72 | ..... | .18 | 35 | 283 | 1.30 | 6.95 | 8.30 | .....do | 1009 | 2.32 | 62 | ..... | ..... | ..... |
| 124. Linen towels | Germany | 2.58 | .015 | .11 | 35 | 284 | .77 | 4.10 | 4.91 | .....do | 1013 | 1.375 | 62½ | ..... | ..... | ..... |
| 125. Linen huck towels | .....do | 5.46 | ..... | .33 | 35 | 284 | 1.91 | 10.50 | 12.32 | .....do | 1013 | 3.45 | 63 | ..... | ..... | ..... |
| 126. Hemstitched linen tablecloths. | .....do | 4.56 | ..... | .28 | 35 | 284 | 1.60 | 9.00 | 10.30 | .....do | 1013 | 2.88 | 63 | ..... | ..... | ..... |
| 127. Hemstitched linen napkins. | .....do | 4.27 | ..... | .26 | 35 | 284 | 1.50 | 8.50 | 9.63 | .....do | 1013 | 2.70 | 63 | ..... | ..... | ..... |
| 128. Stenciled rice straw rugs. | Japan | 3,674.39 | 220.91 | 1,063.52 | (3) | 272 | 287.90 | 6,995.63 | 10,120.04 | 26 per cent | 1020 | 2,631.21 | 67½ | ..... | (4) | 341 |
| 129. Saxony wool dye | England | 3.20 | .03 | .13 | 35 | 288 | 1.13 | 5.99 | 8.24 | 29½ per cent plus 36 cents per yard. | 1109-1110 | 2.83 | 86 | ..... | [1] 55 | 378 |
| 130. Dress worsted | .....do | 4.06 | .04 | .16 | 35 | 288 | 1.44 | 7.60 | 10.03 | .....do | 1109-1110 | 3.27 | 79 | ..... | [1] 55 | 378 |
| 131. Overcoating | .....do | 4.41 | .04 | .18 | 35 | 288 | 1.56 | 8.25 | 11.66 | .....do | 1109-1110 | 4.12 | 92 | ..... | [1] 55 | 378 |
| 132. Saxony | .....do | 2.90 | .03 | .12 | 35 | 288 | 1.03 | 5.44 | 7.40 | .....do | 1109-1110 | 2.50 | 85 | ..... | [1] 55 | 378 |
| 133. Unfinished worsted | .....do | 4.19 | .04 | 17 | 35 | 288 | 1.48 | 7.84 | 10.66 | .....do | 1109-1110 | 3.59 | 85 | ..... | [1] 55 | 378 |
| 134. Cheviot | .....do | 3.89 | .04 | .16 | 35 | 288 | 1.38 | 7.29 | 9.78 | .....do | 1109-1110 | 3.25 | 83 | ..... | [1] 55 | 378 |
| 135. Bannockburn worsted. | .....do | 3.03 | .03 | .12 | 35 | 288 | 1.07 | 5.67 | 8.08 | .....do | 1109-1110 | 2.88 | 94 | ..... | [1] 55 | 378 |
| 136. Woolen 11-ounce trousering 29 inches wide. | .....do | 2.35 | .02 | .09 | 35 | 288 | .83 | 4.39 | 5.98 | 29 per cent plus 36 cents per year. | 1109-1110 | 2.02 | 85 | ..... | [1] 55 | 378 |
| 137. 14-ounce chevoit | .....do | 1.56 | .02 | .06 | 35 | 288 | .55 | 2.92 | 3.41 | .....do | 1109-1110 | .915 | ..... | 58 | [1] 55 | 378 |
| 138. 16-inch worsted | .....do | 3.54 | .35 | .14 | 35 | 288 | 1.36 | 5.39 | 7.66 | .....do | 1109-1110 | 1.71 | ..... | 44 | [1] 55 | 378 |
| 139. 16-inch worsted | .....do | 3.37 | .03 | .13 | 35 | 288 | 1.19 | 6.29 | 6.88 | .....do | 1109-1110 | 1.63 | ..... | 48 | [1] 55 | 378 |
| 140. 12/13-ounce worsted | .....do | 2.07 | .02 | .08 | 35 | 288 | .73 | 3.87 | 4.32 | .....do | 1109-1110 | 1.07 | ..... | 51 | [1] 55 | 378 |
| 141. 13-ounce worsted | .....do | 3.03 | .03 | .12 | 35 | 288 | 1.07 | 5.77 | 6.11 | .....do | 1109-1110 | 1.40 | ..... | 46 | [1] 55 | 378 |
| 142. 12/13-ounce serge | .....do | 2.33 | .02 | .09 | 35 | 288 | .85 | 4.39 | 4.88 | .....do | 1109-1110 | 1.22 | ..... | 48 | [1] 55 | 378 |

[1] Plus specific duty. [2] Including case and packing. [3] Specific duty, 2½ cents per square yard. [4] Plus 8 cents per square yard.

| 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 | 12 | 13 | 14 | 15 | 16 | 17 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Description of article. | Country of origin. | Selling price at foreign factory (varying units). | Case and packing. | Transit expenses. | Present rate of duty. | Paragraph of Underwood bill. | Amount of duty at present rates. | Present selling price, includes 25 per cent gross profit. | Selling price under Fordney bill, includes 25 per cent gross profit. | Proposed rate of duty under Fordney bill. | Paragraph of Fordney bill. | Resulting duty on selling price. | Not comparable on foreign factory selling price, plus packing equal to— | If comparable on foreign factory selling price, plus packing equal to— | Payne-Aldrich duty. | Payne-Aldrich paragraph. |
| | | | | | P.ct. | | | | | | | | P.ct. | P.ct. | P.ct. | |
| 143. 14-ounce dress | England | $3.16 | $0.03 | $0.13 | 35 | 288 | $1.12 | $5.92 | $6.58 | 20 per cent plus 36 cents per pound. | 1109-1110 | $1.615 | | 51 | [1] 55 | 378 |
| 144. 30-ounce overcoating | do | 4.15 | .04 | .17 | 35 | 288 | 1.47 | 7.77 | 8.22 | do | 1109-1110 | 1.805 | | 45 | [1] 55 | 378 |
| 145. 12-ounce velours | Holland | 2.10 | .02 | .04 | 35 | 288 | .74 | 3.87 | 5.34 | do | 1109-1110 | 1.845 | 87 | | [1] 55 | 378 |
| 146. Paper masks | Germany | 40.32 | 3.50 | 12.50 | 25 | 370 | 10.96 | 90.00 | 112.64 | 25 per cent | 1120 | 28.16 | 64 | | 35 | 465 |
| 147. Paper masks | do | 40.32 | 3.50 | 12.50 | 25 | 370 | 10.96 | 90.00 | 241.38 | do | 1120 | 48.00 | | 109 | 35 | 465 |
| 148. Chinese silk, Shantung. | China | 16.00 | 1.00 | 1.90 | 45 | 318 | 7.65 | 35.40 | 49.20 | $2.25 per pound | 1205 | 18.00 | 106 | | 50 | 403 |
| 149. Chiffon velvet | Germany | 1.50 | | .11 | 50 | 314 | .75 | 3.147 | 3.602 | 33⅓ per cent | 1206 | 1.091 | | 73 | 45 | 399 |
| 150. Silk hair nets | France | 1.08 | .01 | .03 | 60 | 358 | .65 | 2.36 | 2.80 | 35 per cent | 1213 | .98 | 90 | | 60 | 402 |
| 151. Filtering paper | Japan | 130.00 | 1.50 | 25.32 | 25 | 323 | 32.88 | 250.00 | 278.40 | 15 per cent plus 6 cents per pound. | 1304 | 48.21 | 36⅔ | | [1] 15 | 410 |
| 152. Papier-mâché | do | 118.80 | 3.96 | 24.89 | 25 | 369 | 30.69 | 240.00 | 283.94 | 23 per cent | 1303 | 65.32 | 53 | | 35 | 464 |
| 153. Papier-mâché | Germany | 6.92 | .735 | .853 | 25 | 369 | .866 | 6.92 | 8.82 | 26 per cent | 1313 | 2.293 | 66 | | 35 | 464 |
| 154. Straw braids | Japan | 2,836.49 | 40.52 | 324.50 | 15 | 335 | 408.75 | 4,813.68 | 5,163.73 | 13 per cent | 1405 | 671.28 | 23½ | | 15 | 422 |
| 155. Bone toothbrushes | do | 8.32 | .10 | 1.25 | 35 | 336 | 2.95 | 16.80 | 24.18 | 35 per cent | 1406 | 8.46 | 100 | | 40 | 423 |
| 156. Bone toothbrushes | do | 7.32 | .09 | 1.10 | 35 | 336 | 2.59 | 14.80 | 21.28 | do | 1406 | 7.45 | 101 | | 40 | 423 |
| 157. Bone toothbrushes | France | 11.52 | .15 | .63 | 35 | 336 | 4.31 | 22.20 | 30.75 | do | 1406 | 10.76 | 87 | | 40 | 423 |
| 159. Cork board | Spain | 39.00 | | 5.00 | [2] | 340 | 2.25 | 65.00 | 83.67 | 25 per cent | 1411 | 16.25 | | 41 | [2] | 429 |
| 160. Dominoes | Germany | 3.71 | .17 | .52 | 50 | 341 | 1.94 | 8.46 | 10.67 | 40 per cent | 1412 | 3.60 | | 93 | 50 | 430 |
| 161. Printed dolls | do | 2.04 | .05 | .51 | 35 | 342 | .73 | 4.45 | 7.43 | do | 1413 | 2.97 | 142 | | 35 | 431 |
| 162. Jointed dolls | do | 7.48 | .38 | 2.37 | 35 | 342 | 2.62 | 17.13 | 29.23 | do | 1413 | 11.69 | 148 | | 35 | 431 |
| 163. Dolls | do | 28.56 | 1.74 | 7.20 | 35 | 342 | 10.60 | 64.13 | 107.14 | do | 1413 | 42.86 | 141 | | 35 | 431 |
| 164. Kid dolls | do | 3.26 | .16 | .75 | 35 | 342 | 1.20 | 7.17 | 11.91 | do | 1413 | 4.76 | 139 | | 35 | 431 |
| 165. Dress dolls | do | 8.15 | .41 | 1.87 | 35 | 342 | 3.00 | 17.90 | 29.80 | do | 1413 | 11.92 | 139 | | 35 | 431 |
| 166. Bisque head character doll. | Japan | 48.00 | 2.00 | 15.23 | 35 | 342 | 17.50 | 108.00 | 136.37 | do | 1413 | 74.55 | 149 | | 35 | 431 |
| 168. Bisque doll | Germany | 1.64 | .10 | .33 | 35 | 342 | .61 | 3.57 | 5.91 | do | 1413 | 2.36 | 136 | | 35 | 431 |
| 169. Dressed doll | do | 2.10 | .16 | .79 | 35 | 342 | .79 | 5.12 | 8.71 | do | 1413 | 3.48 | 154 | | 35 | 431 |
| 170. Dressed doll | do | 40.32 | 4.02 | 7.11 | 35 | 342 | 15.52 | 14.88 | 24.50 | do | 1413 | 9.80 | 133 | | 35 | 431 |

| | | | | | | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 171. Mechanical toys | do | 12.60 | 1.70 | 3.20 | 35 | 342 | 5.00 | 30.00 | 50.00 | do | 1413 | 20.00 | 140 | | 35 | 431 |
| 172. P. M. horses | do | 1.80 | .43 | .60 | 35 | 342 | .72 | 4.73 | 8.09 | do | 1413 | 3.24 | 145 | | 35 | 431 |
| 173. Toy violin | Czechoslovakia. | 16.30 | .90 | 2.45 | 35 | 342 | 6.02 | 34.25 | 56.14 | do | 1413 | 22.46 | 131 | | 35 | 431 |
| 174. Mechanical trains | Germany | 21.32 | 2.07 | 4.52 | 35 | 342 | 8.19 | 48.00 | 79.74 | do | 1413 | 31.90 | 136 | | 35 | 431 |
| 175. Plush horses | do | 6.72 | .70 | 2.03 | 35 | 342 | 2.60 | 16.07 | 27.00 | do | 1413 | 10.80 | 146 | | 35 | 431 |
| 176. Noah's ark | do | 27.99 | 4.20 | 11.27 | 35 | 342 | 11.27 | 73.10 | 124.17 | do | 1413 | 49.67 | 154 | | 35 | 431 |
| 177. Mechanical train | do | 2.17 | .12 | .56 | 35 | 342 | .80 | 4.87 | 8.14 | do | 1413 | 3.26 | 142 | | 35 | 431 |
| 178. Plush horse on platform. | do | 5.46 | .46 | 2.18 | 35 | 342 | 2.07 | 13.56 | 23.14 | do | 1413 | 9.26 | 156 | | 35 | 431 |
| 179. Ptd. rubber | do | 9.64 | | 1.60 | 35 | 342 | 3.37 | 19.48 | 32.11 | do | 1413 | 12.84 | 133 | | 35 | 431 |
| 180. Ball No. 3, ptd. rubber. | do | 9.64 | | 1.60 | 35 | 342 | 3.37 | 19.48 | 24.11 | do | 1413 | 6.84 | | 71 | 35 | 431 |
| 181. Toy tea sets | do | 6.34 | .63 | 2.95 | 35 | 342 | 2.44 | 16.48 | 27.89 | do | 1413 | 11.00 | | 158 | 35 | 431 |
| 182. Sail boats | do | 3.53 | .39 | .57 | 35 | 342 | 1.37 | 7.80 | 12.83 | do | 1413 | 5.13 | 131 | | 35 | 431 |
| 183. Marbles | do | 37.76 | | 8.00 | 35 | 342 | 13.21 | 78.63 | 130.74 | do | 1413 | 52.30 | 138½ | | 35 | 431 |
| 184. Rubber balloons | Belgium | 258.72 | | 25.05 | 35 | 342 | 90.55 | 500.00 | 810.77 | do | 1413 | 324.31 | 125 | | 35 | 431 |
| 185. Rubber balloons | do | 258.72 | | 25.05 | 35 | 342 | 90.55 | 500.00 | 656.60 | do | 1413 | 208.00 | | 80 | 35 | 431 |
| 186. Violins | Japan | 48.00 | | 24.87 | 35 | 373 | 16.80 | 120.00 | 362.18 | 35 per cent + $1.50 each | 1440 | 198.76 | 414 | | 45 | 467 |
| 187. Violins | do | 48.00 | | 24.87 | 35 | 373 | 16.80 | 120.00 | 240.80 | do | 1440 | 122.40 | | 255 | 45 | 467 |
| 188. Violins | Germany | 11.62 | .46 | 1.25 | 35 | 373 | 4.22 | 23.40 | 78.33 | do | 1440 | 45.42 | 376 | | 45 | 467 |
| 189. Artificial flowers | Japan | 89.43 | 2.82 | 21.10 | 60 | 347 | 55.35 | 224.93 | 283.73 | 45 per cent | 1418 | 99.45 | | 108 | 60 | 438 |
| 190. Artificial flowers | do | 54.00 | 1.60 | 12.08 | 60 | 347 | 39.36 | 144.00 | 225.60 | do | 1418 | 101.52 | 183 | | 60 | 438 |
| 191. Artificial flowers | do | 54.00 | 1.60 | 12.08 | 60 | 347 | 39.36 | 144.00 | 181.52 | do | 1418 | 67.50 | | 122 | 60 | 438 |
| 192. Human hair nets | China | 3.44 | | .91 | 35 | 351 | 1.20 | 7.40 | 10.88 | 35 per cent | 1423 | 3.81 | 111 | | 35 | 442 |
| 193. Bead chain | Austria | 2.42 | .15 | .16 | 50 | 333 | 1.28 | 5.21 | 7.73 | 50 per cent | 1427 | 3.17 | | 123 | 35 | 431 |
| 194. Embroidered handkerchiefs. | Ireland | 46.32 | | 2.32 | 60 | 358 | 27.79 | 101.90 | 129.70 | 37½ per cent | 1429 | 48.61 | 105 | | 60 | 349 |
| 195. Hand-made filet lace | China | .06 | | [1].009 | 60 | 358 | .036 | .12 | .23 | 45 per cent | 1429 | .1035 | 172½ | | 60 | 349 |
| 196. Veiling | France | .042 | .0004 | .0026 | 60 | 358 | .0254 | .094 | .1366 | 42 per cent | 1429 | .0574 | 135 | | 60 | 349 |
| 197. Veiling | do | .225 | .0018 | .015 | 60 | 358 | .1361 | .50 | .7327 | do | 1429 | .3077 | 135 | | 60 | 349 |
| 198. Silk netting | England | .425 | .0042 | .017 | 60 | 358 | .2576 | .85 | .97 | do | 1429 | .357 | | 83 | 70 | 350 |
| 199. Cotton embroidered kimonos. | Japan | 117.99 | 5.95 | [2]5.74 | 60 | 358 | 74.36 | 298.72 | 399.15 | 37½ per cent | 1429 | 149.68 | 121 | | 60 | 349 |
| 200. Beaded blouse, silk crêpe. | France | 6.94 | .14 | .76 | 60 | 358 | 4.25 | 16.50 | 20.90 | do | 1429 | 7.84 | 111 | | 60 | 349 |
| 201. Beaded blouse, silk crêpe. | do | 6.94 | .14 | .76 | 60 | 358 | 4.25 | 16.50 | 20.00 | do | 1492 | 6.94 | | 100 | 60 | 349 |
| 202. Embroidered infant dress cotton. | do | 1.25 | .03 | .14 | 60 | 358 | .77 | 2.92 | 3.78 | do | 1429 | 1.42 | 111 | | 60 | 349 |
| 203. Embroidered infant dress cotton. | do | 1.25 | .03 | .14 | 60 | 358 | .77 | 2.92 | 3.40 | do | 1429 | 1.13 | | 90 | 60 | 349 |
| 204. Kid gloves | do | 16.00 | .26 | .54 | [3] | 361 | 2.25 | 25.00 | 44.80 | do | 1429 | 16.80 | 103 | | [4] | 434-459 |
| 205. Harmonicas | Germany | 3.01 | .06 | .16 | .35 | 342 | 1.08 | 5.75 | 9.23 | 40 per cent | 1413 | 3.69 | 120 | | 35 | 431 |
| 206. Tuning pins | do | 3.60 | .20 | .20 | 35 | 373 | 1.31 | 7.00 | 8.59 | 25 per cent plus $1 per 1,000. | 1440 | 2.50 | | 67 | 45 | 467 |

[1] Plus specific duty.
[2] One-fourth cent per pound.
[3] 6 cents per pound.
[4] Includes case and packing.
[5] $2.25 per dozen.
[6] $3 per dozen specific duty.

## STATEMENT OF EMIL PEVNY, MANUFACTURER OF COTTON GLOVES, OSWEGO, N. Y.

Senator McCUMBER. You are from Oswego, N. Y.?

Mr. PEVNY. Yes.

Senator McCUMBER. What is your business?

Mr. PEVNY. I am a manufacturer of cotton gloves, which industry, as you know, did not exist before the war. We have established this industry and have produced goods which, during the war, were at all times, not only in this country, but to a very appreciable extent for export, giving excellent satisfaction, judging from the repeat orders we have received.

I myself made during the short period one single order for Norway of 500 dozen. I have copies here of the original orders covering goods which were exported to Melbourne, Perth, Adelaide, Australia; Dunedin, Christ Church, New Zealand; Christiania, Norway. I also had an order from South America, too.

The whole thing hinges, to be quite frank, upon German importations. We can not compete with the German wages, which are to-day actually one-tenth of ours. On top of that we have the depreciation of the mark.

As the foreign minister of Germany only the other day remarked, in reply to the exigencies of the French Government, "Our big business in exportation is simply due to the low currency of the country." Consequently, it is deceptive. But the Germans, having it in their hands to maintain the mark at that level, only need to print another issue of paper money in order to maintain the mark at 1½ or 1¼ cents indefinitely.

Senator SMOOT. That is what they will do?

Mr. PEVNY. I said 90 per cent which is on German importations. Then Switzerland, England, and Holland all have currencies much nearer to ours, and we would penalize those countries and give Germany almost a monopoly. We might just as well save all the expensive apparatus of collecting customs, because it is hardly worth while to collect so little.

If the importers pretend that they have the consumers' interest at heart, I claim that is ridiculous. Besides, is not every consumer a producer? We have no two classes in our society—one is a producer and one is a consumer. We both produce and consume.

And I beg to remark, as a very important factor, that we are using exclusively the finest grade of American grown cotton in our manufacture, while the Germans go to Liverpool and buy Egyptian cotton; and not only that, but New York importers took good American money which they made in America and bought cotton in Liverpool and sent it to Saxony and had it transformed into gloves, which they took back.

One of the importers—because I read the report in the papers—remarked when the emergency tariff was under discussion—8 cents valuation of the mark—"If you do that, you give the American manufacturer a monopoly." It is very recent history. What has happened during those past few months? The German manufacturers and these importers have acquired the monopoly, and we have to put signs on our factories "To let."

Senator WATSON. Is your factory running?

Mr. PEVNY. It was running last week, but two others shut down within six months for lack of orders.

Senator WATSON. How many workmen have you employed?

Mr. PEVNY. I have employed as many as 120. I am only a small, modest man in comparison to others in our industry.

Senator WATSON. Why are you shut down now?

Mr. PEVNY. On account of lack of orders. All these importers who have been my customers canceled their orders, often when I had them in execution, by simply telegraphing to cancel, "Too late." And I beg to remark that we get as many weeks to make an order as they give the Germans months.

Senator WATSON. When did the German importation of this kind of goods begin?

Mr. PEVNY. Every month they are coming in now; I have got the statistics. In 1920 for the single month of March imports were 17,000 dozen; this year for the same month it was 66,000 dozen.

Senator WATSON. What is the difference in the cost of production in your factory and in Germany?

Mr. PEVNY. Ten times more than their cost of production. The reason for that is what I consider a rather delicate subject, but the leader of the Democratic Social Party, Auguste Bebel, published a work, which you will find in the Washington Library, 1910—which is the fiftieth edition of that work in the English translation—in which he states that with the wages which these girls earn in Germany 50 per cent have to have a friend to help them along. The others have to take bundles home and work till midnight, when sisters and mothers assist them to eke out a living.

Well, I am proud to say that in my factory I have not a girl that I would be ashamed to take into my own home.

Senator WATSON. What wages do you pay?

Mr. PEVNY. An average of $20 a week.

Senator MCLEAN. How many girls are employed by all the interests you represent?

Mr. PEVNY. By all the industries? Thousands of them.

Senator MCLEAN. I am speaking now of the cotton-glove industry.

Mr. PEVNY. Only the cotton-glove industry, and we are using exclusively American cotton.

Besides, gentlemen, I suppose you saw only last week that the British Government had set aside £1,000,000 to foster and increase a production of cotton within the Empire, in South Africa, in Egypt, and India; and the cotton spinners of Lancashire promised to contribute appreciably toward that fund, so as to make them independent of the American production of cotton, while we are letting the German goods in almost free at the present moment, because the duty collected to-day is a farce. We are losing at the same time millions of pounds of American cotton, which the cotton producers here would be very glad to have an outlet for, and we have it right here. I know importers of New York who go to Liverpool and buy cotton there and send it to Germany for manufacture.

Every pair of German-made cotton gloves coming into this country to-day is of Egyptian yarn, and we have to lay idle and see this market flooded with German importations.

I cite these importations of German gloves. Note there was increase in the quantity imported for the single month of April, 1921,

50,000 dozen, valued at $262,000, as compared with the imports for the same month 1920. Also notice that for the 10 months ending 1921 there was an increase of 303,000 dozen pairs in quantity, valued at $1,670,000, as compared with the period ending April, 1920.

If prices soared during the war, it was due largely to profits which these wholesalers and retailers put on those goods—wholesalers 50 per cent and the retailers 100 per cent and upward. Those are positive facts, which I can substantiate. I saw in the office of a New York importer, when they were feeling very good, a sign hung up, which read: "May God give us courage to ask for higher prices this day."

Senator WATSON. They evidently got strength.

Mr. PEVNY. They did have it.

Did anybody take the trouble to consult Bradstreet's or Dun's, and compare the importer's ratings before the war with those of to-day, and he will find how much money they made on American goods. The American manufacturer was then good enough for them. I can show you letters they wrote to me bowing down to me and saying, "Give us goods—good boy," and all those sort of things; and now I get telegrams canceling orders when I am 24 hours late.

Talking about exports, how in the world can we ever hope to export if we can not hold our own market? If the importers pretend to practice altruism by saying that they are instrumental in reducing prices of commodities, this is only a subterfuge because they make the same rate of profit on German goods, for the original cost is lower and it is certainly not their merit; it is only through the original costs that the goods appear lower. But their profit is just the same.

I wish to clear up some erroneous statements which exist about American valuation. Inasmuch as only the rate of duty is applied to American valuation, the real cost of goods only is paid by the importer at the depreciated German currency where he still gets the full profit. For argument's sake, we take an article that costs 300 marks and for which the American manufacturer, say, gets $12; 300 marks equals to-day the mark at $1.25—$3.75, add 40 per cent on $12, the American valuation makes $4.80—total, $8.55; adding additional expenses, $9 landed. Leaving a margin to the importer of $3 on a dozen—and both of us compete at par. Let then the American public decide to which article they give the preference, and you see by this example that this tariff is not protective, but only a competitive tariff.

Senator MCLEAN. Are you satisfied with the rate?

Mr. PEVNY. I am not quite satisfied. I would like to see it 60 per cent instead of 40.

Senator MCLEAN. I do not bear it in mind. What is the rate on your product?

Mr. PEVNY. Thirty-five—it was 35 and is now supposed to be 40.

Senator MCLEAN. And you want 60?

Mr. PEVNY. Yes, sir. Talking about Canada; I have a friend in Toronto, who is also a large cotton glove manufacturer, and I congratulated him that the Canadian Government has so fully protected them by giving them 12 cents valuation on the German marks. I have got the letter here, which I can show you. And he says, "I am not at all so sure about that, because we are getting a quantity

of goods in through Switzerland, and from appearance they are undoubtedly German goods, and unless the Canadian Government can stop that I am afraid protection will help us very little." Consequently, I say that is the effort of some unscrupulous and resourceful competitor, and there is no protection to the American manufacturer.

Senator SMOOT. There is no reason why they could not ship those German goods to Japan and then Japan sell them there. There is no difference in exchange.

Mr. PEVNY. There is some little difference, as they ship their goods without fasteners, and put the clasps on and say they are finished in Switzerland, and get the consular invoice, and that is the way they go to Canada. That is what my friend was complaining of. That happens to-day.

We are up against an unscrupulous and resourceful competitor whose wages are one-tenth of what ours is, and whose currency is absolutely depreciated, and who has it in his hands to maintain that currency.

The German minister of finance, Rosen, in his telegram of two or three days ago, said it was deceptive because only based on low currency, and they are going to keep the currency at one and a quarter, and to do so only needs to issue more paper money.

Furthermore, every thread, every fastener, every accessory we produce in this country enters into our goods. There is nothing of that kind imported. Therefore we create certain requirements of accessory industries. For instance, I created a glove with lace insertion. I had a Nottingham lace which I had copied in this country, and beautifully produced, which I am using as insertions. Well, we can use thousands of insertions made of American cotton and manufactured here.

I can only tell you that we are most exceptionally placed to produce and produce better goods than the Germans ever produced, and if we get a chance to continue, to the satisfaction of the American consumer. And certainly it is heartbreaking when we have a nice lot of girls well trained, to whom you can talk intelligently, and have to dismiss them, many of whom are widows with children, I say, it is heartbreaking when we have to tell them there is no work.

If you please, I would like to submit my brief for the record.

Senator MCCUMBER. Without objection, you may do so.

BRIEF OF EMIL PEVNY, MANUFACTURER OF COTTON GLOVES.

THE COMING TARIFF—CALL A SPADE A SPADE.

1. The McKinley bill.

According to Brockhaus (the foremost German encyclopedia):

The principal aim of this legislation was to put a stop to the fraudulent customs entries which had been practiced until then by the American importers. It contained, therefore, several prescriptions as to filling out bills of lading, invoices, consignments, etc. Also high penalties for undervaluation. It provides, besides, high monetary fines and imprisonment in case of bribery of customs officers. These stipulations aimed to put an end to the extremely numerous appeals against the official appraisals of which in the fiscal year 1888-89 alone there were filed 25,349 cases. Besides, a further object of this bill itself was to create new industries in the United States. The fear which was felt at the beginning that the McKinley bill would lead to a complete closing of the American market has not been realized. On the contrary, it has been proven by statistics that the total imports have suffered but a slight reduction. This reduction, however, was only an apparent one, as before this bill

went into power the European exporting countries increased their shipments tremendously, so as to avoid the higher tariff, and the figure for that year was far above the normal.

The desire which this bill has created frequently in the countries exporting to the United States to proceed with measures of reprisals by forming a European customs union and closing further importation from America was difficult to carry out, for the reason that the majority of the European States urgently required American products.

2. There is no doubt about it that the same applies to-day and that the American valuation is the only safe basis of assessing the duty on all imported goods.

3. A handful of importers, mostly foreigners and before all Germans, with their customary arrogance and audacity, who are trying to force the hands of American legislators, to impose on a whole nation to accept foreign valuation, are thus adding "insult to injury." If such a treacherous trick should succeed but in the smallest degree, what would be the consequences?

4. That this country will have to follow suit and do the same as England and France are already doing, viz, vote some twenty-five to thirty million dollars per week to feed the army of ever increasing unemployed, instead of giving them an opportunity to earn legitimate wages for work performed. Our workers do not want charity, but work.

5. Most of the importers have their hearts and sympathies outside this country. There is no reason to continue their camouflaging at this time, as the war is over. Furthermore, they do not produce anything, they do not employ labor, they have no manufacturing plants (not in this country, at least), they have nothing invested in machinery and equipment, all of which creates work for the whole nation and money spent here.

6. What have the importers? All they have is an office or warehouse, smaller or bigger, as the case may be, just to receive the finished article and send it out to the retailer with a big profit. Their own investment starts only on the day they pay their invoices.

7. The real reason the importer has in trying to shape the tariff to his liking is fear. In case the American manufacturer should obtain full protection, his existence is menaced. For the American manufacturer will in most branches produce constantly better and cheaper, and thus be enabled to offer his products direct to the retail. The importer well knows that this would be the inevitable outcome. It is exclusively this fear that gives him the audacity to attempt to interfere and influence the framing of any tariff bill conflicting with his selfish interests.

8. Pretending that he has the consumers' interest at heart is ridiculous. Besides, is not every consumer a producer? These are not two distinct classes of our society.

9. Should the importers be permitted to flood this market with all sorts of goods, and put one American manufacturer after the other out of existence? Heaven protect the American public. For the price from the wholesaler to the retailer and from the retailer to the consumer will be gradually raised to a similar level at which the American manufacturer was prepared to sell at the outset, but in which case the cost of the commodity would have been spent entirely in this country. We would not only lose this cost but in most cases the use and cost of the raw material. For the foreign manufacturer will not come here to get his raw material if he can get it nearer home or in countries whose currency is nearer to his own, in comparison with the high dollar.

10. If prices soared during the war it was due to the large profits which the wholesaler and retailer put on. They had the lion's share. The writer saw in the office of a New York importer a sign hung up with the following inscription: "May God give us courage to ask for higher prices this day."

11. Let anybody take the trouble to consult Bradstreet or Duns and compare the importers' ratings before the war with those of to-day and he will find out how much money they made on American goods. The American manufacturer was then good enough for them.

12. Now, talking about exports, how in the world can we ever hope to export if we can not hold our own market? It is imperative to assure the latter first.

13. I congratulated a friend of mine in Canada, engaged in a similar industry, for the prompt introduction by the Canadian Government in assessing the German mark for duty purposes at half its normal value, about 12 cents, whereupon he writes to me that he is not so sure about its advantage, as there are still quantities of goods coming in through Switzerland, which in his mind are undoubtedly of German origin, and unless they find a way to stop this influx the 12-cent valuation of the mark would not be of any advantage to them.

14. Isn't this a conclusive evidence that the American valuation is the only way to safeguard us from a most resourceful and unscrupulous competitor whose motto is and always has been "The end justifies the means?"

15. For those with a short memory, I would recall over again what was printed in all German newspapers during the war when they proclaimed loudly what they have actually practiced, that they were going to destroy all factories in Belgium and France and strip them of every piece of machinery, so that when the war was over while their factories would remain in perfect condition, it would take Belgium and France 15 years and more before they could rebuild their factories. Meanwhile they would conquer all the trade of the world and the other countries would never be able to catch them up.

16. The importers are making themselves accomplices to the same doctrine and are prepared to deal out the same treatment to this country. As I said before, let us tear down the mask of these camouflages and ask ourselves:

17. Are we to become the satellites of Germany and the importers, mostly their agents, or is this country going to remain independent not only as a nation, but as a producer of the requirements of its own people? The importers do not trust the American legislation to apply American valuation, but they wish us to trust them and foreign countries to accept their valuation. With the present low German currency (for 90 per cent hinges on German imports—let us be quite plain and frank about this) that country would enjoy a tremendous preference as compared with other countries with a less depreciated or near normal currency, and it would be most unjust to those countries if any other mode of assessment than American valuation would be applied, while the American valuation treats all countries alike.

18. Conclusion. We have sufficient confidence in the wisdom of the present legislators to believe that they are fully aware of these doubtful tactics and will brush them aside with the contempt they deserve.

**STATEMENT OF CHARLES C. ORMSBY, REPRESENTING MANUFACTURERS OF SUÈDED COTTON FABRIC AND GLOVES, WATERFORD, N. Y.**

Senator McCUMBER. Do you speak to the same subject, Mr. Ormsby?

Mr. ORMSBY. Yes, sir; the same industry. I represent the Ormsby-Morris Co., of Waterford, N. Y., and six or seven other companies which are interested in the manufacture or processing of suèded cotton cloth and gloves.

I have prepared a very short brief, and I wish to speak on a few points in it.

Senator SMOOT. Why not make it a part of your remarks?

Mr. ORMSBY. I would like to do that, sir, if you please.

These goods that we manufacture were not made in this country when the war with Germany began. We were unable, prior to that date, to make them here. About 1915 or 1916 we got going in a small way. Up to the end of 1918, as you will see by the reports of the Tariff Commission, it got to be a very considerable industry.

I am not at this time addressing myself to the question of the amount of duty that we want as a protective tariff. I came here to speak in favor of the scheme of American valuation on imports.

As I view the situation, the Government of the United States needs revenue, all the revenue it can get for its requirements, both from imports and from our home manufactures, and from every other source of income that can be devised. I make the point that the existing system of foreign valuation of imports is a failure.

Of the difficulties which surround it I quote from a textbook entitled "Bender's Federal Revenue Law—Customs Revenue," page 346, which appears to me to show the unsatisfactory result of attempting to lay a duty on a valuation in another country.

We consider that the results of the present tariff in money to the United States Government have been far below the estimates, and the reasons for these inadequate duty collections may be twofold—the very low valuation, due to the cost of labor in foreign countries,

or evasion of duty. The low cost of labor in some countries, compared with our own, is incredibly low; and by that I mean that men in the business who are making these things can not believe how low it is.

Our industry to-day is at a standstill; and the reason that it is at a standstill is because of German competition. Under the present law the value is determined by a consular representative, in case of dispute, who inquires in the foreign country.

I would like to ask this—this is a proposition for the Finance Committee to find out how to raise the revenue, and the question is, What is the best way to do it? Will you delegate foreign or local American officers to go abroad and ascertain a duty from people who are against furnishing straight information, and thereby putting it out of the hands of the United States Government to control that situation, or will you take the American value, where you have a control by legal power of every citizen to get at whatever facts the Government wants to know about imports, costs, and market values?

In other words, it looks to me as if this huge machine of the United States Government had actually sent out of the country and given to the citizens of other countries the privilege of fixing duties on imports into this country instead of going right into our own market to get them established.

I wish to bring up also the point that the popular understanding of dutiable value is the American price.

Ours is a representative system of government, and the views and the thought of the American people should be considered. American valuation should be adopted, because, when an ad valorem rate of duty is mentioned, the ordinary, average business man and citizen involuntarily supposes that the value used means the price with which he is acquainted, that is, the price in the American market.

The law should be so stated as not to be misleading to our citizens, but to represent public opinion. To the average citizen the duty of 30 per cent ad valorem or 40 per cent ad valorem means that percentage on values as the public knows them; in other words, the market value in the United States.

There is one other point that I wish to bring up, and that is the most-favored-nation clause——

Senator McCUMBER. You have your brief printed, and I do not believe there is any use in wasting time. I think the committee has heard that and they are settled in their conviction that there would be nothing against the favored-nation clause. It seems to me a waste of time. It is in your brief and you are going to have it printed.

Mr. ORMSBY. As to the legal validity, as to whether that is a legal objection, perhaps the committee is right; but on the question of whether it is a moral objection, whether we do not owe it in honor to the people with whom we have such understandings, to put them right on the same footing as Germany, which can undersell them all, I do not know that that matter has been discussed. In other words, our allies, England and France, come into our market along with Germany, absolutely unable to meet her because our ad valorem duty on the low labor cost German goods amounts to but a small fraction of the duty imposed on identical French or English manufactures. Therefore, I believe that we, in honor, at any rate, whether it is a legal obligation or not, should allow our allies to get in here just as cheaply with their goods as Germany does.

I have 14 or 15 of these briefs for the members of the committee.

Senator McCUMBER. We will have the brief printed as a part of your testimony, if you wish.

Mr. ORMSBY. Very well, sir. Shall I leave any copies?

Senator McCUMBER. If you please.

Mr. ORMSBY. That is all I desire to say.

Senator McCUMBER. We are much obliged, Mr. Ormsby.

Is Mr. Thomas White present?

Mr. ORMSBY. Mr. White is not here.

BRIEF OF CHARLES C. ORMSBY, REPRESENTING MANUFACTURERS OF SUÈDED COTTON FABRIC AND GLOVES.

*Need for revenue.*—The requirements of the Government for revenue at present and for many years to come are so vast that every possible source of income must be resorted to, not only from imports but all other available means.

*Existing system of foreign valuation of imports a failure.*—Under present system the returns from duties on imports are an empty shell as a revenue producer, not one-fourth of the estimated duty under the Underwood tariff being collected.

Of the difficulties of enforcing the existing customs laws we quote from the text-book entitled, "Bender's Federal Revenue Law, Customs Revenue," page 346, which says:

"The customs service is elaborate, and its proceedings are technical. In early days things and men were taken somewhat at face value, but, with the development of modern commercial complexities and inequalities, it has been necessary to devise and enforce the strictest possible supervision. An extensive use is made of oaths, but practically nobody is believed. Invoices, manifests, valuations, book entries, correspondence and statements are all subjected to a rigid checking which begins abroad. Meticulous regulations and far reaching detectivism prevail. Importers themselves, incited by competition, have helped to elaborate the scheme. Nor is it possible to administer an extended, complex customs law by any other means.

"A detailed invoice must be prepared at the place of exportation, and have indorsed upon it a declaration sworn before an American consular officer covering much detail as to origin, market value or cost, etc. Except as to $100 of personal luggage, no entry can be made of any importation without the production of a certified invoice (or other sworn papers in special instances where the collector may conduct a searching examination).

"A consular certificate does not establish the truth of a value given. Upon entry by invoice a sworn declaration must be filed by the importer in a form officially prescribed (now by regulation, not by statute). Fraud or falsity involves a penalty for each offense up to $5,000 or two years in prison, or both, besides forfeiture of the goods or their value."

The reason for inadequate duty collections may be twofold—either low valuation due to low cost of labor in foreign countries or evasion of duty. The low cost of labor in some countries compared with our own is incredibly low—in Germany less than one-fourth of the American wages and in Japan much less than in Germany. The amount of loss of duty under estimates is probably due to imposition on customs officers and evasions.

The American manufacturer can not pay taxes if he loses his business. Goods are bought in the cheapest markets, other conditions being equal. Therefore, if Germany offers articles competitive with American manufacturers at lowest price, Germany gets the business and the American manufacturer loses the business. The United States Government, State, county, town and city governments all tax the American producer, but if the American manufacturer loses his business there is nothing to produce a tax, except the exceedingly small customs duties now existent.

*Low valuation.*—Under the present law the value is determined by a consular representative in case of dispute, who inquires in the foreign country, and as it is to the interest of the foreign exporter and the American importer to get the duties fixed at the lowest possible amount of duty, the customs officer is practically obliged to accept the prima facie figures produced.

*American valuation.*—If, instead of this ancient method of ascertaining value, we take as the standard value of commodities the value in the American market, then a basis is established which can be easily arrived at and over which the Government has complete control.

*Popular understanding of dutiable value is the American price.*—American valuation should be adopted because when an ad valorem rate of duty is mentioned the ordinary

and average business man and citizen involuntarily supposes the value used means the price that he is acquainted with; that is, the price in the American market. The law should be so stated as not to be misleading to our citizens, but to represent public opinion. To the average citizen a duty of 30 per cent ad valorem or 40 per cent ad valorem means that percentage on values as the public know them, in other words, on the market value in the United States.

*Most-favored-nation clause.*—In times of peace the nations of the world are bound together with treaties; such treaties between self-respecting nations generally contain the most-favored-nation clause. Now under the present system of duty on a like article that might be produced in any country if such article comes in from Germany it would be taxed say $1 per unit. If it came from France the duty might be $2. If from Great Britain it might be $3. In other words, the article would not come into the United States on the same amount of duty from any two countries. Would not the country that had to pay more than another to land its goods here have a grievance? Would not this contravene the most-favored-nation clause in our treaty compacts?

Why continue a tariff law that practically vests in foreigners the appraisal of duties over which the United States has no practical control?

The question is whether an antiquated and inadequate system of ascertaining duties bound and sewed up with years of unbending precedent shall be continued or a new elastic and workable system be substituted in its stead, which will be effective in collecting the duties intended by Congress to be secured.

The rate of duty is determined by Congress according to Government needs or policy; the question here is how to make its collection certain.

The objections raised by importers are simply a polite way of saying that the objectors do not want to pay the amount which Congress decides they shall pay.

The adoption of American valuation will go a long way toward removing the tariff question from politics because American manufacturers have no confidence whatever in the present system of valuation and from sad experience know too well the disastrous effects on their industries. We, therefore, urge the adoption of American valuation, as recommended by the Ways and Means Committee.

This petition or brief is submitted by Charles C. Ormsby, of Waterford, N. Y., on behalf of the following manufacturers of sueded cotton fabrics knit on warp knitting machines and gloves made therefrom, a new industry established during the war and to-day arrested and standing still through influx of German competitive imports.

Ormsby-Morris Co., Waterford, N. Y.; O-M Glove Corporation, Waterford, N. Y.; New Fabric Cloth Mills (Inc.), Oswego, N. Y.; Merrill Silk Co., Hornell, N. Y.; Fulton County Silk Mills, Gloversville, N. Y.; Fonda Silk Fabric Co., Fonda, N. Y.; Backner Bros. Co., Gloversville, N. Y.; Grewen Fabric Co. (Inc.), Johnstown, N. Y.; Kingsley & Mansfield, Northville, N. Y.

Senator McCUMBER. Mr. Ernest Jones is the next speaker.

## STATEMENT OF ERNEST JONES, MANUFACTURER OF SUÈDED COTTON CLOTH, GLOVERSVILLE, N. Y.

Mr. JONES. Mr. Chairman and gentlemen of the committee, I make the suèded cotton cloth that goes into the manufacture of these gloves. Before the war we imported cloth, as we could not make it in competition with Germany with 30 per cent duty at that time. While the war was on we made it successfully, first using English yarn, the same as the Germans used, and later we used American-made yarn entirely. We sold the cloth to numerous fabric-glove manufacturers, including many of those who are now importing again.

While the war was on these same importers who are fighting against American valuation used our goods. They complimented us on the quality of product and progress we made and encouraged us to go ahead and erect new plants and put in more machinery and increase production. Now the German-made goods are coming in in floods, and we have absolutely no demand. The two mills that we ran almost exclusively on the cotton and suèded Atlas cotton cloth are shut down entirely. We hung on, hoping for an adequate tariff

to protect this industry, but now all our machinery for making these gloves is closed down. We will start the machines up again if we can get American valuation.

I have just returned from England, where I saw the secretary of the British Fabric Glove Manufacturers' Association. He has no business. The British fabric-glove manufacturers are shut down entirely on account of the cheap German competition owing to the low rate of exchange and cheaper German labor. I saw in numerous dry-goods stores in Great Britain German-made fabric gloves offered at half the price of the native-made goods and no stamp showing the country of origin.

Nearly all our machinery is American made, all the raw materials are American grown and spun, and our help is American. Many of them fought the Germans during the war in Europe. They only understand American, so give us American valuation and help our American people and let the little "Fritzes" and the "Big Berthas," for whom the importers are pleading, look after themselves.

I thank you, sir.

**STATEMENT OF THOMAS H. HALL, REPRESENTING THE FABRIC GLOVE MANUFACTURERS' ASSOCIATION, JERSEY CITY, N. J.**

Mr. HALL. My name is Thomas H. Hall. I represent the Fabric Glove Manufacturers' Association, and I am also president of H. S. Hall & Co. and vice president of W. B. Chant & Son (Inc.), of Port Jervis, N. Y. I appear before you in behalf of the Fabric Glove Manufacturers' Association to urge you to adopt the American valuation plan in the tariff bill.

We started this business, as the other gentleman said, during the war as an absolutely new industry, and we reached a maximum production of about 1,300,000 dozen in 1918, as shown in the second annual report of the Tariff Commission.

The business had been considerably developed up to that point. Since that time we have been tapering off, so that at the present time we have nearly reached the vanishing point, with very little being done.

There are a few factories, believing that this tariff matter would be settled before this, that have put quite a little money, which they are pretty sure to make a loss on, into stock for the fall trade. They are working on the balance of their cloth, cutting it up and doing their best to keep at least a skeleton organization together pending your settlement of this tariff matter.

In looking over the matter of labor conditions it seems to us that nothing but the American valuation plan can possibly help us through. We do not want to be unreasonable in asking for rates, and I do not propose to mention rates here; but the American valuation plan, in considering German labor, seems at once essential.

One of our members was in Europe about April, 1914, if I am not mistaken, and he brought this information which may be of some value to you—that of the female workers in our industry, in Germany, in March, 1914, the average wage was about 15 marks at the normal rate of exchange, which would amount to $3.57 per week. The male workers averaged 35 marks. At the normal rate of exchange that would be $8.33 per week.

When he was there early this year he found that the female workers had gone up to 150 marks, which, at the present exchange of about 1.25, would amount to $1.88. The male workers have gone up to 300 to 350 marks. My information is, I might say, that it is a little lower than that; but say 350 marks. At 1.25 it would be $4.38.

So we find that the actual labor costs in Germany at the present time appear to be a little more than one-half of what they were in 1914.

Our labor costs, on the other hand, have doubled since that time. We are paying our people a different rate of wages according to proficiency; but the women are getting, I believe, on an average, $22 per week for a 48-hour week, and the men are receiving $35 to $40 a week. That shows that we are paying ten times the amount for our labor that Germany is paying for hers. You should also take into account that every material that we use to-day is a product of American labor—American cotton, American clasps, American thread—we may use a little bit of silk in the trimming, but outside of that everything is American, and it all really represents American labor.

So that we are tremendously handicapped by the difference in labor in Germany. It does seem to me that Germany is really capitalizing her condition, her low rate of exchange.

I read in the Herald on July 9 an article referring to Hugo Stinnes, in which it was stated that big combinations were being formed over there altogether for the purpose of acquiring our trade and building a fleet. It does seem to me that we are running a risk if we do not put some kind of a barrier up against this depreciated rate of exchange. We are running the risk of having all our markets, not only our foreign markets, but our home markets, taken away from us to a great extent. I really believe, myself, and I am sure you gentlemen on this committee will agree with me, that we have got to consider the Americans and not the Germans in this matter.

And then another matter. If we want revenue we can get more revenue for this country out of the American valuation clause than we possibly can get out of the present method, and it will make them all pay the same. That has been pointed out many times.

There is just one other point, and that is this: There is no question in my mind but that we can show comparable and competitive American products to the appraisers by means of which they will be able to put a proper American valuation upon our class of merchandise. I can not speak for other classes of merchandise, but I do feel that with regard to ours. I do not think the appraiser will have any difficulty in doing it. We are willing to cooperate to that end.

I thank you very much, and am sorry to have taken your time.

### STATEMENT OF CHARLES S. HOLLANDER, VICE PRESIDENT OF ROHM & HAAS CO., BRISTOL, PA.

Mr. HOLLANDER. Mr. Chairman and gentlemen, my name is Charles S. Hollander. I am vice president and chemical director of Rohm & Haas Co., in Bristol, Pa. I am appearing instead of Mr. Otto Haas, who was scheduled for to-day, because he is necessarily absent on account of other appointments.

Senator WATSON. Just what do you make?

Mr. HOLLANDER. We make chemicals for the textile and leather trade. We are manufacturers of hydrosulphites and sulphoxylates, potassium-antimony tartrate, synthetic tannins, etc.

These have all been considered in the proposed bill and these schedules have been based on their American valuation. If the American valuation is withdrawn from this schedule of rates we will have no protection whatever. As it is, the protection granted is very scant indeed, but we hope, in some instances at least, to make good and stay in the market, while in other instances we are afraid that we will permanently have to stay out.

Senator WATSON. Where is your principal competition—in Germany?

Mr. HOLLANDER. Yes, sir; Germany and in some respects England.

Senator WATSON. Are they coming in now from Germany?

Mr. HOLLANDER. Yes, sir; in very great amount. Since last December enough sodium hydrosulphite has been imported from Germany to supply the American market for almost three-quarters of a year at the rate it was used in 1913. Those importations are steadily going on.

Senator WATSON. If American valuation is retained in this bill are you satisfied with the rate?

Mr. HOLLANDER. If the American valuation is retained we would be fairly well protected.

Senator WATSON. And if the American valuation is not retained, what rate would you have to have to protect you?

Mr. HOLLANDER. We would have to ask for about 15 cents specific and 50 per cent ad valorem for the hydrosulphites and sulphoxylates, because we have to guard against German importation, which is the most menacing for us. The English importation does not come into consideration just now, because they can not produce nearly as cheaply as the Germans can.

Just one word as to the feasibility, as we see it, of the American valuation plan.

In regard to chemicals there is absolutely no difficulty whatever in showing comparable and competitive goods. One chemical can be analyzed and stated in percentages of purity just as well as any other, and there is absolutely no trouble in making a comparison of competitive goods. There is absolutely no difficulty, either, in ascertaining the American value, because we have never had any trouble in finding out prices that we wanted to know, and there is no reason why the appraisers could not have the same facility as we as a private firm have.

Senator WATSON. Did you make any of these chemicals before the war?

Mr. HOLLANDER. We made artificial bates and other preparations for the tanning industry before the war, but since the war we have started the manufacture of titanium potassium oxalate, tartar emetic, hydrosulphites, sulphoxylates, and synthetic tannins.

Senator WATSON. Under the prohibition afforded by the war?

Mr. HOLLANDER. Yes, sir; and as I pointed out before, they are very, very important to the welfare of the American manufacturer of textiles and medicinals. However, I shall not mention that now. I want to point out that it is very easy to find the value of our goods,

or other chemicals, for that matter, in the American market, and there is no doubt that these quotations could be had at the port of entry or the chief place of use. You can check up all these data, either by getting the information directly from the manufacturer, or from the consumers. I think in that way I can show that as far as the chemical schedule is concerned all the way through it would be a very easy matter to ascertain the value of comparable and competitive goods in this country.

That is why we would ask you respectfully to base all our future tariff laws on American valuation.

### STATEMENT OF W. W. NICHOLS, REPRESENTING THE ELECTRICAL MANUFACTURERS' COUNCIL, NEW YORK, N. Y.

Senator WATSON. Give your name and what you manufacture.

Mr. NICHOLS. W. W. Nichols. I am a member of the tariff committee of the Electrical Manufacturers' Council and an officer of the Allis-Chalmers Manufacturing Co. I am here, however, in another capacity. What I shall say, I hope, will shed a side light to strengthen the perspective. I want to deal with the question of American valuation versus foreign valuation in the abstract, perhaps giving a point of view that has not been presented before.

Five years ago, in 1916, I headed an American industrial commission that traveled through France at the invitation of the French Government, extended to the American Manufacturers' Export Association. We were in the hands of the French chambers of commerce, who have, as you gentlemen perhaps know, an official standing in France that chambers of commerce in this country have not. The limited membership is composed of the leading industrials of their several districts who are elected to such membership.

We had business conferences with a large number of the principal chambers throughout France. I believe that by that means we were able to collect a fund of valuable information in a comparatively short time in a very unusual way.

I shall content myself with reading a few extracts from our report and leave the rest to your imagination. I shall file this copy after I have read it, if I may.

These are quotations abstracted from this report:

The commission anticipated that it would be called upon to discuss this much mooted question at Limoges, and made its preparations accordingly. Reference is made to it here only because there have arisen difficulties through our tariff administration, which in their continuance can only act as deterrents to the extension of our trade (p. 20).

An international device (tariff) which should be certain and uniform in its action is so disturbed by fluctuations of both rates of exchange and prices as to make proper application impossible and to appear to impugn the honesty of innocent parties. For the sake of the world trade, which is destined to become of growing importance in the commerce of the United States, most serious and early attention should be given this phase of our tariff law (p. 21).

(From chapter 3, on "Trade and tariff":)

Another very important matter affecting our trade with France is the tariff question. Past tariff difficulties between France and the United States led to a continuous reference to the subject on the part of our French friends * * * All France is informed regarding the notorious Limoges china case. This unpleasant incident has left a profound resentment in French manufacturing circles, and was frequently used as an illustration of what was found most objectionable in our customs adminis-

tration methods. The difficulty of establishing the dutiable market value and the unwillingness of our Treasury Department to accept their invoice value as correct are annoyances; but above all the insistence of our special Treasury agents upon the right to inspect private books, the labor costs, the costs of raw materials, etc., is particularly resented. They feel this last to be an unwarranted intrusion upon the private affairs of the citizens of a friendly nation, and they can not be convinced that information of this kind, if given, will not be diverted to improper use and reach their competitors in the United States.

I think, gentlemen, I can leave this with you at this point. I thank you.

Senator McCUMBER. We are very much obliged to you.

The committee stands adjourned until to-morrow at 10.30 o'clock a. m.

(Whereupon, at 5.06 p. m., the committee adjourned until to-morrow, Wednesday, August 3, 1921, at 10.30 o'clock a. m.)

## Wednesday, August 3, 1921.

The committee met, pursuant to adjournment, in room 312, Senate Office Building, at 10.30 o'clock a. m., Hon. Boies Penrose presiding.

Present: Senators Penrose (chairman), McCumber, Smoot, La Follette, Curtis, McLean, Reed, Calder, Walsh, and Simmons.

The CHAIRMAN. The committee will come to order.

The committee was supposed this morning to begin with the hearings on the dye question, but as a gentleman was left unheard yesterday on the American valuation, through the courtesy of Senator McCumber, who was then presiding, he was promised that he would be heard to-day.

I will therefore call on Mr. Riotte to submit the rest of his views to the committee, with the sincere hope that he will make them as brief as possible, as we must abbreviate these hearings, not only now, but permanently hereafter. The committee will then proceed to hearing those gentlemen who are interested in the dye question.

### STATEMENT OF C. T. RIOTTE, REPRESENTING THE VEILING ASSOCIATION OF NEW YORK.

Mr. RIOTTE. Mr. Chairman and gentlemen of the committee, I am representing the Veiling Association of New York. Personally I am a buyer, and I buy abroad and in the United States. I want to explain that in buying veilings abroad we buy not from stock for immediate delivery, but goods to be manufactured and to be delivered anywhere from one to six months from the date the order is placed.

Senator SMOOT. You do that same thing with the American manufacturer, do you not?

Mr. RIOTTE. No, sir.

Senator SMOOT. You are about the only one, then, who does not.

Mr. RIOTTE. Of course, it is perfectly obvious that no one can buy merchandise safely unless he knows what it is going to cost him.

Under the American valuation plan that has been suggested it is going to be impossible, it seems to me, for the importer to tell what the merchandise is going to cost him. Under the present law market value has been held to be the price at which a commodity is freely offered for sale in the usual course of trade and usual wholesale quantities on the date of exportation. But the Board of General

Appraisers has held that in order to make the price effective as market value it is necessary for a delivery to have been made, and an importer, therefore, has every reason to believe that the market price at the time of his purchase will become the market value.

His act of having purchased is the first step in establishing the market value. However, under the American valuation plan the importer can not even approximate his costs, for the reason that he will not know whether or not a comparable article or product of the United States will have been made by the time the shipment of goods he has purchased has been made.

Senator McLEAN. What proportion do you import?

Mr. RIOTTE. Seventy-five per cent, I would say offhand. I am talking, not alone for myself, but for approximately 24 other veiling importers in New York City.

Under the American valuation plan, when the importer places his order on the other side, he does not get the delivery for from one to six months afterwards, and the amount of duty that he will have to pay on those purchases will largely depend upon sales or upon purchases made at some time hence, with all the uncertainty that the future implies. There is nothing that the importer can do at the time he places his order abroad to have any influence on the amount of duty he will be called upon to pay when the goods which he has ordered enter the United States. If, on the other hand, the goods are not comparable or competitive with products made in the United States, he will have to pay a duty based on the selling price at the rate of 45 per cent under paragraph 1430 of the Fordney bill.

This rate can not be compared with the rate in the Underwood tariff and the Payne-Aldrich tariff, in both of which tariffs veilings were provided for at 60 per cent, unless we go to a table.

As the importer's profits increase, the rate of duty he is called upon to pay the Government also increases, so that when the importer's gross profit is 5 per cent on a basis of 45 per cent on the American plan, the percentage of duty on his foreign cost will amount to 94.5 per cent; when his profit is 10 per cent, he will be called upon to pay 105 per cent; when it is 15 per cent gross profit, he will have to pay 118⅛ per cent; when the importer's gross profit is 20 per cent, it means that the percentage of duty on foreign cost is 135 per cent; 25 per cent gross profit means 157.5 per cent; and 30 per cent gross profit means 189 per cent on the foreign cost. I would like to submit this table so that it may be put in the record.

The CHAIRMAN. Very well. Is that all?

Mr. RIOTTE. No; I have another point that I would like to make. I have a calculation appended to that table which shows that where an article bears a foreign cost of $1, figuring the expense of transportation at 5 per cent and a duty of 45 per cent on the selling price, amounting to $1.89, and adding a gross profit of 30 per cent, you get an American selling price of $4.20.

If you will look at that table, you will see that the duty, as I say, was 189 per cent of the foreign cost, and on that $1.89 for duty it is not possible for the importer to make any profit. You must get an equivalent based upon a very high percentage of profit on his foreign cost, so that on this particular article he must make 126 per cent on his cost in order to equal 30 per cent gross profit.

Most of the members of the Veiling Association are jobbers. They sell to the retailers throughout the United States, so that the selling expense and the overhead expense amount to at least 20 per cent gross. It is, therefore, impossible for them to figure on less than 30 per cent gross profit. But what is more important, so far as this question is concerned is that it means that this particular article which costs $1 abroad and it can be sold under the present rate of duty at $2.35, would have to be sold at $4.20 in order to make the same profit. The bad feature is that it can not be sold at that price, and so it would be excluded from importation.

Senator McCUMBER. Suppose that the American article was $4.20 for the equivalent article. Then could it not be sold up very close to the American price? Would there be still left plenty of leeway?

Mr. RIOTTE. I will answer that question in this way, Senator McCumber, that any article which would sell for $2.35 would have to be an imported article, because a great part of the value lies in the handwork which has to be put upon it, and while we make veilings in this country at this time, we do not attempt to make anything at such prices. It would, therefore, have to be an imported article.

Senator MCLEAN. When you use the figure $2.35, what is your unit?

Mr. RIOTTE. A yard.

The veiling importer is then in the position that he must either buy goods appraised on the basis of comparable or competitive American products, without knowing how much the duty that he has to pay is going to be, or, if appraised on the basis of the selling price, figuring a legitimate profit, it will bring his duty up so high that the price will be prohibitive.

If this provision of 45 per cent is intended as a revenue measure, I can predict—and I think I know—that it will not produce any. It may produce a very little, but nothing to speak of. On the other hand, if it is intended as a protective measure, I may say that it is really not needed.

The American manufacturers who make the mesh veilings—and that is the ground work—can sell to members of the veiling trades in New York City at prices lower than those charged for comparable foreign goods, or at prices lower than foreign comparable goods can be landed at with 60 per cent duty on the foreign cost. So far as those things are concerned, we would not care what rate of duty would be put on them because we would still continue to buy them here.

Furthermore, every importer is a veiling manufacturer because of the peculiarities of the business. The veil is an article of fashion, and as in all articles of fashion, the demand rises very suddenly, so that wherever it is possible goods are made here, and the greatest protection, so far as the veiling industry is concerned with respect to those particular classes of goods made by hand, is the length of time necessary to import goods from the other side.

We are importing veilings from France which can not be made here at any price. We need them very much. They are part of the veiling line, and it is necessary to include these goods. Under the Fordney bill as it stands now it can not be done.

If you will permit me, I would like to say a word from the standpoint of Government administration. I was formerly an examiner of veilings at the port of New York. I examined veilings for practi-

cally 11 years, so that I know something about how to appraise. Veilings can not be appraised by picking up a piece, looking at it, estimating the cost of production, and then adding a fixed percentage for profit. You can not arrive at a correct figure on that basis. Veils are artistic; they are articles of style; and style and design are everything in the veiling industry. There are thousands of patterns, and all invoices of veilings which come into the United States at the present time state from whom they were purchased, when and where they were manufactured, the pattern number, and the prices paid. A record can be and is being made by the Government examiners of every pattern of veilings imported into the port of New York. With all that information, it is comparatively easy for the Government examiner to arrive at the fair market value, but he has to have that information to reach his conclusion.

The importer buys abroad in large quantities and peddles his goods out here in small quantities.

I could not help but get the impression from the testimony which I have heard given before this committee that the American valuation plan was designed to permit the American manufacturer to compete with his German competitor. In that connection, I think it is fair and just that it should be applied to those goods which are made in Germany and with which the American manufacturer can not compete, but why apply it to goods not made in Germany—goods which come from countries that were our allies during the war and with which we are on the friendliest terms.

If you are going to adopt the American valuation plan; if you think that is the only way to affect the result of protecting the American manufacturers, why not apply it either directly or indirectly to those particular goods that you desire to protect.

Senator McCUMBER. In other words, you would have two plans, or perhaps three of them. One would be the American valuation plan, one would be the specific duty, and another might be an ad valorem rate based upon foreign value.

Mr. RIOTTE. I certainly would; because it is the only way, so far as novelty goods are concerned, that they can be appraised; that is, on the initial foreign cost. You have something similar in the present act.

The CHAIRMAN. Is that all?

Mr. RIOTTE. Yes; I think so.

[Hearings on Dyes Embargo were then taken up and those on American Valuation were resumed on Wednesday, August 10.]

## Wednesday, August 10, 1921.

The committee met, pursuant to adjournment, at 2.30 o'clock p. m., in room 312, Senate Office Building, Hon. Reed Smoot presiding.

Present: Senators Smoot (acting chairman), McCumber, La Follette, Dillingham, McLean, Watson, Calder, Sutherland, and Jones.

### STATEMENT OF NATHANIEL VAN DOREN, CUSTOMS AGENT, UNITED STATES TREASURY DEPARTMENT, PORT OF NEW YORK.

Senator SMOOT. What is your present occupation?

Mr. VAN DOREN. I am a customs agent of the United States Treasury Department, at the port of New York.

Senator SMOOT. How long have you been in the service?

Mr. VAN DOREN. I have been in the service since 1901 in various positions. I was out during the war and returned after the armistice was signed.

Senator SMOOT. Are you an appraiser?

Mr. VAN DOREN. I am not, sir. I am one of the officers employed in the prevention and detection of fraud upon the customs revenue. The duties of those officers are not confined to appraisement, and, in fact, they have no official authority to appraise. The duties are rather supervisory and investigative.

Senator SMOOT. Have you ever been an appraiser?

Mr. VAN DOREN. I have not, sir.

Senator SMOOT. Will you proceed, Mr. Van Doren, to inform the committee, as far as your knowledge goes, as to whether you think that the American valuation can be adopted, and, if so, what are its advantages and, if not, what are its disadvantages; and if you care to I would like to have you compare the American valuation system or plan with that which is now in vogue, or, in other words, the foreign valuation.

Mr. VAN DOREN. For the past 18 years I have had occasion to observe very closely the operations of the foreign valuation basis for the assessment of ad valorem duties. During most of that time I have worked at the port of New York, where over 60 per cent of the importations into this country are received.

There has been during that time, under my personal observation and knowledge, considerable undervaluation by foreign shippers, and in some cases by domestic importers.

In using the term "undervaluation" I do not wish to be understood as saying that all such undervaluation was fraudulent. There are many cases where the shipper or the importer stated the cost of the merchandise at the time of purchase or at the time the consular invoice was presented for certification, and the actual date of shipment, being subsequent thereto, there came about a change in value which resulted in effect in an undervaluation and possible loss of revenue had the invoice statement been accepted.

The foreign investigating service has a great many reports showing that the difficulty of obtaining the actual foreign value as defined by law makes it impossible to appraise all merchandise at its true foreign value. It has thrust upon the appraiser and the appraising officers the responsibility for passing the entries at the best value they can determine upon, and the result is that, in my judgment, nearly all the import entries are passed as entered; and where passed as entered no question of value is raised, and no one can ever know the amount of undervaluation or loss of revenue that is the result of that condition.

I have been pretty closely associated with appraising officers in my various lines of work, and I know they are a highly conscientious and able body of men. I know, too, that in many cases they fall naturally, as is human, into the habit of trusting the importers with whom they come in daily contact, and, by such contact, learn to believe they are honest. In cases of that kind the appraisers almost inevitably appraise the importer and not the merchandise.

They have a very serious task before them, and, on the whole, I think it is performed with an unusual degree of success. But I can not believe that the Government receives the proper measure of

protection to the revenue by the existing system which the law contemplates.

I came to the study of the American valuation plan with an open mind. I had no prejudices one way or another. I have examined the language of the Fordney bill and I can not see, as a man with experience in customs work, any insurmountable obstacle to carrying out its provisions, provided proper preparation is made before the bill becomes a law.

Senator WATSON. Before you go to that. You were talking about the qualifications and character of those representing the Government in various customs offices. Do you know whether or not those men, to any considerable degree, consciously or unconsciously are influenced by their political ideas as to free trade or protection?

Mr. VAN DOREN. I have never observed such condition, sir. Those men are, as a rule, most conscientious.

Senator WATSON. It has been very freely charged that nearly all the men in the customs service over there are Democrats, and therefore free traders, and they naturally, following their inclinations, are inclined to make appraisements accordingly. I was wondering whether or not you had met that or come in contact with it in your service.

Mr. VAN DOREN. I would not like to make such a statement, Senator, because my experience would not bear it out. There are always exceptional instances, however.

Senator WATSON. Yes, certainly.

Mr. VAN DOREN. It has been freely stated that immediately upon the passage of this bill there would be congestion in the appraisers' warehouses and the present officers would be confronted with a task which no human beings could perform. This being due to the necessity of immediately ascertaining the American value of comparable and competitive merchandise, in my judgment it will be necessary for your committee to consider the necessity of making some preparations for this situation by investigation prior to the passage of the act. There are plentiful investigating agencies of the Government by which such inquiry could be made. I presume that money would have to be furnished by appropriation. That is a detail.

Senator JONES. Do you believe that those inquiries should be made and there should be a valuation ascertained for the various commodities prior to the putting into effect of the act?

Mr. VAN DOREN. I think the investigation should be made and the current values of commodities which are known to be of a class which will be competitive should be ascertained and proclaimed by the Secretary of the Treasury or other competent authority for the guidance and assistance of the appraising officers.

Merchandise is ordered, as a rule, considerably in advance, and it is shipped considerably in advance of the delivery of the merchandise itself, and always the invoices and other advices from the foreign shipper are in the hands of the customs authorities long before the merchandise arrives. It would take some considerable work to keep abreast of the situation and prepare, but I believe that the vast majority of the kinds of merchandise could be prepared for. I am speaking now of merchandise that is known to be comparable and competitive.

Senator SMOOT. And along that line, that it has been coming in in the past and about in the same qualities and quantities.

Mr. VAN DOREN. Exactly.

Senator JONES. Then may I inquire further. These prices are varying from week to week, are they not?

Mr. VAN DOREN. Yes, sir.

Senator JONES. How do you manage to keep abreast of the times?

Mr. VAN DOREN. The price is the price at date of foreign shipment.

Senator JONES. But that date changes from week to week.

Mr. VAN DOREN. Not with respect to that particular shipment.

Senator JONES. But with respect to the valuation.

Mr. VAN DOREN. The value on the date of shipment is the value I have in mind, sir.

Senator JONES. How would you ascertain the value of the competitive article as of that given date, the date of shipment?

Mr. VAN DOREN. By inquiry covering the date.

Senator JONES. In other words, you would have to revise your valuations every day?

Mr. VAN DOREN. Not necessarily, sir. I think the American manufacturers of goods which are known to be competing goods with foreign articles will be very ready to assist the appraisers by furnishing them daily bulletins as to values.

Senator JONES. How many foreign articles would you estimate would come under the provisions of this bill upon which the American valuation would have to be ascertained?

Mr. VAN DOREN. I am not able to give you an estimate, Senator. It may be 20 per cent; it may be 40 per cent; I can not say.

Senator JONES. You hardly get my question, I believe. How many various articles coming in under the provisions of this bill would have to be considered by the customs officers in fixing the American valuation?

Mr. VAN DOREN. I am afraid I can not answer that, sir. There will be some witnesses to follow me that are more intimate with appraisement conditions and who may be able to give you that answer.

Senator JONES. Are you acquainted with the number of commodities imported which would come under this bill?

Mr. VAN DOREN. No, sir.

Senator JONES. How, then, can you arrive at the conclusion that this ascertainment of value is not a very big job?

Mr. VAN DOREN. Oh, it will be a big job. Anyone who comes here and advises this committee that this can be done easily and simply will be trying to mislead you. I do not think it can be done easily and simply. I did not mean to convey that impression.

Senator JONES. I got a wrong impression, then.

Mr. VAN DOREN. If I conveyed that impression, I was in error, because I did not mean to say so.

Senator SMOOT. It is not done simply and easily with the foreign valuation.

Mr. VAN DOREN. By no means.

Senator JONES. With the foreign valuation you take the sworn statement, do you not, prima facie?

Mr. VAN DOREN. In many instances; yes, sir.

Senator SMOOT. That is what we expect to do with this before we get through with the bill.

Senator JONES. There is no provision in this bill, so far as I have been advised, as to the importer having to swear to the American valuation of the competing article.

Mr. VAN DOREN. As to the details of administration under this bill I would not like to be called upon to express a full opinion. The practices which have been followed for many years in the customs service would undoubtedly be availed of in future transactions under this new provision. It seems to me it is simply a change from the basis of the foreign value to the American value in cases of articles where such value can be ascertained.

Senator JONES. The legislation, in instances with which I am acquainted, unless I am entirely wrong about it, takes the purchase price, does it not? And you do not have to inquire into the market value of the foreign product in the foreign country?

Mr. VAN DOREN. I would prefer to have one of the appraising officers answer that question in detail.

Senator SMOOT. You have already stated it to the committee. You have said it was not the purchase price. It is the price or the value on the date of exportation. The purchase price may have been made six or eight months before.

Mr. VAN DOREN. That is true, as I understand it; but the Senator's question deals with a detail of an appraisement that I think should be answered by an appraising officer.

Senator DILLINGHAM. That goes back to a statement that you made in the beginning. I understood you to say that your work had been in connection with cases of undervaluation?

Mr. VAN DOREN. Not for several years. I had several years' connection with that work. For the past several years I have been investigating drawback claims. I presume that I was called before this committee because of my varied experience. I have been chief clerk in the appraiser's warehouse in New York, secretary to an appraiser, private secretary to two assistant secretaries in charge of customs; I was special agent in charge at New York and directed an investigation into undervaluations, but did not perform the detail work myself. I have a general view and knowledge of customs procedure.

Senator DILLINGHAM. What has been the result of your observation in respect to the question of undervaluations?

Mr. VAN DOREN. In the past?

Senator DILLINGHAM. Yes.

Mr. VAN DOREN. I think they have been persistent and continuous in a great percentage of the importations and will amount to sufficient in money to present a very serious loss to the revenue if not checked.

Senator LA FOLLETTE. About what percentage of undervaluations do you have of the total imports in New York?

Mr. VAN DOREN. That would be guesswork on my part, Senator. I would not like to say.

Senator CALDER. Would it be 10 per cent?

Mr. VAN DOREN. I doubt if it would. I think it would be less than 10 per cent.

Senator LA FOLLETTE. Do you think it would be less than 5 per cent?

Mr. VAN DOREN. It might be as low as 2 per cent; but that is guesswork also. I know it exists, and I know it exists continually, and the bulk of it, in my opinion, is never discovered.

Senator DILLINGHAM. When you speak of importations you are speaking of the gross importations?

Mr. VAN DOREN. Yes, sir.

Senator LA FOLLETTE. If it is never discovered it is pretty speculative to say how much it is.

Mr. VAN DOREN. I admit that, sir. I am expressing an opinion, but it is based on my past experience and observation.

Senator LA FOLLETTE. You spoke of the appraisers coming to believe in the integrity of the importers.

Mr. VAN DOREN. Just as a banker believes in the integrity of the men to whom he loans money, sir.

Senator LA FOLLETTE. You have been for a great many years working in the department for the discovery of frauds. Do you think that possibly you have come to look upon all people as guilty of fraud?

Mr. VAN DOREN. That would be a natural tendency.

Senator LA FOLLETTE. That is a natural tendency, is it not? You have tried to keep yourself from that?

Mr. VAN DOREN. I have studiously tried to avoid that. In fact, unless I have evidence I do not permit myself to form an opinion. I have made that a rule for many years.

Senator SMOOT. But you do know that there are a great many cases of it?

Senator MCLEAN. These undervaluations are due, in a measure, to the difficulty of ascertaining the foreign valuation?

Mr. VAN DOREN. I think in many cases they are due very largely to that difficulty.

Senator MCLEAN. You think that the difficulties of securing foreign values in the case of an undervaluation of an importation that is undervalued would be commensurate with the difficulties of obtaining domestic valuation?

Mr. VAN DOREN. I believe that we could get domestic values in a very much more satisfactory manner after it is once established. The difficulty is going to be the inauguration of it. I think that after the system is once established it will work well. We have here machinery to compel the attendance of witnesses, the production of books, papers, records, cost accounts and every other item we need to determine values, and we can not get that from the foreign shipper.

Senator MCLEAN. Outside of this 2 per cent or 3 per cent or whatever percentage it may be, the difficulties in securing foreign values on the whole importation must be considerable?

Mr. VAN DOREN. I should say so.

Senator MCLEAN. And with conditions as they are now and probably will be for a great many years to come those difficulties will not diminish?

Mr. VAN DOREN. I do not see how they can; and in view of the depreciated currency condition and the widespread business depression throughout the world, we may say, I think the time has come when this country must do something to insure the protection of its customs revenue. There never was a time when we needed to

get every dollar more than now, and I do not believe the foreign valuation system is going to insure that result as well as we can when we can control the values ascertained here.

Senator McLEAN. From your experience are you willing to give the committee any opinion as to the length of time that will be required to arrive at the domestic valuations so that importations can be received and assessed? Of course it will depend upon the force, and so forth; but assuming that the matter is taken up in a businesslike way and with a determination of solving the problem if it can be solved and if the necessary funds are had, how long a time would be required?

Mr. VAN DOREN. Not basing this upon my own estimate but basing it upon the estimate of a man whom I consider to be an authority on appraisement—we were discussing the matter and he said that with 50 experts he could make the necessary preparations within three months.

I do not think that I am as competent to express an opinion as a man who is an expert in appraisements.

Senator SMOOT. You may proceed.

Mr. VAN DOREN. I would like to point out to the committee that nearly everything I am saying is a matter of judgment and opinion based on my experience. I am not qualified as an expert appraiser but I am qualified as a practical customs man with a great many years of active work——

Senator McLEAN. You have been there 18 years?

Mr. VAN DOREN. About 18 years.

Senator JONES. Have you ever had any occasion to consider values in the United States with a view of levying a tax upon merchandise?

Mr. VAN DOREN. No, sir; but I have had occasion to consider values of a tremendous variety of American products which are exported abroad and in connection with my investigation of drawback claims, where I have had to go into factories, study the methods of manufacture, the kind and quantity of materials, the various kinds used in producing export products, the manner in which they are accounted for, costs, wastes, and all the details essential to determine the amount of drawback payable on an exported unit.

Senator JONES. That has been an investigation of particular transactions, has it not?

Mr. VAN DOREN. Yes, sir.

Senator JONES. Where the prices in this country vary, how would you ascertain the competitive value or price?

Mr. VAN DOREN. There are certain principal markets in this country for most stable products. I believe it would be necessary to have investigations made and the principal market proclaimed by the Secretary of the Treasury or other competent authority.

I think we would get to as nearly an accurate basis in that way as we now do with regard to imported merchandise which takes the value in the principal market of the country from whence exported, although it may actually originate several hundred miles from that point.

Senator JONES. It would be more or less of an arbitrary transaction, would it not?

Mr. VAN DOREN. Just exactly as the foreign market value is to some extent arbitrary in the manner I have described.

Senator SUTHERLAND. You do not invariably, then, take the foreign invoice price as the basis of value on imported articles?

Mr. VAN DOREN. I believe the foreign invoice price is, as a rule, adjusted to the market value; but an appraising officer can answer that question more accurately, Senator, than I can.

Senator SMOOT. Is there anything else that you desire to say?

Mr. VAN DOREN. Not unless you have some questions to ask.

STATEMENT OF GEORGE F. LAMB, UNITED STATES SPECIAL ATTORNEY, DIVISION OF CUSTOMS, DEPARTMENT OF JUSTICE.

Senator SMOOT. State to the committee what your position is in the Government service.

Mr. LAMB. I am special attorney in the Division of Customs, under the Attorney General's office. Prior to that I was connected with the customs for about 30 years in various capacities.

Senator SMOOT. In what positions?

Mr. LAMB. I was in the Protest Division, Liquidating Division, Entry Division, and I had taken a law course and was put in the Law Division and was assigned to the investigation and preparation of fraud cases. In that capacity I was in Europe on three occasions investigating cases which arose here.

Senator SMOOT. Mr. Lamb, I would like to have you state to the committee just what your conclusions are with relation to the American valuation as provided for in H. R. 7456.

Mr. LAMB. From my experience I am in favor of it. I have jotted down some of the reasons that led me to that conclusion.

One was that it would compel countries in which the cost of labor is low to pay the same amount of duty on importations of similar merchandise that countries having high labor costs would pay. It would also do away with the irritation caused in foreign countries by the investigations made by our special agents. That was exemplified in France in connection with the Limoges investigation, and in Germany—I believe our special agent was ordered out of Germany.

I think it would also do away with closed markets, like Limoges, St. Gall, and Nottingham, where, as a matter of fact, we knew very little of what the costs were and information was refused.

Again, I think it would prevent undervaluations. I came down here last Tuesday and heard Mr. Lockett, from Boston, state to the committee that he had never heard yet of any cases of undervaluation being presented to the Senate Finance Committee.

On the 17th of May I had a case for presentation to the Board of General Appraisers in which Mr. Lockett was the attorney. That case, briefly, was one of a firm up in Boston which had imported sets of aluminum pots from Germany. They had actually paid 300 marks per set, but they invoiced them at 115 marks, an undervaluation of 167 per cent. The importers' agent who made the purchase went on the stand and insisted that 115 marks was the correct price, but the private invoices which showed what had actually been paid were produced and he finally admitted that the consular invoice of 115 marks price was false.

The second case, which I have on my desk at the present time, involves about 40 Italian importers engaged in the importation of sardines from Sicily. The investigation by a special agent over there, which was made in connection with the reappraisement, showed that while this merchandise was invoiced at from 250 to 300 lire, per 100

kilos, the actual price in Palermo, Sicily, was from 500 to 700 lire, an undervaluation of well over 100 per cent.

There was another case in June of an importation of umbrella frames invoiced at 200 marks, appraised by the general appraiser at 315 marks, and the evidence strongly indicated that it was a fraudulent undervaluation.

I might add, in connection with this Boston matter covering the importation of aluminum pots, that when the case was brought to the attention of the Assistant Attorney General he dictated a letter to the collector of customs recommending that further action be taken in the court; that is, with the view of having it brought to the attention of the United States attorney.

Senator LA FOLLETTE. What was that importation?

Mr. LAMB. Aluminum pots.

I had another case of an importation of cigar lighters from Austria. They were entered at 2½ kronen apiece. In examining the witnesses to find out what evidence we could secure, one of the witnesses showed me a letter from the shipper in Vienna to him—that is, the shipper of the merchandise under reappraisement—telling him he was invoicing this merchandise at a price which would save the importer money at the customhouse. The price invoiced was 2½ kronen, but the price which the witness actually paid and which he entered at the customhouse was 5 kronen, an undervaluation on the consular invoice of 100 per cent.

There was a case before the board of some mica diaphragms for phonograph records. This merchandise was invoiced at 2 cents apiece. The board found the proper valuation was 10 cents apiece, an undervaluation of about 400 per cent.

The last case I had was an importation of some silicofluoride of sodium, which was invoiced at about 7½ marks a kilo, whereas the price paid by other importers about the same time was 10½ marks, an undervaluation of about 37 per cent.

These cases have all arisen, or at least have come to my attention, within the two months of May and June. I do not mean that they were imported in that time. They were imported at various times prior to that; but the number of them in that time leads me very strongly to believe that they are not by any means the only cases of that sort which would be brought to our attention if we could get all the facts.

Senator LA FOLLETTE. Are they the only cases that have come under your personal observation?

Mr. LAMB. Oh, no. We had a great many fraud cases when I was in the law division of the customs, Senator.

Senator LA FOLLETTE. How long have you been in your present position?

Mr. LAMB. I have been in my present position since the 1st of March.

Senator LA FOLLETTE. These cases you have enumerated are those that have come under your observation in your present position?

Mr. LAMB. During May and June.

Senator LA FOLLETTE. Were there any before that in March and April?

Mr. LAMB. Every case that comes under my observation, Senator, is an undervaluation case in which the appraiser has advanced the invoice value and the merchant has taken an appeal.

Senator LA FOLLETTE. Those are the cases that you deal with?

Mr. LAMB. Yes, sir.

Senator LA FOLLETTE. So that every case that comes to you is a case in which undervaluation is charged?

Mr. LAMB. Yes, sir; but not always fraudulent undervaluation.

Senator LA FOLLETTE. How wide a territory do your observations cover?

Mr. LAMB. Any importation from any country is apt to come to me. There are nine attorneys in the Customs Division, and these cases are assigned according to the nature of the commodity; so that you might get an importation from China, Japan, India, England, France—any country in the world, in fact.

Senator LA FOLLETTE. And there are nine other men working on that work?

Mr. LAMB. Eight others, not including the Assistant Attorney General.

Senator LA FOLLETTE. Eight others besides yourself working on cases of that class?

Mr. LAMB. Yes, sir.

Senator LA FOLLETTE. And is that just for the port of New York or for all the Atlantic ports?

Mr. LAMB. It takes in all the ports in the United States.

Senator LA FOLLETTE. For your part of that work you have had brought to your attention since last March, when you went in, these cases which you have cited?

Mr. LAMB. Yes, sir; as showing fraudulent undervaluation, as I view it.

Senator MCLEAN. Just how are these undervaluations detected, and what are the opportunities for withdrawals without detection?

Mr. LAMB. In a great many instances we receive our information from other importers, men who come in competition with goods that have been brought in at an undervaluation. It is usually brought to the attention of a competitor by his being unable to sell his goods.

Senator MCLEAN. If there were a combination among competitors there would be opportunities for withdrawals which would not be brought to your attention?

Mr. LAMB. I do not understand what you mean by "withdrawals," Senator.

Senator MCLEAN. From the customhouse.

Mr. LAMB. I see. We have a technical term for withdrawals, meaning goods taken from the bonded warehouse. You mean taken from the custody of the customs officials?

Senator MCLEAN. What I mean is entry of goods here that are undervalued. As I understand from you, these undervaluations are brought to your attention by some competitor?

Mr. LAMB. That is one instance. Frequently it is discovered by the special agents abroad.

Senator MCLEAN. What instrumentality is the Government using directly to discover these undervaluations?

Mr. LAMB. The first line are the special agents in foreign countries, but that is a very weak line. There are only six of them all over the world. Price lists are supplied by these special agents and by consular officers. When the goods arrive here the examiners who keep in touch with market values and keep in touch with merchandise in similar lines——

Senator CALDER. Is not that the very best method you have of catching undervaluations?

Mr. LAMB. It is the best one of them at the present time, Senator.

Senator CALDER. The most effective?

Mr. LAMB. Yes, sir; as far as we know.

Senator CALDER. When the goods come in the examiner inquires into them and compares their value with the values of other goods imported a little earlier and he gets at once the difference?

Mr. LAMB. That is true.

Senator MCLEAN. Under the present system is it easy or difficult to introduce goods upon undervaluation?

Mr. LAMB. It is not easy where there is an open market on the other side and when goods are sold freely to all purchasers, because then you can secure the invoices of other importers, and by comparing them, if importer's value is lower, his invoice values are increased to the values of the other importers. That class of cases is the one which most frequently comes before us.

Senator MCLEAN. Just now are not foreign values rather difficult to ascertain?

Mr. LAMB. No more so than they were before, because we rely to a large extent on the same information, the invoices.

Senator MCLEAN. That is the point I want to get at You rely upon the invoices That is a pretty uncertain reliance, is it not?

Mr. LAMB. If they are endeavoring to undervalue, it is, because they are not going to state facts.

Senator MCLEAN. It is easy to put things over if you take the invoice. Consequently, unless some competitor calls an instance of undervaluation to your attention is it not possible that a good many importations may slip through?

Mr. LAMB. It is possible, but with us a staple article, as distinguished from a novelty, the examiner will detect that by making a comparison with similar importations of other importers.

Senator SMOOT. As to the staple article, it will not be hard to find out the American valuation?

Mr. LAMB. I do not think so.

Senator SMOOT. But as to novelties, I understand you to say it is easier for the undervaluations to come in?

Mr. LAMB. Yes; because with a novelty it is sometimes difficult to find similar importations by other importers, so that you can not always check them up by competitors' invoices.

Senator SMOOT. So that where there is no comparable article in the foreign market, you would have greater difficulties in preventing fraud than you would under the American valuation?

Mr. LAMB. Absolutely. Another point is the much greater ease in securing evidence as to the market value under the American-valuation plan as compared with our present system. Mr. Lockett, whom I referred to before, stated that in all his practice he never had any trouble in securing evidence as to foreign market value. That is very true, because he is representing the importer, and the importer can always secure any evidence that is necessary to prove his side of the case. But when the Government agent gets on the job he sees the other side of the picture.

I could give you some illustrations of that if you care to listen. I was in Piræus, the seaport of Athens—this is somewhat ancient his-

tory—it was 1908, and it was very important for the case that I ascertain the weights of the merchandise as found by the Greek customhouse, the Greek Government having charged an export duty on its commodities and having weighed the merchandise prior to exportation. The consul general introduced me to a very reputable citizen of Piræus, who took me down and introduced me to the collector of customs. They had a little talk before I was asked to state my business, this merchant acting as interpreter. I told him I wanted to see the customhouse books showing the weights during a certain period. The collector was very willing, but he said the books were out in the district being used. He kept me down there four or five days going back day after day, and finally said the books had been sent up to Athens, and it would not be possible for me to see them. We got the information in another way.

Later on we indicted this same "reputable citizen of Piræus" for frauds in the importation of olive oil, and he came over here and became a Government witness, admitted everything against two conspirators in this country, who were convicted. At that time I asked him if he had not put something over on me at the time he brought me to this Greek collector. He said, "Sure. I told him what you wanted and not to show you the books. I was engaged in this olive-oil fraud, and if I pulled anything down on the other fellows they would turn around and expose me; so I had to stand with them."

Mr. Esterbrook, one of the Treasury agents, was one of the committee who went to St. Gallen in connection with the St. Gallen rate on laces. He told me that he and the other members of his committee were regarded as public enemies, and that even the children on the streets hooted them, and they had great difficulty in getting the information they wanted.

I went to certain Italian banks in Naples and in Palermo on another occasion with the American consul, but the banks flatly refused to give any information about drafts in connection with the shipments under investigation.

Mr. Davis was a member of the committee that went over to Limoges in 1912 in connection with the the Limoges rate list. Mr. Wakefield was the chairman of the committee. Their experience is outlined in the report of that committee. It is a very illuminating document on the question of securing information in a foreign country. They were deceived over there. The manufacturers refused to show books, or only showed such books as would help their own case. Attempts were made to tamper with their mail, and every obstacle was placed in their way.

Senator McLEAN. You are absolutely at their mercy?

Mr. LAMB. So far as securing evidence is concerned, you are.

While I am on this Limoges case, there was a little incident happened that throws some light on the operation of the American-valuation plan. When the report of the Limoges commission of 1912 was adopted as to valuation, the importers here made great objection to it, and a second commission was appointed, consisting of Mr. Higgins, who was the appraiser at the port of New York, Mr. Grant, who was deputy collector of the entry division, and another gentleman, whose name I do not recall, and these importers were requested to come down and present grievances. Well, they did, and finally Mr. Higgins said, "Well, gentlemen, bring your books

down here and let us examine them, and then we will see just how much grievance you have." Not a book was shown, and the opposition subsided right there.

The Limoges case was what we call a "closed market," that is, all the china manufacturers in Limoges ware practically declined to sell to any American firms in Limoges.

Senator McLEAN. You sent over a commission?

Mr. LAMB. Yes, sir; the Treasury Department sent over a commission. There has been trouble about Limoges china values since 1890, and probably before that, but since 1890 it has been acute. In 1908 a commission was sent there, and they arrived at an agreement with the manufacturers in Limoges by which a valuation for Limoges china was arrived at. A certain instrument called the "rate list" was drawn up embodying the agreement. It was discovered later that that rate list was practically a fraud on the American Government, and it was abrogated. Then a second commission was sent over, and that is the Wakefield Commission, of which I spoke a short time ago.

Practically all these manufacturers had an agent in the United States. They would sell to him and only to him. You could go over there and they would allow you to make a selection of what china you wanted from their samples, but it did not do you a bit of good; so far as any advantage in purchasing was concerned you might just as well have gone to the agent on Barclay Street or Warren Street in New York City and have made your selection there, because they would ship the goods you ordered over to him, he would make the entry in the customhouse in his own name, and then he would turn those goods over to you at an immensely increased valuation.

In the case of one firm in which I was particularly interested, as I had their importations under investigation, they used to bring in merchandise, we will say, at 10 francs, and that is what they would pay the duty on. An invoice, apparently made at Limoges, would be sent to the purchaser in the United States, say, a firm in Chicago, Cleveland, or Detroit by the New York agent, but when it reached the domestic purchaser the price was about 20 francs, and then those 20 francs were reduced at the rate of 35 to 39 cents a franc, that presumably being the franc value plus the duty of 60 per cent and shipping charges. That is a little bit complicated, but the idea was that it cost them, roughly, around 35 cents to bring in each franc's worth of goods and pay the duty. But the joker was when they doubled the rate here, they had not paid any duty at all on the amount by which the purchaser's invoice exceeded the consular invoice, but the customer was charged just the same. Most of the dealers I interviewed had the impression that the invoice they received from the New York agent was the foreign value on which duty was paid. In many cases the profit, as shown by the sale to the American purchaser, compared with the invoice price on which duty was paid, exceeded 100 per cent. The duty, of course, was only collected on the invoice value, and we found that large sums were remitted every year to the concerns in Limoges in addition to the sum which was stated on the consular invoice as the actual selling price. In other words, the profits were made over here and no duty was collected on those profits as was contemplated by the law. That is, briefly, the issue in the Limoges cases.

Senator McLEAN. There is a member of that commission—I have forgotten his name—who submitted some extracts from the report, and they are in the hearings.

Mr. LAMB. The attitude of the French Government was against the commission's activities. The American Chamber of Commerce in Paris adopted some resolutions disapproving the efforts of the commission in attempting to ascertain market values.

Senator JONES. Do you want to give us to understand that there was some combination over there to lower those prices and create a market over here for the goods?

Mr. LAMB. There is no question about it, Senator.

Senator JONES. Of course, you have been speaking of isolated cases here.

Mr. LAMB. Yes, sir.

Senator JONES. You do not mean to infer that the general business is involved in any such frauds as you have narrated?

Mr. LAMB. Senator, I think the great majority of our importers are just as honest as any other class of men in the country. As a matter of fact, we depend on them as our witnesses to prove these very undervaluation cases I am speaking about here, and they are in many instances the people who bring us the original information about the frauds and undervaluations.

Senator JONES. If we adopted the American-valuation plan, do you not believe that we will probably find some combinations in this country who will put up the American valuation so as to prevent the importation of competitive articles?

Mr. LAMB. I do not see how they can do it, Senator, because competition is going on at the present time.

Senator JONES. Have we not a great many commodities produced in this country by a comparatively few people?

Mr. LAMB. That I could not say.

Senator McLEAN. That would not affect the situation. It is the foreign competition. It does not make any difference how many men are making it here.

Senator JONES. I think the Senator will understand the point to be this, that if the American valuation is to be the basis of the application of an ad valorem tax that the higher they put the valuation in this country the higher the tax will be, and therefore that higher tax will tend to prevent competition by the foreign article.

Mr. LAMB. Would not that come under the Sherman Act, Senator, as an illegal combination to control prices?

Senator JONES. I know, and do we not have cases under the Sherman Act?

Mr. LAMB. Yes; but the law is in effect to prevent such combinations, and we could invoke it, as in other cases——

Senator JONES (interposing). Have we not a law to prevent undervaluations on importations? You narrated a number of cases where the people violated the law. And have we not a law against murder in this country, and yet murder is being committed?

Mr. LAMB. In the case of the foreign article it is not easy to secure the evidence, whereas if it is here you have control of the evidence.

Senator McCUMBER. Mr. Lamb, how would it be possible for the Americans to make a combination to raise the amount of duty

without raising their own products so much higher than the foreign products, which would immediately allow a greater competition than they have?

Mr. LAMB. It would not be possible, Senator, in my view.

Senator MCCUMBER. The only way would be to have a 100 per cent ad valorem duty. If it were anything less than that, of course, if they raised it a dollar they would increase the difference between the foreign article and make it easier for the foreigners to compete?

Mr. LAMB. There is one practice that we allow that will show you how difficult it is to prevent undervaluation under our present system: If the invoice value of an imported article is increased, the importer can secure affidavits from the other side, in which the merchant over there swears that he has sold this merchandise to such and such persons at the invoice price, and they in turn furnish an affidavit that they bought it. Well, one of the most prominent customs attorneys we have in New York City told me that he could undertake to secure any kind of an affidavit at all; that all he has to do is to draft the affidavit and send it over and it comes back executed just as he drafted it.

Senator JONES. But the American importer hesitates to make a false affidavit, does he not?

Mr. LAMB. Naturally; it involves the commission of a crime, and he is amenable to our jurisdiction.

Senator LA FOLLETTE. You referred to this Limoges case as "closed market." How many instances of closed markets have come under your observation?

Mr. LAMB. The Nottingham lace case, the Calcutta case, the St. Gall lace cases, and Limoges are about all that I recall.

Senator LA FOLLETTE. About four cases of closed markets?

Mr. LAMB. Yes, sir. The American valuation would prevent any others from being formed, Senator.

One of the attorneys for the Alien Property Custodian told me that when they took over some of the German chemical houses in the United States they found that enormous sums of money had been remitted to Germany out of the sales here, which seemed to indicate that duties were not paid on the actual market value of the merchandise. That gives another instance of a closed market—the German exporters would ship to their own agents here at a low value and they would sell for whatever price they could get.

Senator CALDER. Mr. Lamb, I was outside for a moment. Were you asked how many cases are reported to your office each year for undervaluation?

Mr. LAMB. None were reported to the Attorney General, Senator; but the customs used to keep a record of such cases. I do not believe that record is being kept now. Mr. Davis could answer that accurately.

Senator CALDER. I was just wondering if there were a great many instances.

Mr. LAMB. That I could not say, Senator. I know that Mr. Loeb, when he was collector of the port of New York, kept such a record, and the last time I saw it it amounted to $4,000,000 or $5,000,000, something like that, but that amount included the American sugar-refining frauds settlement.

Under the American-valuation plan, merchandise would divide itself into practically two major classes—those having comparable American articles and those which have no comparable American articles. As to the first class, of course, the plan would be to secure the American selling price for comparable articles, and that would be the basis of valuation for the imported article. In the second class, where there is no comparable article, the plan would be to assess duty on the American selling price of the foreign article.

There is a third class; that is, where merchandise comes in here for further manufacture, and which is not sold of itself. Such importations apparently present a difficulty, but I think that could be met by building up an American selling price in the same way as we now build up a foreign market value under section L.

In the present tariff, under section L, we have a method of ascertaining and assessing duty on the American market value, if an article is not sold freely on the other side or if it is sold only for exportation to the United States; the law provides that the American selling price shall be taken, and from that the duty deducted, also certain other expenses. If the goods are consigned goods, a commisf sion of 6 per cent is deducted; if they are purchased goods, a profit o- 8 per cent and an overhead of 8 per cent is deducted, and then the duty is assessed on the valuation so ascertained. It seems to me that by reversing that process you could build up an American valuation of articles which have no comparable American article and which are not sold of themselves in the American market, and I think those would include practically everything coming into the country, as near as I can see.

Senator SMOOT. That would take in the great bulk of staples and the other novelties not manufactured here?

Mr. LAMB. Yes, sir. I have spoken to a number of importers about this, and they do not seem to mind the possible increase of duty so much as the uncertainty. They say that is what bothers them. They would not know at what price to sell their merchandise. It was suggested that that could be obviated by having some board or the Secretary of the Treasury or somebody designated by the President make an investigation and proclaim market values for a definite period; that at least would do away with the uncertainty.

There was some mention made as to the cost of installing the American-valuation plan. I believe that if the plan were installed the increase in the amount of duties collected by cutting off undervaluation would far more than pay for the cost, even at the peak of the cost, which would be at its initiation. I think once it is established the cost of maintaining it would certainly decrease. It seems to me, Senator, that if we had no tariff law at the present time, and Congress in passing one was considering whether to adopt American valuation or foreign valuation as the basis for the collection of duties, there would be no question at all about deciding to adopt the American valuation; and after it had been in effect as long as the present plan has been and somebody would come along and suggest the present plan of securing the value of merchandise in foreign markets, I think it would be claimed they were insane, and that it would take an army of men to gather the necessary information.

As to the litigation that was said to arise in connection with this, there is no doubt there will be considerable litigation, but we have that after every tariff. Protests have run for one year up to 120,000

protests. Of course, there was a special question involved there. In other years it ran 60,000, 40,000, and 50,000—last year it dropped down to about 4,000; reappraisement cases run from 4,000 to 6,000 a year. The customs courts and the boards of general appraisers are in the best possible condition to handle litigation, because by reason of the war limiting importations and the length of time this present tariff has been in operation practically all the points involved have been litigated.

There would have to be an increase in the force of the Customs Division of the Attorney General's office, but that would not amount to much comparatively. The entire cost of maintaining that division, taking in all the cases throughout the United States, and including the traveling expenses of the attorneys was less than $65,000 last year.

Senator SMOOT. If the committee should decide to adopt the American valuation, the Treasury Department could immediately detail men there for the purpose of collecting at once the American valuation on nearly all of the staple articles and could do it within a reasonable time, could they not?

Mr. LAMB. I am not qualified to speak on that, Senator, but Mr. Davis, whom I consider one of the best posted men in the service on that question, said if you would give him 25 men for three months he could gather it.

Senator SMOOT. If you would give him 50 good men, then, he could do it in that time and a great deal less?

Mr. LAMB. I should imagine that the easiest way to secure that information would be to have the American manufacturers associations furnish it—practically every line of trade is organized and every manufacturer belongs to an association. They have costs and selling prices down to the smallest things they sell. I should imagine if they are really interested in the American valuation plan they would cooperate and give all those prices so that you would have an immense mass of prices practically handed over to you.

Senator JONES. Are they not interested in making their price as high as possible?

Mr. LAMB. I think they would be, Senator, but I think that could be checked.

Senator SMOOT. They are not interested in that any more than the foreigner is working to make the cost just as low as he possibly can do.

Senator CALDER. The information the American manufacturer gives to you is accurate, is it not?

Mr. LAMB. Under the present system, Senator, we have no necessity for appealing to them. The witnesses we call on are importers of similar merchandise, who tell us what they paid for the merchandise during the period involved in the case under appraisement, and we never have occasion to go to an American manufacturer to find out prices. His testimony would not be relevant.

Senator CALDER. It would simply mean accepting the information from the American manufacturer instead of the foreigner?

Mr. LAMB. You mean if the new plan were adopted?

Senator CALDER. Yes.

Mr. LAMB. Then, of course, we could go right to him and get it.

Senator SMOOT. And we could get it under sworn statements?

Mr. LAMB. Absolutely.

Senator CALDER. It ought to be under a sworn statement.

Mr. LAMB. The Board of General Appraisers has all the power of the circuit court of the United States to compel attendance of witnesses, the production of books and papers, etc., and, of course, they are all sworn where they give any testimony.

Senator CALDER. You would require them in filing a statement to do it under oath?

Mr. LAMB. I think that would be a necessary precaution.

Senator CALDER. The importer would be required to state what he believed the American valuation was, would he not?

Mr. LAMB. To my mind that would be very easily arranged by having him state on his invoice what his American selling price is.

Senator SMOOT. He would know what he was going to sell it for and you could make him swear to it?

Mr. LAMB. Yes, sir. So if you could not find any comparable American article you could assess the value on the duty as shown by the importer's sworn statement.

I want to say this for our examiners in the customs service at New York City. I have been brought into contact with all of them since I have been in the service, and I have never found a more hard working nor a more conscientious body of Government employees. They really do their best to keep right on their toes in regard to foreign valuation. Of course, in the last analysis they have to rely on statements made to them by importers and people in the same line of business.

They do the best they can under the system, but one criticism is that it breaks down where fraudulent undervaluation is involved. Where a merchant is bringing in his invoices with correct foreign market valuations it does not make any odds whether you have an examiner or not except for classification purposes.

Senator JONES. Do you think those examiners who are Democrats are interested in getting as low a duty on the imported commodities as they can and are influenced by that fact?

Mr. LAMB. Senator, I am not a Democrat, but I think that is, to be very frank, sheer nonsense. I do not think a man up there cares two straws what the views of the administration is; I think he carries out his duties just as the law requires.

Senator JONES. I am of the same opinion, but it has been intimated otherwise, and I thought I would like to get an expression from you.

Mr. LAMB. I have had them under close observation since I have been there. We have to examine them before trial to see what their testimony will be, and I have never yet seen a case which indicated there was such a situation.

Senator CALDER. The examiners in the service at New York are men of both parties?

Mr. LAMB. As far as I know; yes.

Senator CALDER. And there is no difference in the way they do their work?

Mr. LAMB. You might be interested in knowing how the average examiner is appointed: For instance, most of the men who are examiners entered the service as clerks, as the result of a civil-service examination. As a rule they are assigned to an examiner to write out his report and do the clerical work in connection with his examination. They acquire a certain knowledge of the business by reason of their daily work, and as soon as there is an examination for the position of examiner these men go in and take the examination. They are far

more familiar with the merchandise than anybody who is not really in the importing business, and you can not get a man in the business to come into the Government service at the salaries paid. The result is that practically all these positions are filled by the men who have come into the service as clerks and worked their way up.

I think it is extremely remote that they are actuated or motivated by political purposes in making their examinations.

Senator SMOOT. Do you think a clerk who believed in free trade would not unconsciously value those goods just as low as possible?

Mr. LAMB. I do not think so, Senator. In the first place, I think it would be detected before very long.

Senator SMOOT. I do not mean to say that he would do so willfully, but it seems to me that unconsciously his training, his very belief, would lead him, if he erred at all, to do so on the side of putting goods just as low as possible.

Mr. LAMB. The trouble is he would be apt to be removed later, because if he passes the goods at less than the market value a competitor is apt to come in at any time and want to know how that is done; then there is an investigation.

Senator SMOOT. He is not removed always?

Mr. LAMB. I think where any gross negligence or anything of that sort occurs——

Senator SMOOT (interposing). It would be gross negligence. He might err 1 or 2 or 3 per cent, and 3 per cent amounts to a great deal in a year's business.

Mr. LAMB. You see, Senator, he can not reduce the entered value; he can not go lower than that invoice or entered value; the law provides for that. The only thing he can do is to pass it as entered or increase it. If he knows that it should be increased and does not increase it, that immediately becomes fraudulent.

Senator SMOOT. But, unconsciously, he would likely say, "That is enough for that fellow to pay."

Senator MCLEAN. You are speaking of examiners?

Mr. LAMB. Yes, sir.

Senator MCLEAN. When the appraiser comes along he can accept the invoice value, and that ends it.

Mr. LAMB. The appraisers have all been political appointments, not the examiners.

Senator SMOOT. That is what I have been speaking of, and that is what I characterized.

Mr. LAMB. The examiner is the man who examines merchandise and compares it with the invoice, and he is the man who has expert knowledge as to the values. He passes on it and forwards his finding as a matter of routine to the assistant appraiser, and he passes on the examination. It is very, very rarely that the assistant appraiser will change or correct the return of an examiner in any way.

Senator SMOOT. Then there is no need of him and you better get rid of him.

### STATEMENT OF CHARLES D. LAWRENCE, UNITED STATES SPECIAL ATTORNEY, DIVISION OF CUSTOMS, DEPARTMENT OF JUSTICE.

Mr. LAWRENCE. My name is Charles D. Lawrence; United States special attorney, Division of Customs, Department of Justice, 641 Washington Street, New York City.

Senator SMOOT. If you will kindly proceed, Mr. Lawrence, to inform the committee as to what your experience has been in relation

to the undervaluation, and also what your ideas are as to the advisability of adopting the American-valuation plan of procedure.

Mr. LAWRENCE. Mr. Chairman and members of the committee, first I might say that I have been in the Division of Customs of the Department of Justice since its creation in 1910. Prior to that time the work of our office was conducted as a branch of the Treasury Department. In that department I was associated some six years, and was adopted by the Customs Division of the Department of Justice at the time of its organization.

In presenting my personal views on this subject, I shall briefly state what I conceive to be some of the fundamental advantages of the American-valuation system over the one which is now in operation.

Parenthetically, I may say that the first thought which comes to my mind is that in reading the bill now before you one's attention is at once arrested by the statement that it is a bill, or, rather an act, to produce revenue, to regulate commerce with foreign countries, to encourage the industries of the United States, and for other purposes.

With that as the declared policy of the Congress, naturally the first question to arise is what means are the most efficient, expedient, and feasible for accomplishing its purpose. You have before you two proposed plans for valuation for dutiable purposes, foreign valuation and American valuation. With the first you are intimately acquainted because of the fact that it has been in operation for many years, and you are now to determine whether, in view of all the circumstances and conditions which are disturbing the trade and commerce of the world, that method is still an adequate and satisfactory one.

When you have determined the system of valuation or method of valuation, which I deem to be the basic consideration, the matter of rate fixing then becomes one largely of detail. The inherent weaknesses and difficulties arising out of the administration of the foreign-valuation system have been pictured to you and the question is whether that system is still adequate, and the American-valuation plan has been proposed as possessing greater merit and superior advantages. The objections to it seem to be, as I view it, largely the outgrowth of speculation and fear, a natural hysteria that always accompanies any new legislation of any importance.

I think, however, that analysis of the proposed American-valuation plan will demonstrate its superiority as a measure to obtain the proper valuations for duty purposes.

One of the most prominent factors disturbing international trade to-day seems to be the fluctuation in foreign exchange. Mr. Chairman Page, of the United States Tariff Commission, testifying before this committee on the 25th day of July, said that the great argument in its favor—referring to the American-valuation system—

is found in the fact that foreign exchanges are very variable as between this country and other countries, and they fluctuate with great violence; the exchange between England and America is one thing, the exchange between America and Germany is another thing. The same article coming to this country from England, therefore, would pay on a foreign value a much higher duty than the same article if it came to this country from Germany.

And, further, Chairman Page said:

That is the great argument in favor of American valuation—that is, that it will remedy to some extent, at any rate, this difficulty in foreign exchanges.

An argument which appeals to me as of commanding importance is that an impartial administration of a tariff law which affects all countries exporting to the United States goods of a similar nature produced at varying costs requires that the basis for duty shall be the value at which such goods are sold in the usual wholesale quantities in a country common to them all, in this case the United States.

Bearing in mind, if you please, the legislative intent of this act to provide revenue and to encourage the industries of the United States, why should you not in addition to fixing your rates in the United States fix the dutiable value in the United States upon the basis of prices prevailing in the United States? Instead of seeking out the markets of the world, of which there are scores, in order to find values, as we are doing to-day, why would it not be a much simpler, more efficient, scientific and accurate method to find the value of all imported commodities where such values may be found at first hand, and if the information or the evidence can not be obtained by voluntary contribution its production can be secured by judicial process, as those in possession of it are amenable to our laws?

Under the system in vogue to-day, however, we are compelled to scour the four corners of the globe—if a globe may be said to have corners—for evidence of values, and if our foreign friends decline to give us the information we need, we have no recourse.

My colleague, Mr. Lamb, has explained to you the difficulties which result from the fact that foreigners at times will refuse to disclose information. It might be suggested that we could compel the production of evidence by laying, in effect, an embargo if they declined to give the information. But that would result, I fear, in irritation and diplomatic embarrassments which I think ought to be avoided if possible.

So that the matter of securing evidence from abroad does not appeal to me as a satisfactory one. As a matter of fact, we are frequently confronted with a difficulty, after we secure evidence through the medium of our special agents, in that the evidence fails of its purpose because the courts will decline to receive it on the ground that it is hearsay; the one who procures it is not before the court for cross-examination. But it is obvious, of course, to you gentlemen how much better and with what greater assurance we can proceed to procure evidence from men who are subject to our compulsory processes.

There are other advantages which I might enumerate, namely, that the American-valuation plan would increase the revenue in certain cases in that, whereas the cost of similar products might be subject to considerable variation, they would always be valued alike for duty purposes. It would in effect be placing merchandise upon a specific-duty basis.

Senator JONES. Well, do you mean by that statement that this basis would not be changed from day to day and from week to week so as to comply with the terms of the law as it is written, that the American valuation as of a certain date shall be the basis?

Mr. LAWRENCE. Precisely. The price prevailing in this country would be the basis for appraising merchandise on the day of shipment.

Senator JONES. That would vary from day to day, would it not, and from week to week?

Mr. LAWRENCE. It might.

Senator JONES. Do you not think it would?

Mr. LAWRENCE. Not necessarily.

Senator JONES. Does it not do so now? Are not those prices varying from day to day now?

Mr. LAWRENCE. I would not say they were varying from day to day; I will say they are subject to variation from day to day.

Senator JONES. Do you know anything about prices in this country?

Mr. LAWRENCE. I do not believe I do, Senator.

Senator JONES. From your remarks, I agree with you.

Mr. LAWRENCE. Prices are varying everywhere, I suppose, but not necessarily from day to day. I say they are subject to variation.

Senator MCLEAN. Suppose they vary from day to day—what then?

Mr. LAWRENCE. Then the dutiable value would vary accordingly.

Senator MCLEAN. Of course.

Senator SMOOT. Sometimes it varies in a foreign country?

Mr. LAWRENCE. Certainly.

Senator MCLEAN. It seems to me that is fair.

Mr. LAWRENCE. I was about to say it would give us increased protection in that opportunities for evasion would be greatly reduced, and it would discourage, if not entirely eliminate, fraudulent undervaluation. Furthermore, it would have a tendency to break up efforts of foreign trade combinations and afford us better protection against low-cost nations.

I have no doubt that litigation would be temporarily stimulated, but I think that would be true under any tariff act that you might enact. I can not conceive of any law being enacted—and I mean no criticism of your legislative acumen and sagacity when I say this—that would be so nearly perfect that astute counsel would not find some points of attack, because they are always ready to seize upon and challenge the construction placed upon the law by those having to do with its administration.

One more point and I am through. You might think at first blush, after listening to the discussions which have taken place here, that the question of American valuation is something entirely new. But, in a limited sense, it is not new. Omitting, if you please, any consideration of American valuation in the formative days of our Government and coming down to a less remote period, you will find that in the Dingley Act of 1897 it was made "lawful" for appraising officers to "take into consideration" American wholesale selling prices. In the Payne-Aldrich bill of 1909 that rule was extended and made an alternative method of finding value. Of course, I do not mean to say to you that it was the same system that we are advocating to-day, but the system of American valuation, in its modified form, was before us and was used as a method of figuring back to the foreign value.

Now, if I remember correctly, when that measure was before Congress in 1909 it was bitterly assailed by the importing fraternity as a very obnoxious law and it was heralded by the press as one of the greatest tariff jokers ever perpetrated, and by other opprobrious terms; yet we find it in the Underwood bill of 1913, and it was reenacted into law without protest. So that with these limitations the system of American valuation has been under consideration and in use, to some degree at least, for 24 years.

I do not mean to assert that this system would be entirely free from imperfections, but all things considered, weighing its advantages against its disadvantages and measuring it by the foreign-valuation system, I have no doubt that it will prove an expedient and workable process of valuation, and if adopted, I have every confidence in the ability, intelligence, and wisdom of Congress to compose rules of action which will be appropriate to its efficient and successful operation.

Senator McLEAN. One of the principal objections by importers is that they will not know what their cost price is going to be three months ahead of time. What have you to say about that?

Mr. LAWRENCE. Senator McLean, it seems to me that a business man would not place orders for merchandise very far ahead without some approximate knowledge of what it would be worth in this market when the goods arrive. It seems to me it is his business to know and to find out before he places his orders.

Senator McLEAN. After the thing had been running a little while, would it not be inevitable that the prices would become fixed in this country?

Mr. LAWRENCE. I think so.

Senator McLEAN. Don't you suppose there would be difficulty in knowing what the rate was going to be? It certainly could be ascertained as accurately as it is now with regard to foreign value.

Mr. LAWRENCE. I think so, Senator McLean.

Senator McLEAN. Well, I want your opinion on that, because that is one of the objections raised by the importers.

Mr. LAWRENCE. That is my opinion, Senator.

Senator CALDER. That is true of stable articles, but how about the novelties? The buyers go to Europe in the spring or the winter to buy for the later season. They look around and see what things are good for the market and then they purchase. These goods are usually manufactured from samples and they make deliveries six months afterwards. Is it not going to be difficult for the foreign buyer to have any knowledge of what the market price will be?

Mr. LAWRENCE. I think there will be uncertainties and inequalities in this law just as there have been in other laws, but my point is that the advantages of this proposed method of valuation will outweigh its disadvantages, considered not only by itself but measured by the foreign-valuation system.

Senator SMOOT. There is another thing, Senator McLean. When a purchaser goes to Europe to buy goods he sees samples that are offered him there. He passes judgment on them as to whether those goods can be sold in this country in competition with other goods made in this country. If his judgment tells him that they can not be, then he will not buy them. He will only buy them in case he feels that they can be sold in this country at a profit.

Senator JONES. The answer to that seems to be this. Every man wants to know what he has to pay for merchandise and what its cost is going to be. Under the present system he can know absolutely when he is buying.

Senator CALDER. I do not think he can, because the valuation of the imports is based on the date the goods leave the other side. It may be six months afterwards.

Senator JONES. He will know what the goods are going to cost within a small margin, but under this system he can not know what

the goods are going to cost him in the United States, and he might be willing to take the risk, knowing what he has to put into his investment, whereas he would not be willing to take the risk if he did not know what the cost of the goods was going to be.

Senator SMOOT. You do not mean to say that the goods will increase in this market more than in a foreign market during the same length of time?

Senator JONES. I do not know about that.

Senator SMOOT. Well, that is the point.

Senator JONES. But when he buys his goods he can know, within reasonable limitations, the amount of tax that is to be put on under the present system, but under this other system he can not possibly know that.

Senator SMOOT. He absolutely knows, because of the fact that he knows what he purchases for and what he is going to sell for.

Senator JONES. There are two elements to consider—the element of variation of values in the American market and the element of variation of value in the foreign market.

Senator MCLEAN. And besides that there is also the element of exchange. If it is a rising market, he may find himself in difficulties.

Senator JONES. Those he would have under either system.

Senator MCLEAN. Oh, no; not under the American valuation.

Senator SMOOT. Our exchange does not change. Our dollar is worth 100 cents.

Senator MCLEAN. But if he has to pay for goods in francs now, or six months from now, he has got to know what they are going to cost him.

Senator JONES. That will be the case either way.

Senator MCLEAN. But it would not affect the duty.

Senator JONES. Oh, no; that part will not.

## SUPPLEMENTAL STATEMENT OF THOMAS J. DOHERTY, REPRESENTING THE NATIONAL COUNCIL OF AMERICAN IMPORTERS AND TRADERS.

All through the somewhat voluminous arguments and statements of the various interests who are urging the substitution of a scheme of domestic valuation of imports in place of the present system there has been a presistent and studied attempt to induce Congress and the public generally to believe that this scheme is put forward only to meet an emergency due to the fluctuations in foreign exchange. The allegation has also been made that the scheme is necessary to counteract attempts of importers to undervalue their goods.

This is distinctly an attempt to mislead Congress and the people. This new valuation scheme is not an emergency measure devised in good faith to meet present day contingencies. Its adoption by the House of Representatives in the pending bill is the fruition of a long continued and pertinacious campaign. As long ago as 1908, to the writer's knowledge, this scheme was proposed to the Ways and Means Committee when it began to consider the revision of the tariff in that year, and it was again presented to the Ways and Means Committee and to the Senate Finance Committee during the revision of 1913, and it was urged upon the Tariff Commission in 1917. At none of those times was there any depreciation of foreign currency and at none of those times was there any real foundation for the allegations of undervaluation. This American valuation scheme is not at all the result of an attempt to meet exchange conditions, and it is not too much to suggest that its presence in the bill as it passed the House is due rather to the persistent propaganda in its favor than to fluctuations in exchange.

It would seem that under the circumstances the proponents of this legislation would have evolved a plan of valuation which would be practical and practicable and would meet the well-known conditions of business. It has already been fully demonstrated that the plan as it appears in section 402 of H. R. 7456 is neither practical nor

practicable, and it fails wholly to provide for the transactions of international commerce. It is not necessary again to advert to the ambiguous and varied meanings of the terms it uses. Dr. Thomas Walker Page, president of the Tariff Commission, said frankly in his statement before the Finance Committee on July 25, 1921, that his perusal of the pending bill did not enable him to say how the appraisers are going to ascertain the American value. It is significant that no one who has yet appeared before the committee has been able to indicate a practicable plan for so doing. And this extreme uncertainty as to how this plan will work is its outstanding vice. Dr. Page said further in his statement to the committee: "The importer will be obliged to take his chance as to what American product the importer's goods will be comparable with." And further: "Different appraisers might then choose different commodities as comparable." Another objection to the bill as it stands is that it completely revolutionizes the whole system of appraising merchandise for duty without even the groundwork of facts and figures which were always considered necessary in normal times to guide Congress in revising the tariff law.

Proof of this is found in utterances of Members in both Houses. Notable among these is the following statement of Congressman Nicholas Longworth, member of the Ways and Means Committee, in a signed article in the New York Times of April 10, 1921, which was two months after the close of the hearings before that committee and after he had had a chance to peruse and digest them fully. He said:

"The situation which faces the Republican members of the Ways and Means Committee to-day is infinitely complicated. In the first place, the times are entirely abnormal. Costs of production, not only abroad but at home, are extremely high, and in many cases, impossible of accurate ascertainment, When producers themselves, as is very frequently the case, can not tell us what their competitors' costs are or even their own, it is asking a good deal of us to prepare tariff schedules which shall be scientifically accurate."

Again in the report of the hearing before the Finance Committee on July 25, 1921, we find the following colloquy:

"Commissioner PAGE. Do you regard the information used by the Committee on Ways and Means as not being satisfactory for fixing rates?

"Senator MCCUMBER. I have looked in vain so far to find a foundation on which to work on the American valuation."

A careful comparison of the rates of duty as fixed in the new bill based upon the value of the articles in domestic markets with the rates carried by the present law and with those of the Payne-Aldrich Act of 1909 justifies the statement that this new scheme has for its purpose the unwarrantable and inordinate raising of duties on foreign imports without seeming to do so. This impression is confirmed by an examination of the extravagant statements made by various domestic manufacturers who have appeared before the Finance Committee during the hearings on this subject. The conclusion is unavoidable that the one desire of these manufacturers is to bring back the conditions obtaining during the war when they had no foreign competition whatever and when they could ask any price they pleased for their products and sell them on any terms they pleased. There is no dealer or merchant but what has a vivid recollection of the "sellers' market" and what it meant to them.

The actual effects of the new duties in the way of establishing selling prices of commodities greatly higher than have been hitherto known consequent upon the relatively enormous rise in the amount of duty imposed and to be collected, is shown by the tabulated statement introduced at the hearing of August 2, 1921, but printed in the pamphlet containing the hearing of August 4, 1921.[1] The figures given in this statement are mathematically correct and the selling price as there given has been tested by comparison between the c. i. f. costs at the port before duties are paid with the selling price at which the importer must sell after computing thereon the duties imposed by the Fordney bill.

There is another point of uncertainty in connection with this valuation measure which has not been successfully met but on the contrary has been evaded. This reference is to the phrase in section 402 "in the principal market or markets of the United States." There may be several or many principal markets for different commodities in the United States, the value differing in each market. This must be so in view of the great geographical extent of the United States, and yet no way has been pointed out how this difficulty is to be met. It is plain that there can not be more than one market value. It is intolerable that identical goods exported on the same day but arriving at different ports in the United States shall be appraised at different values and consequently pay different duties on entering the United States. The United States Supreme Court in Passavant *v.* United States (169 U. S., 16) took occasion to remark that the tariff act does not contemplate two prices or two market

[1] See pp. 291-299, this volume.

values. As to this, a quotation from an opinion rendered by Daniel Webster when Secretary of State is directly pertinent and is of singular interest at this time. For the quotation we are indebted to a letter of Everett P. Wheeler, printed in the New York Times of August 5, 1921:

"In support of this opinion, the undersigned suggests, in the first place, the great, if not the insurmountable, difficulties of establishing a home valuation at any port, without running the risk of producing such diversity in the estimates of value, as shall not only lead to great practical inconvenience, but interfere, also, in effect, with the constitutional provisions, that duties and imposts shall be equal in all States."

May we also submit as a part of this memorandum the following editorial article from the New York Evening Post of August 2, 1921:

"THE AMERICAN VALUATION PLAN.

"Expert study of the American valuation provision of the Fordney tariff bill more than confirms the first doubts of its advisability. Those doubts centered around three points: (1) The extremely high rates which would result in many cases from taking the American price instead of the foreign price as the basis of calculation, (2) the difficulty of applying the scheme, (3) the consequent uncertainty as to what the duties actually assessed would be. While any one of these three objections is fatal, it is the third objection which most troubles the importer. The best tariff bill is bad if it introduces any considerable amount of uncertainty into business. Now, it would not be easy to devise an arrangement which would create so much uncertainty as this American valuation plan. Fifteen per cent on the American valuation of an article may mean 30 per cent or 60 per cent on the cost of the article abroad. The importer has no way of knowing how much it will mean. The American valuation plan might properly be described as a plan to make importing not a business, but a gamble.

"The worst objection to the plan, however, is its unworkability. It puts an impossible task upon the customs officials. What is the American valuation of an article? Is it the price at which it sells in New York or Pittsburgh or San Diego? In practice the officials would be driven to that despair of the importer—an arbitrary figure. Then would come appeals to the courts and the long process of judicial adjustment. The more the appraisers have looked into the applicability of the plan the more they have felt like throwing up their hands. And they are not a set of persons who are unaccustomed to intricate problems. The best evidence of the soundness of their feeling against the plan is the fact that the Senate Finance Committee, in its hearings on the bill, was obviously impressed with the reasoning of an official of the New York customhouse. Investigation since those hearings has only made the fundamental defect of the plan clearer. It should be stricken from the bill."

In conclusion we beg to point out the utter fallacy of the statement so frequently made by the backers of this scheme that it will cure the difficulties ascribed by them to the depreciation of foreign currencies, and that it will likewise remedy the inequality that now exists at the port of entry between goods from low-cost countries and goods from high-cost countries.

The first of these propositions is based on the grotesque idea that merchandise from foreign countries whose currencies are seriously depreciated is coming to this country and is being appraised and passed by our appraisers at the same number of units of the depreciated currency as the goods were formerly invoiced at when said currency was of full value. The action of these people in repeating this statement after its error has been repeatedly and conclusively demonstrated before this committee fairly indicates that the truth has no appeal for them. For the facts in connection with this question the reader is referred to the hearing of April 22, 1921, before the Senate Finance Committee, when it was considering the so-called emergency tariff bill.

In respect to the second proposition, namely, that by appraising goods upon the basis of their selling price in this country the disadvantage which a high-cost country suffers now as compared with a low-cost country will be abolished, it is sufficient to say that putting an additional burden upon the goods from these respective countries does not have the effect of equalizing the landed cost of such goods. There is no question but that this bill as it stands heavily increases the import duties, and it is not clear how putting an additional burden upon high-cost Canadian goods, for example, and upon low-cost Japanese goods, for example, is any benefit to the Canadian goods. All that this new system does is to insure they all pay the same amount of duties, but it is plain that the same amount of duties added to the varying production costs of different countries does not alter their relative position toward one another. Furthermore, it is very poor economy to put a heavy additional burden upon the American consumer in the belief that some one foreign country will be benefited at the expense of another. No reasonable American importer or consumer objects to a rate of duty that will insure proper protection for domestic manufacturers, but it is

asking a little too much for them to submit to further exactions so as to protect one foreign country against another.

Upon the whole case we urge that in view of the fact that all market prices and values are in a state of flux, which is necessarily temporary in character, the present is a wholly inopportune time to undertake a revision of the tariff, which involves a complete change in the system of appraising merchandise; which will put the most skillful and most experienced of our customs appraisers under the necessity of learning their business all over again, and which finally will render obsolete and useless the accumulated knowledge of values and rules of appraisement that have stood the test for 100 years.

Importers do not object to any rates of duty that the wisdom of Congress may deem it necessary to impose on foreign merchandise. All they ask is that the duties be imposed in such a way that merchants will know what they are going to be. The bill as submitted now makes it impossible for merchants to know what their foreign goods will cost them landed, and this uncertainty will prove fatal to business. It is not too much to say that if the Senate should accept this American valuation provision as it stands the business of importing in so far as it is affected by this measure will come to a complete standstill. This is not the time to inject additional confusion and uncertainty into the business world. There is enough, and to spare, now.

## LETTER OF THE CANADIAN COMMISSIONER OF CUSTOMS AND EXCISE IN ANSWER TO STATEMENTS OF THOMAS J. DOHERTY.[1]

OTTAWA, CANADA, *September 10, 1921.*

Hon. BOIES PENROSE,
*Chairman United States Senate Committee on Finance, Washington, D. C.*

DEAR SIR: My attention has been called to statements made by Mr. Thomas J. Doherty, New York City, before your committee on August 2 last,[2] in which he makes references quoted hereunder to an interview he had with me some time ago respecting importations of goods into Canada by his principals, Messrs. George Borgfeldt & Co.

Mr. Doherty states that the recent amendment to the customs act respecting value for duty of goods imported from countries where the currency is depreciated was determined upon "against the advice of the minister of customs and the commissioner of customs, who warned him (the minister of finance) that the legislation was not advisable, but that he chose to ignore their views, and the result is they are not getting the goods they want." He further states that "instead of getting a large revenue from those goods they are getting none at all."

These statements are absolutely false and untrue, and were not made by the commissioner of customs to Mr. Doherty, as stated.

I may add that the bill to amend the customs act in the particular referred to was introduced in Parliament by the minister of customs and not by the minister of finance, and that I, as commissioner of customs, did not speak or write to any minister or official of the Canadian Government concerning the matter.

I am making a statutory declaration as to the truth of the statements herein contained, and would request that these documents be placed on the record of your committee in rebuttal of the statements made by Thomas J. Doherty.

Yours, faithfully,

R. R. FARROW,
*Commissioner of Customs and Excise.*

[Inclosure.]

COUNTY OF CARLETON,
*Province of Ontario:*

I, Robinson Russell Farrow, of the city of Ottawa, in the county of Carleton, in the Province of Ontario, commissioner of customs and excise, do solemnly declare that the statements made by Thomas J. Doherty, as contained in the printed record of the United States Senate Committee on Finance and referred to in my letter of this date to the chairman of that committee, are absolutely false and untrue.

And I make this solemn declaration, conscientiously believing it to be true, and knowing that it is of the same force and effect as if made under oath, and by virtue of the Canada evidence act.

R. R. FARROW.

Declared before me at Ottawa, in the county of Carleton, in the Province of Ontario, this 10th day of September, A. D. 1921.

CHAS. O. BLAIR,
*Assistant Commissioner, Etc.*

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[1] For further reference to this matter see statement of Thomas J. Doherty in Appendix (last volume).
[2] See pp. 283-284.

# DYES EMBARGO.

**Wednesday, August 3, 1921.**

UNITED STATES SENATE,
COMMITTEE ON FINANCE.

The committee met, pursuant to adjournment, in room 312, Senate Office Building, at 10.30 o'clock a. m., Hon. Boies Penrose presiding.

Present: Senators Penrose (chairman), McCumber, Smoot, La Follette, Curtis, McLean, Reed, Calder, Walsh, and Simmons.

The CHAIRMAN. The committee will come to order.

There are some Government experts who are to appear here at the request of Senator Smoot on the question of valuation, but in order to accommodate those gentlemen who are here, by consent of the committee, to be heard to-day, the Government people will please wait until a convenient opportunity presents itself later to-day or to-morrow. The committee will now proceed to hear those who desire to make statements on the various phases of the dye question.

Senator SMOOT. Judging from the long list of names here, it is evident that it will take two or three days to hear every one of these witnesses. Therefore, would it not be the proper thing to let interested parties select one to speak for them? I suppose there will be gentlemen here to speak against the embargo and some who will speak for the embargo on dyestuffs. It seems to me that the committee can get more information, and that it would be more easily considered by every member of the committee, if the interested parties would select one man and give him ample time to present his case to the committee, rather than have all these gentlemen on this long list to go over the same subject matter. I simply suggest that, but I do think that it would be better for the parties interested as well as for the committee.

The CHAIRMAN. It would be infinitely better for all parties concerned if such an arrangement could be made. The committee has just had two days of hearings on the American valuation plan, and it has heard gentlemen who have largely repeated what has been said by preceding witnesses, so that it becomes very tedious to the committee. It ceases to be instructive and renders the whole discussion a little ineffective.

Moreover, in this particular matter I desire to call the attention of the committee to the fact that hearings were had before the Finance Committee on the dyestuffs question on December 8, 9, 10, 11, 12, and 13, 1919, and on January 12, 1920, and those hearings are printed for the use of the members of the Finance Committee. I have reason to believe they have been carefully examined by every member of the committee, and I know that some of the gentlemen who want to be heard to-day have already been heard fully and that their views are in print in this very interesting pamphlet. They certainly do not want to be heard again.

Senator LA FOLLETTE. I want to hear them again.

The CHAIRMAN. You do?

Senator LA FOLLETTE. For cross-examination.

The CHAIRMAN. I will call in any of those whom the Senator from Wisconsin wishes to cross-examine. I assume he has read carefully what they have said.

Senator LA FOLLETTE. No, I have not.

The CHAIRMAN. Then I will appoint Senator La Follette a subcommittee of one to hear them.

Senator WATSON. The hearings of the Committee on Finance ran for many days. I speak now of the subcommittee. I notice that Mr. Schoenick, Gen. Fries, Mr. Demming, Mr. Metz, and Mr. McFarland appear on this long list, and I want to say that they have testified before and were cross-examined.

Of course, it seems to me that unless there is some peculiar occasion for it, their testimony has been largely taken, because they have covered their entire case. It was then a new question and they went into it very thoroughly, so that if they have nothing new now to offer and no new light to throw on the matter I hardly feel that it would be proper for us to sit here for days and listen to testimony that has already been heard. It seems to me that it would be an absolute waste of time.

The CHAIRMAN. This question of hearings must be reduced to a practical basis. If we are going to roam over the face of the earth and hear one person after another, it is obvious, without argument, that no legislation will ever be accomplished, and the very people who are here to advocate the enactment of a measure are defeating their own ends by their prolixity and their expansion of the very topics that the committee is familiar with.

Senator WALSH. Doesn't the present law expire on August 26?

The CHAIRMAN. It does.

Senator WALSH. Is it humanly possible to pass any legislation on this subject between now and then?

The CHAIRMAN. It does not follow that the Congress is going to continue the system.

Senator SMOOT. There will be an effort made to extend that time.

The CHAIRMAN. That is on the assumption that the system is to be continued in the permanent tariff bill.

Senator WALSH. But there will be an interim between August 26 and the passage of the law.

The CHAIRMAN. There may be generations of interim.

Senator WALSH. There will be at least that.

The CHAIRMAN. Yes, and much longer if Congress fails to provide for the embargo, so-called. But that is another question and hardly relates to the permanent tariff legislation which we are now considering.

Senator REED. Do I understand that the hearing to which you refer—the printed hearing—was held on January 20, 1920?

The CHAIRMAN. On January 12, 1920.

Senator REED. The claim is made by practically everybody that conditions have enormously changed since that time; that rates of exchange have fluctuated; that the conditions of manufacture are far different, etc. It seems to me that if we could hear these witnesses and have them, so far as possible, confine themselves to the

subject matter at hand, we might get along very well. I am perfectly frank to say that, so far as I have been able to go into the question, there are some questions that I would like to ask of some of the gentlemen who wish to appear here. I am inclined to feel like Senator La Follette about that. I do not want to be penalized by being appointed on a subcommittee, either.

Senator WATSON. That is an honor.

The CHAIRMAN. There is no disposition to curtail the statements of these gentlemen, but certainly those who have filed these voluminous documents do not want to go over the matter again. They may appear before the committee briefly.

I may add that we have here the hearings before the Ways and Means Committee of the House.

Senator WATSON. In that connection, I am told that those who favored the embargo in the past are favoring it now and that those who were opposed still retain their same views, so that even if they were heard again their opinions would not be changed.

Senator REED. However, it might alter our views.

The CHAIRMAN. I want to impress upon you the fact that there are here two heavy volumes of testimony and that I doubt whether two Members of Congress have read them.

Isn't it possible to act on the suggestion made by Senator Smoot and Senator McCumber, that those interested in a provision for an embargo should select two or three of their number? Is there any one here authorized to speak for the whole party?

Mr. CHOATE. I do not think that is possible. I can speak for the jobbers and manufacturers. There is quite a considerable number of persons represented here for whom I can speak. There are probably 35 or 40 representatives in the room now and I do not think that they can be foreclosed.

Senator MCCUMBER. Can they select a man to represent them?

Mr. CHOATE. They undoubtedly can if they can get together, but they do not know each other well enough to do that in such a short time.

Senator SMOOT. They all want an embargo?

Mr. CHOATE. Yes; they all want an embargo.

The CHAIRMAN. You have been already heard, have you not?

Mr. CHOATE. Yes; and I shall not take much of the time of the committee. There are some question to which I wish to address myself briefly. I think that I shall not take more than 25 minutes of your valuable time.

The CHAIRMAN. Twenty-five minutes?

Mr. CHOATE. Well, 20 minutes.

Senator WATSON. My knowledge of the situation leads me to believe that you, representing the embargo people, could tell the whole story, and that a man like Mr. Metz could tell the whole story for the other side, because you know it like you know the alphabet. I remember that in previous hearings you and Mr. Metz, representing the two sides, were the mainstays. You were on one side and Mr. Metz was on the other. Of course, I have not the right to suggest curtailment, but I imagine that if the gentlemen on the committee were not satisfied with your testimony, they would call some one else.

The CHAIRMAN. The conditions existing to-day are not any more serious than when the witnesses gave their previous testimony, are they?

Mr. CHOATE. I think so; very much.

Senator SMOOT. I was reading your testimony last night. I do not see how it is possible, because if the testimony given then is to be believed it was your contention that if the law was not passed at once you were going to the dogs in 30 days.

Mr. CHOATE. That is true, Senator. It is nearer the truth to-day, because we are nearer that condition now than we were at that time.

Senator WATSON. I suggest that Mr. Choate proceed.

The CHAIRMAN. I want to interject a remark at this point. You want certain legislation passed, do you not?

Mr. CHOATE. Yes, sir.

The CHAIRMAN. Will it ever pass if we consume time hearing matters that we are already familiar with, and have one attorney after another come here to present views that are already in print? I want to ask you to go on now, if you please, and state your views, confining yourself, if possible, to such views as have not been printed.

Mr. CHOATE. May I make one suggestion?

The CHAIRMAN. Yes.

Mr. CHOATE. That suggestion is that Mr. Waters, of Philadelphia, who desires to be heard, wants to get back as soon as possible and would like to take my place at this time. I would like to have him do so, if he is in the room, and then I will come forward when you get ready to hear from me.

The CHAIRMAN. Very well.

## STATEMENT OF DANIEL F. WATERS, DYER, GERMANTOWN, PHILADELPHIA, PA.

The CHAIRMAN. Mr. Waters, please state your full name for the record.

Mr. WATERS. Daniel F. Waters.

The CHAIRMAN. And your occupation?

Mr. WATERS. Occupation, dyer; residence, Germantown, Philadelphia; dye works, 53 Wister Street, Philadelphia.

The CHAIRMAN. Will you state, in your own way, your views on the dye embargo, so-called?

Mr. WATERS. Mr. Chairman and gentlemen of this committee, as the chairman has just said, the dye question to-day is an old question. One can hardly take up the question of dyestuffs without going back to the beginning of the introduction of the manufacture of aniline colors in the United States, six years ago. I shall not attempt to do that at this time nor to take up your very valuable time. I shall merely confine myself to the progress that has been made during that time.

Prior to the year 1914 we had no dye manufacturing plants in the United States. When I say that we had no dye plants in the United States, I mean that we had no complete plants to manufacture aniline colors. We made a few of the commonor colors that were used by assembling intermediates from the other side, which you gentlemen are familiar with.

Since that time we have developed to the point where we are now, I might say, practically independent of any nation so far as dyestuffs are concerned. We have all the dyestuffs necessary for coloring of most all textiles, all leather, all paper, all carpets, and all uphol-

stery; and, gentlemen, there is no color that I know of that we have not in the United States.

Our colors to-day are 100 per cent good when compared with the same colors previously imported from Germany. There have been statements made, and no doubt you gentlemen have heard them and are familiar with them, to the effect that dyestuffs made in the United States, particularly black, selling at 90 cents per pound, are only 30 per cent in strength as compared with the prewar dyes selling at 30 cents. Gentlemen, I stand here to-day without fear of contradiction to deny that statement. The blacks that we are getting to-day in the United States are, in every respect, equal to colors that we got prior to the war.

If the gentleman who made that statement is buying colors at 90 cents per pound and at one-third of the strength of the dyes he was getting before the war, my suggestion to him would be to get somebody else to buy his goods, because he is being cheated.

We have a line of colors to-day that we are using in connection with hosiery, knitted goods, bathing suits and sweaters that is 100 per cent in quality in every respect, as compared with those that we got before the war. Here is a line of American colors exposed under the glass to the west sun during the whole month of July. If any gentleman here can show me a line of dyestuffs that stands up better than that, I would like for him to do it now. These [indicating] are ordinary colors.

Here is a line of vat colors made in the United States, with the exception of the three lower ones, which have been exposed to the sun for three months. You can take those colors and you will find that the three lower colors have not stood up as well as the others. Those are vat colors.

Senator WATSON. Explain what you mean by vat colors.

Mr. WATERS. They say you can not make vat colors in the United States.

Senator MCCUMBER. Were these made in the United States?

Mr. WATERS. Except the three last ones.

Senator MCCUMBER. Where were they made?

Mr. WATERS. In Germany. These [indicating] were made in the United States for worsted yarns. They are American colors suitable for men's wear or for anything that you want to put them into.

Gentleman, that is the position that the dye industry is in in the United States to-day. Let us be fair; let us be fair with the American people.

I do not blame Germany for wanting to get back this business. It is a valuable business. I shall take off my hat to them if they can get it back, but for God's sake do not give it to them on a silver platter; let them fight for it.

Senator WATSON. What per cent of dyes being used in the United States is made in the United States now?

Mr. WATERS. I should say 90 per cent.

Senator WATSON. What per cent can be made under proper protection?

Mr. WATERS. One hundred per cent.

Senator WATSON. What per cent that is not being made can be made; that is to say, what is the nature of the colors or dyes?

Mr. WATERS. Vat colors only. Those have only a certain use in the textile line.

Let me tell you this: Prior to the war there was never a vat color used in the United States for anything unless it was an article about which you did not care particularly and you had no reason to care whether it was level or unlevel, such as a narrow striped shirt, for instance. There was never a vat color for men's wear or ladies' wear before the war. Now, to-day we are on their trail good and hard.

You gentlemen no doubt remember the meeting before the Ways and Means Committee when our friend Mr. Kitchin was chairman. We said at that time that it would take 10 years to develop the dye industry in the United States. We are making good on that statement. To-day we have 90 per cent of the stuff made in the United States. We have spent about six years on this proposition; in fact, it is nearly seven. I predict that if you will give us three years of protection or a selected embargo; we will be 100 per cent in the next three years.

Senator SMOOT. You did not ask for an embargo?

Mr. WATERS. We asked for protection of some kind. I do not know whether it was an embargo or not. I am not up on that.

Senator SMOOT. Mr. Kitchin and the Senate gave you exactly the rate that you asked for.

Mr. WATERS. That may be. I am here to tell you the condition of the dye industry at this time. I want to tell you what we can do and what we ought to do. Let us be fair to these men who have spent their money. We have to-day invested in the United States in the neighborhood of $300,000,000 and it seems to me if we do not get a selective embargo, or something equally as good, this entire business will be scrapped in the next five years because it is impossible to compete. It can not be done. Those are the facts.

Senator SMOOT. You are a dyer?

Mr. WATERS. Yes, sir.

Senator SMOOT. That is, you dye goods for other concerns? You do not manufacture the goods?

Mr. WATERS. I do not manufacture the goods. I do not manufacture dyestuffs.

Senator SMOOT. Are you interested in any dye manufactory?

Mr. WATERS. I haven't a dollar invested in any dying establishment.

Senator SMOOT. You are just interested in having them made in the United States?

Mr. WATERS. Yes. I am very much interested in it. We have gone through the war and we have reached a point where people will go into the business and in three years' time we won't care whether the dyes are manufactured in Germany or in any other country. We can then compete.

Senator REED. You mean without a tariff?

Mr. WATERS. I would say with a reasonable tariff, a tariff equal to what you are giving to other people on textile goods, a tariff such as there is on hosiery, men's wear, women's wear, and so on. Then we will compete on the same basis.

Senator REED. I did not understand what your business is. Did I understand you to say that you do not manufacture dyes?

Mr. WATERS. Yes.

Senator REED. Just what is it you are doing?

Mr. WATERS. I color other people's goods for them.
Senator REED. You color other people's goods for them?
Mr. WATERS. Yes, sir.
Senator REED. You have spoken of $300,000,000 having been invested in the dye business in this country?
Mr. WATERS. Yes, sir.
Senator REED. Do you mean invested as primary capital?
Mr. WATERS. Yes, sir.
Senator REED. That is, they put that much in?
Mr. WATERS. Yes, sir.
Senator REED. Do you know what their profits have been?
Mr. WATERS. No, sir.
Senator REED. What is the capital of your institution?
Mr. WATERS. My institution has a capital of $200,000.
Senator REED. You simply do the work of dyeing?
Mr. WATERS. Yes, sir.
Senator REED. What were your profits in the year 1920?
Mr. WATERS. 1920?
Senator REED. Yes; your earnings.
Mr. WATERS. I lost money.
Senator REED. What was it in 1919?
Mr. WATERS. I made some money in 1919.
Senator REED. How much?
Mr. WATERS. About 15 per cent.
Senator REED. That covers everything?
Mr. WATERS. Yes, sir.
Senator REED. And how about 1918?
Mr. WATERS. In 1918 I did about the same.
Senator REED. That is to say, you made money?
Mr. WATERS. Yes, sir.
Senator REED. About 15 per cent?
Mr. WATERS. Yes, sir.
Senator REED. Did you declare that in dividends?
Mr. WATERS. I did not have any dividends to declare. I am the only man interested in the business.
Senator REED. You are running as an individual?
Mr. WATERS. Yes, sir.
Senator REED. You take contracts with concerns to dye their goods?
Mr. WATERS. Yes, sir.
Senator REED. So that you are not a typical example of the dye industry, so far as manufacturing goes?
Mr. WATERS. I am a consumer of dyestuffs.
Senator REED. How many people do you employ?
Mr. WATERS. About 100 when we were doing business; to-day, about 35.
Senator REED. That is about what every other industry is doing in the United States; that is to say, they have all been cut to about that proportion.
Mr. WATERS. Yes, sir.
Senator REED. That is true under your embargo. You nod your head. Do you mean to say yes?
Mr. WATERS. Yes; that is true in any cordition.
Senator REED. That is not due to competition, because you have an embargo, but it is due to general business depression?

Mr. WATERS. Yes, sir.

Senator REED. That is all.

Senator MCLEAN. Is it not true that England and France, with lower labor costs, have had to put an embargo on German importations?

Mr. WATERS. Yes; they have a 10-years' embargo.

Senator MCLEAN. Whatever may be the cause of the present depression, unless you have additional protection against impending German importations, you will be unable to continue business; is that so?

Mr. WATERS. The present depression is not only in our line; it is in every line. We have to-day sufficient dyestuffs in the country to last us for a long time; in other words, it is a drug on the market—the American dyes are. That is due to the stagnant condition of the textile industry.

Senator REED. How much have they reduced the prices?

Mr. WATERS. They have reduced from the beginning, I should say, 100 per cent.

Senator REED. What do you mean by "beginning"?

Mr. WATERS. 1914.

Senator REED. That was at the time when there were no dyes in this country?

Mr. WATERS. Yes.

Senator REED. What are the prices that are obtained by the American manufacturer now as compared with the prices in normal times before the European war?

Mr. WATERS. I should judge about 25 per cent higher. I think the average price of to-day is about 65 cents per pound.

Senator REED. What was it before the war?

Mr. WATERS. About 35 cents per pound.

Senator REED. Well, then, you mean to say, do you not, that it is pretty nearly 100 per cent?

Mr. WATERS. Yes, sir; that is true.

Senator SMOOT. Most of the articles were over 100 per cent: I mean those in general use. Take sulphur black, as an example.

Mr. WATERS. The increase in sulphur black was up as high as $1 from 20 cents.

Senator SMOOT. In 1914 sulphur black could be bought in large quantities at 20 cents.

Mr. WATERS. In 1913.

Senator SMOOT. Well, 1913.

Mr. WATERS. Yes.

Senator SMOOT. And they went up to $1?

Mr. WATERS. They went up to $1; yes, sir.

Senator REED. What I want to get at is this——

Mr. WATERS. May I answer the Senator's question?

Senator REED. Yes.

Mr. WATERS. That went up to $1, but you must not lose sight of the fact that that was not the American dye; that was German dye still in the country before we started to manufacture; and they boosted the price from 20 cents to $1.

Senator REED. Who did?

Mr. WATERS. The German importer.

Senator REED. Do you mean that the German importer was in this country and that he boosted it, or do you mean that the German

importer sold to an American and the American had it on hand and he boosted it?

Mr. WATERS. The German manufacturers had it in the United States in the custody of their own selling agents.

Senator REED. Who were they?

Mr. WATERS. Well, I can name some of them. There was the Badische Aniline Co., the Berlin Aniline Co., and the Farber-Fabriker Co. Besides that there is another, but its name is so German that I can not attempt to pronounce it.

Senator SMOOT. But they are manufacturers themselves. I want to call attention to that, that they are not the agents, but are the manufacturers themselves—the very ones he has mentioned.

Senator REED. And they had agents here before the United States got into the war, did they?

Mr. WATERS. Yes.

Senator REED. And do you say that the German agents advanced the prices as you have already indicated?

Mr. WATERS. Yes, sir.

Senator REED. They did?

Mr. WATERS. Yes, sir.

Senator SIMMONS. How did that property escape the Alien Property Custodian?

Mr. WATERS. There was no such thing at that time.

Senator REED. Before we got into the war ourselves they started to establish or enlarge the American dye business and they started to market their goods?

Mr. WATERS. Yes, sir.

Senator REED. On what level did they market their goods?

Mr. WATERS. To-day?

Senator REED. No, then.

Mr. WATERS. Ninety cents.

Senator REED. That is, they charged as much, practically, the Germans?

Mr. WATERS. Ten cents less.

Senator REED. They followed the German lead?

Mr. WATERS. Then it came down, down, down.

Senator REED. What I want to get at is when it came down, down, down.

Mr. WATERS. It came down to 20 cents to-day.

Senator REED. When did they make the reduction? Can you give the latest prices? I do not want to take a great deal of time on this.

Mr. WATERS. I can not give you the exact date.

Senator REED. Let us take 1915. What did these dyes run then?

Mr. WATERS. In 1915? I do not think we were making them.

Senator REED. Well, take 1916.

Mr. WATERS. They were running about 90.

Senator REED. And 1917?

Mr. Waters. 1917, sixty.

Senator REED. 1918?

Mr. WATERS. Forty.

Senator REED. And 1919?

Mr. WATERS. 1919, thirty-five.

Senator REED. Would they average that?

Mr. WATERS. I do not know whether they would. They sold at that.

Senator REED. What were they in 1920?

Mr. WATERS. In 1920 they were down to 28 cents.

Senator REED. And now what is it?

Mr. WATERS. They are down to 18 or 20.

Senator REED. You can make it at 18?

Mr. WATERS. I do not know whether I can, but it is selling at that.

Senator SMOOT. Sulphur black is selling at 18 cents?

Mr. WATERS. Yes.

Senator REED. Of American manufacture?

Mr. WATERS. Yes; of American manufacture.

Senator REED. It compares with the prewar price?

Mr. WATERS. About the same. One could buy at 14 prewar, but I never paid 14; I paid 16, which was the cheapest I ever bought at.

Senator REED. If you had about 20 per cent tariff, for instance, you could compete with the German dyes, if the Germans were selling their dyes under the normal conditions which existed before the war?

Mr. WATERS. That is a question for the manufacturers to answer; I can not answer that question.

Senator REED. If they are now within 4 cents, on the average, per pound of the prices which were paid prior to the war, then it would look as though we had almost gotten to a point where we could compete with Germany, if Germany was in a normal prewar condition?

Mr. WATERS. Well, the price of black at 18 cents——

Senator REED (interposing). We are speaking now of the average. I do not want to go into the details.

Mr. WATERS. The average is a long story, Senator.

Senator REED. But we have been dealing with it, and I want to keep on the same basis. If it gets troublesome I do not want you to take another basis, you know.

Mr. WATERS. I predict with the ordinary tariff of 20 per cent, as you speak of, that Germany could afford to make us a price on sulphur black.

Senator REED. I am not speaking of sulphur black; I am speaking of averages. I am not saying that none of these tariffs shall be above 20 per cent. But we have been dealing with averages. If it is true that on the average our dyes can now be sold, with high wages that are now being paid, within 4 cents a pound, on the average, of the price charged by Germany prior to the war, then is it not true that if Germany was back on the normal basis we would be in a position to compete, if there was an average tariff of 20 per cent?

Mr. WATERS. No.

Senator REED. Why not?

Mr. WATERS. Why, because you are only taking one article; it is not an average of 20 per cent—impossible.

Senator MCCUMBER. I think, Senator Reed, you misunderstood the witness. I did not understand 20 cents was the average, but merely on this one kind which was sulphur black?

Mr. WATERS. Yes.

Senator REED. The questions I asked him will unquestionably show in the record that I talked about averages. I have not talked about one particular article.

Mr. WATERS. If you did, Senator, I misunderstood you, because I was speaking of one article, and that is the cheapest article selling in the United States to-day; that is, one article.

Senator REED. If you were talking about one article, you did not give us the light I wanted to get. Can you tell me what the average price was for dyes before the European war broke out?

Mr. WATERS. The average price for dyes before the European war broke out was about 50 cents, I would judge.

Senator REED. What is the average price of dyes to-day?

Mr. WATERS. The average price of dyes to-day, I would consider, would be about $2.

Senator REED. So now, when we discover that we were pretty nearly on the competitive basis, we suddenly find that it costs 300 per cent more to make goods here than in Germany.

Senator WATSON. I hardly think that.

Mr. WATERS. I do not hardly think that.

Senator REED. Prewar price.

Mr. WATERS. No; I do not think that is so at all.

Senator REED. Prewar price?

Mr. WATERS. No; I do not think that is so at all.

Senator REED. Do you say that the price of dyes, prewar, was 50 cents?

Mr. WATERS. I am not making that as a positive statement, I am giving you that as my idea.

Senator REED. I understand you to say that the price of dyes to-day is about $2.

Mr. WATERS. About $2.50.

Senator REED. All right. That makes it worse. Then, we have got an advance of 400 per cent. Are we ever going to be able to make dyes in this country to compete with German dyes on a normal basis? I am supposing that they get back to a normal condition.

Mr. WATERS. I would say, yes; by giving us another three years' embargo, such as we have been working under since the war. We have had an embargo due to the war; it is not a tariff. The tariff has not helped us any. The war made it possible for us to get into the dye business in the United States.

Senator REED. I understand that, but an embargo is a tariff simply carried to a prohibitive point.

Mr. WATERS. But we have got to a point now, Senator, where we have produced every normal color in the United States. What we want to-day is time to develop and get the yield and the quantity; that is what we want.

Senator REED. I understand that. But let us stick to one thing, if we possibly can, and not get into the side lines.

I am asking you now if at any time within a reasonable number of years, in your opinion, we are going to be able to manufacture these dyes in America and sell them in competition with the German dyes, assuming that Germany reaches a normal condition as to wages and production?

Senator MCCUMBER. Without any protection, do you mean, Senator?

Senator REED. Yes; without any protection.

Mr. WATERS. No, sir.

Senator REED. How much protection have you got to have running through the year?

Mr. WATERS. I do not know.

Senator REED. Can you tell approximately?

Mr. WATERS. I do not know.

Senator REED. Could you tell what per cent?

Mr. WATERS. I can not answer.

Senator REED. Is it 200?

Mr. WATERS. I am not going to answer that question.

Senator REED. Would it be 300?

Mr. WATERS. I am not a dye manufacturer; you will have witnesses here who can answer that.

Senator REED. I want to go back to the question of prices, which you say you were discussing on the basis of one article.

I want to ask you on the basis of averages. The average price before the war was 50 cents. Where did they go to about the time we got into the war, or just before that?

Mr. WATERS. I will give you an instance——

Senator REED (interposing). Well, I want the average, do not give me instances. We are talking about the average.

Mr. WATERS. I will say 1,000 per cent, if you want the whole thing.

Senator REED. A thousand per cent?

Mr. WATERS. Yes, a thousand per cent.

Senator REED. Did the American manufacturer charge that 1,000 per cent?

Mr. WATERS. No.

Senator REED. When he entered——

Mr. WATERS (interposing). No.

Senator REED. What did he charge?

Mr. WATERS. He charged about 200 per cent more.

Senator REED. He charged about 200 per cent more than the prewar price?

Mr. WATERS. Yes.

Senator REED. Did he get along and make money at that?

Mr. WATERS. I could not answer the question.

Senator REED. We will say that is 1917. What did he charge in 1918?

Mr. WATERS. In 1918? Well, some colors came down.

Senator REED. No, average.

Mr. WATERS. Well, I am not a dye manufacturer. You will have witnesses here to tell you all that. If you want to tie me up on all those things——

Senator REED (interposing). I am not trying to tie you up. I am trying to get a statement that will do me some good.

Mr. WATERS. I am not a dye manufacturer. If you want a concrete answer——

Senator REED. I do not want a concrete answer. I want an answer to my question, and I am dealing with the average.

Mr. WATERS. Then I am unable to answer your questions.

Senator REED. Then you do not know what the average was before the war, you do not know what the average was during the war, and you do not know what the average is to-day?

Mr. WATERS. I told you the average. But I do not know the profit. I told you the average—50 cents.
Senator REED. I did not ask you anything about profit.
Mr. WATERS. Please tell me, then, what did you ask?
Senator REED. I asked you about prices.
Mr. WATERS. I told that to you.
Senator REED. All right. Let me see if you can continue to tell me.
Mr. WATERS. All right, go ahead.
Senator REED. They were 50 cents before the war?
Mr. WATERS. Yes, sir.
Senator REED. What did they become when they reached the highest point before we entered the war, in cents or dollars?
Mr. WATERS. Do you want the average price?
Senator REED. Average; yes.
Mr. WATERS. Well, I better give you about 800 per cent, taking the average.
Senator REED. That would be $40 a pound?
Mr. WATERS. Yes.
Senator REED. You say these dyes sold at $40 a pound on the average?
Mr. WATERS. Yes, sir.
Senator REED. Did you say 400 or 4?
Mr. WATERS. I said $40, and I paid $80 for some.
Senator REED. When the Americans began to make them what did they charge per pound?
Mr. WATERS. The Americans started to make first, sulphur colors——
Senator REED (interposing). Oh, no. Do not let us get into details. I am talking about averages.
Mr. WATERS. You won't let me tell you what the Americans did, Senator.
Senator REED. No; because you want to get away from the averages into details.
Mr. WATERS. Oh; no, I do not. The Americans when they started only made a few colors, and the Government took them all.
Senator REED. What did they get for them?
Mr. WATERS. I do not know what they got for them, but I paid about 80 cents a pound for them—sulphur colors.
Senator REED. What are you paying now?
Mr. WATERS. I am paying an average of about 50 for sulphur colors.
Senator REED. Could you give me the average of dyes now for 1917, American manufactur?
Mr. WATERS. 1917?
Senator REED. Yes.
Mr. WATERS. No.
Senator REED. Could you do so for 1918?
Mr. WATERS. No; I could not.
Senator REED. Could you give them for 1919?
Mr. WATERS. For 1919, about 100 per cent.
Senator REED. That would be a dollar?
Mr. WATERS. Yes.
Senator REED. What were they in 1920?
Mr. WATERS. I do not suppose it would run over 80 to 85 cents.

Senator REED. And what for 1921?
Mr. WATERS. About the same.
Senator REED. Eighty-five?
Mr. WATERS. Yes.
Senator SMOOT. Mr. Witness, what is synthetic indigo selling for?
Mr. WATERS. Senator, I do not handle synthetic indigo.
Senator SMOOT. You use black dyes and the ordinary analine dyes?
Mr. WATERS. Yes, sir. We do not use synthetic indigo and do not handle that. We use all sulphur colors, acid colors, and direct colors.
Senator SMOOT. I will ask the question of somebody who knows. You know they are exporting large quantities of it?
Mr. WATERS. I do not know; I am not in that line.
Senator MCCUMBER. You asked about averages. Possibly that is an easy question to answer, but I anticipate that you might have a certain line of dyes, probably not one-half of 1 per cent, that would run up to $100 a pound. But the great bulk of them would not run to $40, or $30, or even $1.
Mr. WATERS. Yes, sir.
Senator MCCUMBER. So that it is rather difficult, is it not, to make your average, unless you can get with it the quantity of each kind that is used in the United States?
Mr. WATERS. The price of dyes had gone up so rapidly since the war broke out—dyes that were in the custody of the United States of German importation. We bought developed black before the war at 30 cents a pound, and during the war we paid $12 for the same stuff.
Senator WATSON. Before any was made in the United States?
Mr. WATERS. Yes, sir—$12 for the same stuff that we paid 30 cents before. The American manufacturers did not do that—that was owned and controlled by the German agents in the United States. There is no doubt about that.
Senator REED. You mean after we got into the war? You said "after the war."
Mr. WATERS. After we got into the war.
Senator REED. If they were owned and controlled by the Germans, where was it before our Government took them over?
Mr. WATERS. Our Government took the dyes over? They did not get a chance. They sold them before our Government got hold of them.
Senator REED. The American dye purchasers then made that money?
Mr. WATERS. No; their own representatives, their own agents.
Senator CALDER. Is it a fact that the prices of dyes became so high that it was possible to bring them over in submarines?
Mr. WATERS. They say it was. I doubt whether there was very much that came over in that way.
Senator REED. You know they only landed one submarine in this country during the war.
Senator WATSON. Before the war you made no dyes in this country?
Mr. WATERS. Yes, sir.
Senator WATSON. Now, you make 90 per cent of all you need?

Mr. WATERS. Yes.

Senator WATSON. All that was built up under the embargo of the war, and then under the embargo of legislation?

Mr. WATERS. Yes, sir.

Senator WATSON. And you make them all now except a few of the very highest—fancy colors—in the United States?

Mr. WATERS. Yes, sir.

Senator WATSON. And this drop in prices has all appeared while the embargo was on?

Mr. WATERS. Yes, sir.

Senator WATSON. And while the American market was under the control of the American manufacturer?

Mr. WATERS. Yes, sir.

Senator WATSON. Made by the competition of the American producers in the American market?

Mr. WATERS. Yes, sir.

Senator WATSON. And so your theory is that if you could have ample protection of any kind, whether an embargo or otherwise. that in time you would build up this industry where it would be as nearly sustaining as any other of the staple American industries?

Mr. WATERS. Yes, sir.

Senator MCCUMBER. Can you give the committee any idea as to the proportionate value between the amount of dye that is used in the average kind of goods that you dye, and the selling price in wholesale quantities in the same goods; that is, what percentage the dyeing of the goods or the cost of the dye itself adds to the value of the goods, not the work?

Mr. WATERS. Yes, sir. I will take, for instance, a sulphur black that is used principally in hosiery. Sulphur black to-day you can buy for 20 cents a pound; you can figure this just as good as I can.

Senator MCCUMBER. It might take me a little longer.

Mr. WATERS. And 20 cents a pound, at 10 pounds to a hundred dozen of stockings, that is $2 to dye a hundred dozen stockings. Assuming that the stockings are weighing 16 ounces to the dozen, that is $2 to dye a hundred dozen of stockings on the actual cost of dye that is in those goods.

I think, if I understand you correctly, Senator, that only means for the dyes that go in those goods; that does not mean for the labor?

Senator MCCUMBER. No.

Mr. WATERS. It is just the dye.

Also I can take a serge blue piece of cloth——

Senator MCCUMBER (interposing). Then for $2 you say you dye a hundred dozen; that is twelve hundred pairs that $2 worth of dyes will color.

Mr. WATERS. About one-sixth of a cent to color a pair of stockings.

Senator MCCUMBER. About one-sixth of 1 cent per pair?

Mr. WATERS. Yes; for dyestuffs only. For a suit of clothes such as you have on, of navy blue, we can dye at the rate of 3 pounds to the hundred—a hundred pounds of serge at 16 ounces to the yard we can dye for $5.40.

Senator CALDER. To dye a hundred yards in the cost of the dye alone?

Mr. WATERS. Yes.

Senator CALDER. Without the labor?

Mr. WATERS. Without the labor; I am not speaking of labor at all.

Senator MCLEAN. Does a hundred yards of blue serge, weighing 16 ounces to the yard——

Senator MCCUMBER. That would make 50 coats.

Mr. WATERS. I do not know how many coats it would make.

Senator MCCUMBER. The coat itself would be about 2 yards?

Mr. WATERS. Yes. Gentlemen, you can see from the Senator's questions that he has asked me that the dyestuff on the textile line is insignificant as compared with the cost of the material. If you gave the dye away it would not reduce the manufacturing end of it so very much, as you can see. It is all labor and overhead.

Senator SIMMONS. How much dyes do the American people consume in a year?

Mr. WATERS. I imagine we consume here in the neighborhood of two shiploads a year.

Senator SIMMONS. I am talking about the value in dollars.

Mr. WATERS. I do not suppose we would consume here over $50,000,000.

Senator CALDER. You mean in every line, but just the textile line?

Mr. WATERS. Just dyes alone, aniline colors. I may be wrong on that statement, but there are gentlemen here who know all about it and who can enlighten you on it. I do not just know. I do not think there is over $50,000,000 imported. Your records will show that from previous importations.

Senator MCLEAN. What is the labor element involved?

Mr. WATERS. The labor element involves to-day about two-thirds or more of the cost of the dyeing. To-day we are paying 70 cents an hour for ordinary labor as against 25 cents an hour before the war.

Senator MCLEAN. How many people are employed in the dyeing industry?

Mr. WATERS. In the dyeing industry in Philadelphia we have about 5,000 employees.

Senator CALDER. Manufacturing dyes?

Mr. WATERS. No; employed in the dyeing industry—dyers' helpers, I suppose you mean.

Senator MCLEAN. Yes; of course.

Mr. WATERS. About 5,000.

Senator SIMMONS. I do not know whether I understood the one phase of the colloquy between you and Senator Reed. What did I understand you to say to be the average cost of dyes in the United States before the war?

Mr. WATERS. About 50 cents.

Senator SIMMONS. About 50 cents a pound?

Mr. WATERS. Yes.

Senator SIMMONS. What did I understand you to say was the average cost of dyes to-day?

Mr. WATERS. About $2.50. I am talking now, of course—some go up to $30 or $40 a pound.

Senator MCCUMBER. You figure that in your prewar average, also, do you not?

Mr. WATERS. Yes, sir.

Senator REED. I would like to ask one question: Do you know what the production of German dyes in Germany amounts to?

Mr. WATERS. The production in Germany—no; I do not. I understood that we import here about $50,000,000 worth of stuff a year.

Senator REED. They do now?

Mr. WATERS. They did.

Senator REED. Before the embargo?

Mr. WATERS. Yes; before the war. I do not know what they are importing to-day.

Senator REED. Do you know whether the German dye works in Germany are in anything like as good condition as they were before the war?

Mr. WATERS. I am told they are.

Senator REED. Is it not a fact that they are laboring under difficulties of coal, labor, and financial troubles, and that their production is not anything like as great to-day as it was before the war?

Mr. WATERS. Well, if you will take hearsay evidence, Senator, I can state the case of a friend of mine who just came back, and he says things are going fine.

Senator REED. Is he here?

Mr. WATERS. No, sir; he is not here He is not in our line.

Senator SIMMONS. Can you give me the average price of dyes in Germany to-day?

Mr. WATERS. No, Senator Simmons, I could not.

Senator SIMMONS. Do you think they are any higher than before the war?

Mr. WATERS. They are higher when they get here.

Senator SIMMONS. I mean in Germany.

Mr. WATERS. I could not answer that question. I would imagine they would have conditions the same as we are up against.

Senator SIMMONS. Are they to any considerable extent higher?

Mr. WATERS. I imagine labor and coal, etc., would bring up the cost in proportion to what we have had here. I do not know.

Senator SIMMONS. Then, if German dyes were selling in Germany at the same price as they did before the war, and selling here at five times as much as they did before the war, it is your idea that you must be permitted, through the operations of the law, to be able to maintain that differential between the price in Germany and America.

Mr. WATERS. Yes, sir.

Senator SIMMONS. Then the protection you would ask to put this industry permanently on its feet would be about 400 per cent?

Mr. WATERS. Yes, sir.

Senator LA FOLLETTE. Are you one of the principal dyers in this country?

Mr. WATERS. I would not like to say that, Senator. I have used in the last three years in dyestuffs, I judge, in the neighborhood of $1,500,000.

Senator SIMMONS. Will you not let me finish, Senator?

Senator LA FOLLETTE. Certainly. I beg your pardon.

Senator SIMMONS. Then the protection which the embargo on dyes has given you is about 20 per cent?

Mr. WATERS. The present protection that is given us?

Senator SIMMONS. Given you through the embargo?

Mr. WATERS. Yes.

Senator SIMMONS. Is 400 per cent?

Mr. WATERS. Yes.

Senator SIMMONS. And you want that much again?

Mr. WATERS. Yes; I think it will take every bit of it.

Senator LA FOLLETTE. Can you tell me how many dyeing establishments there are in the United States?

Mr. WATERS. No. We have in our town about 75.

Senator LA FOLLETTE. Can you tell me where they are located, in what cities are the dyeing establishments located, or in what States they are located?

Mr. WATERS. Do you mean the dye establishments or dye manufacturing establishments?

Senator LA FOLLETTE. Oh, no. You are not a manufacturer. I am just speaking about your business.

Mr. WATERS. Oh, Philadelphia, I think, is one of the largest dyeing centers in the United States. Providence comes in, I think——

Senator LA FOLLETTE. There are about 5,000 people employed in the industry in Philadelphia?

Mr. WATERS. Yes, sir.

Senator LA FOLLETTE. Now, then, what is the next largest dyeing city in the United States?

Mr. WATERS. Well, I would imagine down in Massachusetts would be next, around Boston and Providence and around through there.

Senator LA FOLLETTE. Can you state in round numbers the number of people employed in the dye industry in this country?

Mr. WATERS. Senator, would you let me cite a little case that our friend Bernstorf announced when he was here, shortly after we got into the war?

Senator LA FOLLETTE. I would like to have your answer to my questions, if you can answer them.

Mr. WATERS. Well, I would judge about 4,000,000 people are depending on the manufacturing of dyestuffs.

Senator LA FOLLETTE. Are you speaking of those engaged in the dye industry, such an industry as you are conducting?

Mr. WATERS. Well, no.

Senator LA FOLLETTE. Can you tell me how many people are engaged in the sort of industry that you are conducting yourself?

Mr. WATERS. The best way to get at that is this: I employ when I am running full 100 men. Those 100 men are responsible for keeping 10,000 other people in employment.

Senator LA FOLLETTE. Oh, yes. But that was not the point I am inquiring about. I was anxious to know how many people were employed.

Mr. WATERS. I should judge that there would be at least 300,000 employed in our industry.

Senator LA FOLLETTE. In coloring?

Mr. WATERS. In coloring.

Senator LA FOLLETTE. And you employ about 100?

Mr. WATERS. About 100.

Senator LA FOLLETTE. Is your establishment incorporated?

Mr. WATERS. No, sir; it is an individual concern.

Senator LA FOLLETTE. I think you have already stated the amount of capital that you have invested?

Mr. WATERS. Yes, sir.

Senator LA FOLLETTE. And you employ about 100 men?

Mr. WATERS. About 100 men.
Senator CALDER. And women, too?
Mr. WATERS. No women.
Senator LA FOLLETTE. What wages are you paying now?
Mr. WATERS. We are paying 70 cents an hour for ordinary dye-house help.
Senator LA FOLLETTE. And your 100 men, how many are on the pay roll at 70 cents an hour?
Mr. WATERS. All of them.
Senator LA FOLLETTE. The entire 100?
Mr. WATERS. Yes, sir.
Senator LA FOLLETTE. They get the same pay exactly?
Mr. WATERS. Yes, sir.
Senator LA FOLLETTE. What lines of textile manufacturers do you dye for?
Mr. WATERS. I dye for the hosiery trade, sweater and knit goods trade, upholstery, men and ladies' wear, rugs and carpets. I take in that entire line.
Senator LA FOLLETTE. And you have been in this business a great many years?
Mr. WATERS. Over 40 years. I was in the business when we had no anilines at all, but used all vegetable dyes. I remember the first aniline coming here—and if I might be permitted, it is a very good thought to bring up—at that time we paid for German colors $50 a pound in gold, when they started to make anilines, and we have been paying that ever since, and I claim to-day, gentlemen, that it is the United States that built up the great German industry as it stands now, which was done with our money and gold.
Senator LA FOLLETTE. And before we did any manufacturing of dyes in this country at all, the price had gone down to about 50 cents a pound on the average?
Mr. WATERS. Yes, sir.
Senator REED. Do you know whether there is an export tax levied on these dyes that come out of Germany?
Mr. WATERS. No, sir.
Senator REED. Then, of course, you do not know how much it is?
Mr. WATERS. No, sir.
Senator REED. Have we exported dyes from the United States in the last year?
Mr. WATERS. I have been told we have; I do not know.
Senator REED. Where to?
Mr. WATERS. South America, I understood.
Senator SMOOT. Senator—if you will allow me—I will give you the figures here.
Senator REED. All right.
Mr. WATERS. Those figures are all a matter of record.
Senator SMOOT. For 1920 we exported in aniline dyes to Portugal, Belgium, France, Germany, Italy, Netherlands, Russia (European), Switzerland, United Kingdom, Canada, Mexico, Central America, West Indies, South America, Asia, Oceania, Africa, Denmark, Spain, Sweden, Norway, and other small countries, $22,450,480; logwood extracts, $2,605,060; and all other dyes, outside of the two named, $7,373,111.
Senator SIMMONS. How much is the total?

Senator SMOOT. I will give it to you in round numbers, $32,000,000.
Senator CALDER. That is in 1918?
Senator SMOOT. That is 1920.
Senator MCLEAN. Why not put a manufacturer on? This gentleman does not know what we want to ascertain.
The CHAIRMAN. I think we better put on another witness, unless you have something to say, or unless the committee desires to address further inquiries.
Senator SIMMONS. I wanted to ask one other question: Before the war we were making some dyes in this country?
Mr. WATERS. We made about 10 per cent, Senator.
Senator SIMMONS. We made those dyes in quantities sufficient to supply our demands and that of the exporters?
Mr. WATERS. No.
Senator SIMMONS. We exported dyes before the war?
Mr. WATERS. We might have exported logwoods, but we only made a little acid orange here.
Senator SIMMONS. To what extent, if any, did the prices of those dyes that we produced in sufficient quantities for our domestic purposes before the war increase?
Mr. WATERS. Before the war we made some acid orange. That was selling for about 20 cents a pound. To-day we are selling it for about 45 cents a pound. So I think it is about on a prewar basis, considering labor and what not that goes with it.
Senator SIMMONS. You could not give me the average increase in the price of those dyes that we were producing before the war in sufficient quantity for the domestic market?
Mr. WATERS. We made such a very few. We made an acid orange, and a little direct black, and a little crystalline greens, and things like that, for which there is very little use, Senator.
Senator SIMMONS. You can not give it?
Mr. WATERS I could not get right down to it. There are other men here who will tell you that.
Senator SIMMONS. Before the war you say that Germany practically had control of the American market?
Mr. WATERS. Yes, sir.
Senator SIMMONS. Do you consider that, although they had a trust that covered America, they were charging exorbitant prices before the war for these dyes?
Mr. WATERS. No, sir; I do not. They were very cheap before the war.
The CHAIRMAN. The committee will now continue to hear a number of gentlemen who are here to-day by engagement with the committee, and I will call on Mr. C. A. Miller, of Philadelphia.

## STATEMENT OF CHARLES A. MILLER, REPRESENTING ATLAS DYE WORKS, FRANKFORD, PHILADELPHIA.

The CHAIRMAN. State your residence.
Mr. MILLER. My dyehouse residence?
The CHAIRMAN. Where your establishment is.
Mr. MILLER. Frankford, Philadelphia.
The CHAIRMAN. You are in the business yourself?
Mr. MILLER. I am in the dyeing business.

The CHAIRMAN. Will you go on now in your own way and state your views concerning the question?

Mr. MILLER. Mr. Chairman and gentlemen of the committee, it is the desire of the Atlas Dye Works to protest against the licensing system and the embargo of dyes. We dye artificial silk yarn for the trade, and cater especially to such branches as are interested in fast colors. From our past experience with this system, it takes too long to get the dyes we need. We may write for allocation certificates, and then get turned down because something similar is being made in this country. This necessitates our trying out the American-made dyestuff to see if it is suitable for our work. For fastness tests we should have the hot summer sun to decide, by actual experiments, whether the American product is satisfactory in this respect. Therefore, if we are offered something in October or November, we can get no actual tests until the following summer. We have faith enough in the imported dyes—indanthrenes—from tests which we have made, to give a written guaranty to the manufacturers. This guaranty reads as follows:

We guarantee the colors furnished to be absolutely fadeless. If color changes from exposure to sunlight, or from washing we will refund to you your selling price to the trade on such goods.

Senator SMOOT. Who is that agreement made with?

Mr. MILLER. We made that agreement with the manufacturer.

Now, you might suggest that we could make a quick test, for fastness, with some of the artificial lights, such as the ultro violet X-ray light. We have done this, but do not find it satisfactory. For instance, we put half of the same skein in the sun, under glass, and the other under the violet light. After a couple of weeks' test the color in the sunlight had faded, while there was no change in the color under the artificial light, so we naturally have lost faith in this method.

We further object to the embargo, because the American manufacturers are not making all the different colors we need for our shades, and it is impossible for us to look ahead and say just what, and how much we shall need. We never can tell our requirements until we receive the order to dye the yarn in whatever shades our customer may require.

Senator SMOOT. Do you dye anything in silk?

Mr. MILLER. Silk, cotton, and hosiery—principally silk.

The CHAIRMAN. You are opposed to this legislation, are you?

Mr. MILLER. I am opposed to it.

The CHAIRMAN. And you are in the dye business?

Mr. MILLER. We are in the dye business. Here is a sample of our dyeing [exhibiting samples of dyed cords to the committee].

Senator WATSON. You do not do manufacturing?

Mr. MILLER. We do not do manufacturing; only dyeing.

The CHAIRMAN. You are in the same business as the last witness?

Mr. MILLER. Who was the last witness?

Senator WATSON. Mr. Waters.

Mr. MILLER. I do not think he does this kind of dyeing. This is art silk. There is a difference in dyeing some fast colors on art silk than there is on the cotton.

The CHAIRMAN. Of course, it is a different kind of dyeing, but you are all in the same general business.

Mr. MILLER. Sure.

The CHAIRMAN. How is it that he is for this legislation proposed and you are against it?

Mr. MILLER. It is a matter of opinion, I guess.

Senator SMOOT. And a matter of experience.

Senator WATSON. Can you get the kind of dyes you want made in America?

Mr. MILLER. Not all of them.

Senator WATSON. About what per cent do you have to buy abroad?

Mr. MILLER. We have been buying all of them abroad. We only use two colors made in this country; that is, ponsol yellow and ponsol violet, made by du Pont.

Senator WATSON. During the war you could not get them abroad?

Mr. MILLER. No; we bought them from dye gyps.

Senator REED. What is a "dye gyp?"

Mr. MILLER. A dye gyp is a fellow who buys a barrel of color and makes about 10 barrels out of it.

The CHAIRMAN. How many people do you employ?

Mr. MILLER. When we are busy?

The CHAIRMAN. In your business.

Mr. MILLER. We employ 26 when we are busy.

Senator REED. I am interested in knowing how this "gyp" makes 10 barrels out of 1, and whether he comes within the protection of this bill.

Mr. MILLER. The gyp can not get the stuff.

Senator REED. You employ 26 people?

Mr. MILLER. We employ 26 people.

Senator WATSON. During the war you used some American-made dyes, did you not?

Mr. MILLER. We used to use whatever we could purchase.

Senator WATSON. You used some American-made dyes?

Mr. MILLER. Sure; anything at all we could get.

Senator WATSON. You made use of some American dyes. Can you answer the question?

Mr. MILLER. Yes.

Senator WATSON. Are you now using any American-made dyes?

Mr. MILLER. Yes.

Senator WATSON. When you use them, what per cent of American-made dyes do you use?

Mr. MILLER. On all the lines we handle or just one particular line.

Senator WATSON. On all you handle?

Mr. MILLER. About 50 per cent.

Senator WATSON. Half and half?

Mr. MILLER. Yes.

Senator WATSON. And the other 50 per cent you get through the board up here, do you?

Mr. MILLER. Yes, through the board.

Senator WATSON. And your objection to the present system is that you have trouble getting these dyes when you want them?

Mr. MILLER. I have been turned down only yesterday. We got a letter from the War Trade Board turning us down on blues and browns.

Senator WATSON. Did they turn you down on the theory——

Mr. MILLER (interposing). That we can get these things made in this country. The brown will not make our shade. We have already

lost a week on that. What am I going to do when I run out of it and my customers want the goods?

Senator WATSON. And that shade of brown is not made in this country?

Mr. MILLER. Not the color we want.

Senator WATSON. Do you know whether it can be made in this country?

Mr. MILLER. I suppose it can be.

Senator WATSON. You know it is not, and you can not get it?

Mr. MILLER. I know that the brown made now is not satisfactory for my work.

Senator WATSON. Are the American dyes that you use satisfactory for you?

Mr. MILLER. Just the ordinary dyes.

The CHAIRMAN. It is not a question of the quality of the dyes, but a question of the color or the shade, as I understand it?

Senator SMOOT. They make a longer range of colors.

Senator REED. Putting it in a few words, you do use some American dyes that are satisfactory?

Mr. MILLER. Yes, that is, the direct, ordinary colors.

Senator REED. That is, what you call "direct and ordinary colors?"

Mr. MILLER. Yes. This, besides the two ponsol yellow and ponsol violet; they are two colors made by du Pont.

They are supposed to be sun-fast, but we are not sure of it. We give a guarantee that will "bust" us up if we can not get the goods.

Senator REED. When you come to dyes that you can not get in this country that are satisfactory, you have to go down to this War Board and get permission to import?

Mr. MILLER. That is right.

Senator REED. And sometimes they give you the permission and sometimes they do not?

Mr. MILLER. That is correct.

Senator REED. And in any event it involves delay?

Mr. MILLER. Sure. Here is a case where it involves a week's delay.

Senator REED. In the meantime, if you have an order and you can not get these dyes, you can not fill the order?

Mr. MILLER. No, we can not fill the order.

Senator REED. And if you can not fill the order, that, of course, will throw out of employment some poor, downtrodden, workingmen of America?

(No response.)

Senator WATSON. Now, Mr. Witness, under the protection afforded by the war they built up the dye industries so that you can buy 50 per cent of all dyes you use in the United States?

Mr. MILLER. Yes.

Senator WATSON. Have you any objection to proper protection to protect this industry so that they can make the other 50 per cent that you use?

Mr. MILLER. No.

Senator WATSON. You would rather buy American dyes than German dyes, would you not?

Mr. MILLER. I would sooner buy them if I can get them in all the colors.

The CHAIRMAN. Go on, Mr. Miller.

Senator McCUMBER. Let me ask you, before you go on: Do you know whether it is possible for the American manufacturers to make every color that is made in Germany?

Mr. MILLER. I do not know.

Senator McCUMBER. You know they do not do it now?

Mr. MILLER. I know they do not do it now. I suppose if they try hard enough we can possibly get them to do so, the same as the Germans. At any rate, they ought to have brains enough. We had an instance on April 27. We wrote to the War Trade Board explaining that indanthrene yellow G double cost us $6.90 per pound, while Du Pont's ponsol yellow cost us $3.80 per pound, and the Du Pont product is just half the strength of the imported. It would, therefore, take 2 pounds of this product at $3.80, or a cost of $7.60, to equal 1 pound of the indanthrene at $6.90. Therefore, our dye would cost us 70 cents a pound more, and as we frequently use 6 pounds of yellow in one shade, it practically costs us over $4.20 more for dyeing a hundred pounds of art silk in this shade. This letter was written to the War Trade Board after they had refused to give us a license for the imported color. They further advised us that the price asked for the domestic color was reasonable, under the conditions. I have a copy of the letter here, if desired. Shall I read that?

The CHAIRMAN. You can have it printed, unless you desire to read it.

Mr. MILLER. I have a copy of the letter here.

Senator LA FOLLETTE. I would like to see how they explain that is a reasonable price.

Mr. MILLER (reading):

In reply to your letter of April 27, 1921, on the subject of the price of ponsol yellow as compared to the price of indanthrene yellow G of foreign make, please be advised that a reasonable price, within the meaning of the War Trade Board regulations, is deemed to be the price for which a controlled commodity can be manufactured in an efficiently operated plant in the United States and sold, with a fair profit to the producer, irrespective of the price for which the product may be obtained from abroad. In determining reasonable price, consideration is also given to the economic conditions obtaining at present among the nations of the world, the present rate of exchange, and the difference in the cost of domestic manufacture as compared to the cost of manufacture abroad. In consideration of all the foregoing, the price at this time, for domestic-made ponsol yellow, is not regarded by the War Trade Board as being unreasonable.

Senator REED. In other words, whatever the American price is, is reasonable?

Mr. MILLER. Reasonable, no matter what it is.

Senator LA FOLLETTE. What is the date of that letter?

Mr. MILLER. They have not put a date on this. I can give you the original letter.

Senator REED. Please get it and put it in the record.

Senator McLEAN. Was it written this year or last year?

Mr. MILLER. It was written this year, and is in reply to our letter of April 27, 1921.

Senator McLEAN. Perhaps if we guarantee the embargo a new board ought to be provided.

Senator REED. Yes; and then that the new board ought to behave itself.

Mr. MILLER. Here are three shades which I have been dyeing for certain customers [exhibiting samples to the committee]—green,

gold, and brown. If I made these shades with domestic fast colors, they would cost me 50 cents for green, 44 cents for gold, and 60 cents for brown, just for dyestuffs alone.

I recently saw an article quoting the price of these same colors in Canada, and at which price the dyestuffs on the shades mentioned would cost me—24 cents per pound for the green, 22 cents per pound for the gold, 29 cents per pound for the brown. To put it another way, the man in my line of business in Canada would pay about half the price for his dyestuffs. The green dyestuff on a pound of art silk would cost him 26 cents per pound less; the gold dyestuff on a pound of art silk would cost him 22 cents per pound, and the brown dyestuff on a pound of art silk would cost him 31 cents per pound. This difference would go a long way toward making up the tariff protection which our manufacturers have on these goods.

In conclusion, I want to ask, is not the small dyer to be protected as well as the million-dollar dyestuff corporation? Is it fair to the dyer to make him carry six months' stock of dyes? Under the tariff system that has always been the importer's business. I recently took an order for dyeing a very considerable quantity of guaranteed fast colors; the contract is to last one year.

How can I tell that the colors I should use will be available during the coming year; that under this system I will not be forced to substitute something that I have not had sufficient time to try out? When a dyer gives such a broad guaranty as ours, he should not be hindered in securing the necessary colors to make good. I have taken this contract with the sincere belief that Congress will not continue this system. Any change in colors or any deficiency could very easily be ruinous both for me and my business.

Senator McLEAN. Who signed that letter from the War Trade Board that you read?

Mr. MILLER. I can not tell you; I can give you the original.

Senator McLEAN. I wish you would furnish the committee the name of the gentleman who wrote that letter.

Mr. MILLER. I will send you the letter down.

Senator McLEAN. All right.

(The original letter referred to is as follows:)

WAR TRADE BOARD,
*Washington, April 28, 1921.*

ATLAS DYE WORKS, *Philadelphia, Pa.*

GENTLEMEN: In reply to your letter of April 27, 1921, on the subject of the price of ponsol yellow as compared to the price of indanthrene yellow G of foreign make, please be advised that a reasonable price within the meaning of the War Trade Board regulations is deemed to be the price for which a controlled commodity can be manufactured in an efficiently operated plant in the United States and sold with a fair profit to the producer, irrespective of the price for which the product may be obtained from abroad. In determining reasonable price, consideration is also given the economic conditions obtaining at present among the nations of the world, the present rate of exchange, and the difference in the cost of domestic manufacture as compared to the cost of manufacture abroad. In consideration of all the foregoing, the price at this time for domestic made ponsol yellow is not regarded by the War Trade Board as being unreasonable.

Very truly, yours,

BUREAU OF IMPORTS.
By L. J. ROBINSON.

The CHAIRMAN. The committee will now be glad to hear Mr. Hodshon.

## STATEMENT OF A. A. HODSHON, FELT-HAT MANUFACTURER, DANBURY, CONN.

The CHAIRMAN. State your full name.

Mr. HODSHON. My name is Alfred A. Hodshon.

The CHAIRMAN. What is your business?

Mr. HODSHON. I am a felt-hat manufacturer.

The CHAIRMAN. You reside where?

Mr. HODSHON. At Danbury, Conn.

The CHAIRMAN. Will you state as briefly as may be your views?

Mr. HODSHON. I came here, Mr. Chairman, and gentlemen of the committee, to explain the condition of the dyes as they related to fur felt hats. We make fur felt hats for men exclusively. That is all our business. And in making the fur felt hats, in the first place, we take rabbit's fur and form it into a fabric, which is felted through a felting process to a very tight fabric, and also quite thick. When you come to dye that fabric with dyes you have to have very level dying colors so that they will penetrate through this thick fabric, and also they must be fast to light, as there has been a general understanding through the trade for years that if the hat fades they send it back to the manufacturer, and during the last period of the war we have had a considerable number of hats returned to us for fading, and we have been trying to get colors that would hold fast to the light, and also give us level dyeing and penetrating that would make the hat a serviceable sightly hat.

I will explain to you that after a hat is dyed the hat goes through several processes of boiling water and finally comes to what we call the finishing process, where it is put out to dry onto a block and pounced with flint paper, and the surface is pounced off. So that no matter if you have the proper shade on the surface of your material, when you pounce it you would go down beneath that surface, and if your dyes were not thoroughly penetrating level dyes you will get a mottled appearance. You do not get a good, clear color.

So that has been one of our great troubles in getting dyes that would work properly, and the embargo, of course, has stopped us from getting some of those dyes; in getting dyes before, of course, all we had to do if we wanted to try a new dye and make a new color was to go to our dyehouse and they had dyes in stock of almost any kind.

Senator WATSON. Imported?

Mr. HODSHON. Imported, of almost any kind we wanted to make samples out of, or make new shades of any kind; and we would go to the dyehouse and we would get dyes applicable to our requirements.

Now, of course, we can not do that. We have to go through the War Trade Board in order to get our request through for dyes, and it holds us up a long time.

We started about three months ago to make some trials to get some colors that were fast; that is, we could put out to the trade and rely on; and we made some tests, and finally found some dealers that we thought we could do it with. They were imported colors, because we do not find we can do it with the colors that we buy here. We made those tests, and finally made some samples in our laboratories, and then we finally ordered some dyes. We ordered those dyes in June. We received a letter on July 26, and the letter says that "the consular

invoice is just received and dated July 4, which advises the shipment from abroad, and your order of June 14 and June 29."

We have not received those dyes yet, and by the time we do receive them and make our samples we will be too late to get into the next season's trade with merchandise for this year's business.

Senator SMOOT. Did I understand you to say that the American manufacturer can not make an ordinary black with a brown, or colors that you use upon hats that will penetrate clear through your raw stock?

Mr. HODSHON. Understand that we use black. We get along pretty well with that. Of course, a large percentage of our dyes are American-made dyes. It is where we get into the fancy shades that we fall down; for example, take the lighter brown shades and pearl shades.

Senator SMOOT. That is what I wanted to bring out, because I understand that the American manufacturer can manufacture just as good a black and just as fast a black and all the ordinary colors as fast as they are made any place in the world.

Mr. HODSHON. There is a difference in making stiff hats. We used to make what we called the full stiff hat; that is, the brim was stiffened to such an extent that you could curl it anywhere you wished. It was stiffened with shellac with a hot iron, and it would stay anywhere you put it without reinforcement with a wire around the edge. We would make those hats in almost any style. The hats that we really require for the genteel are more what we call full stiff hats. Those hats we dye with a black that we used to get from Badische Soda Fabrik house, and we dyed in the felt previously to being stiffened.

We never found a dye since that we could do that with. We had to change our methods of manufacturing stiff hats to dye them after stiffened, because the dyes will not hold and give you the colors, nor will they stand the process, but seemed to turn mostly all to a plum color, and we would get a plum shade, which we can not overcome, because, after the hat is stiffened, we use an alkali bath to clear the surface again of the shellac, and these hats that we made previously we can not make them now.

Senator MCLEAN. I did not quite get at the fundamental reason for the delays in your foreign order for dyes.

Mr. HODSHON. Why, you have to go through certain requirements that delays the shipment.

Senator MCLEAN. Was that the case in this instance, or was it due to transportation difficulties?

Mr. HODSHON. It was the case in any instance. I do not see how it could be overcome, because it would be impossible for us to go into foreign dyes—that is practically impossible, if we had to go through this rigmarole, because we would have to carry six months' supply of colors.

Senator MCLEAN. What I wanted to get at was, in this particular instance, Was it due to the delay in shipping?

Mr. HODSHON. I could not say. I can not tell you just where the delay comes in. We got the papers out and ordered the stuff by cable. It may be due to delayed shipping; that is, part of it delay in shipping.

Senator McLEAN. Then, wait a minute. You would be safer in your supply if all dyes were made in this country, would you not, if they were satisfactory dyes?

Mr. HODSHON. Oh, yes.

Senator SMOOT. Would you prefer to buy American dyes?

Mr. HODSHON. Oh, certainly. We buy all the American dyes we can.

Senator McLEAN. That eliminates that delay in shipping which has always been bad.

Mr. HODSHON. Understand, when a window dresser takes a few hats out of stock and puts them into a window to show what he has, the first thing we know we get a box of hats back. These hats did not hold color, and one side of the hat was one color where it stood toward the sun, and the other side would be another color. That causes a lot of trouble.

Senator McLEAN. How long have you experienced that trouble—how many years?

Mr. HODSHON. I can not say—ever since we started. Of course, if you go back you will have trouble again before we use these colors from Germany. But we have had hats on our roof for two months that have not faded a particle.

Senator McLEAN. That applies to a portion of fancy colored hats?

Mr. HODSHON. Yes.

Senator McLEAN. Just a small percentage of your product?

Mr. HODSHON. Just a small percentage of our business. It is a vital part of our business, an we get those colors when we need them, not three months afterwards; that is the idea. If our importer had those colors in stock we could go to him and get those colors and do our business and continue with our business. But if we had to wait this long, the opportunity has disappeared, the style has changed or has gone out. Besides, it requires us to carry probably 10 times the amount in money of dyestuffs in stock that we would have had under the other conditions.

Senator REED. We were talking a moment ago about the delay in this instance you have cited being due to a shipment. Of course, delays are always likely to occur in shipments, and I understand you to say that before you had the embargo and when things were normal there were supplies kept in this country of all kinds of dyes, and you could get them, therefore, without the delay in transit. That is true?

Mr. HODSHON. That is true.

Senator REED. Now, your complaint is that, while you want to use American dyes and use them where you can get equally good dyes, there are some dyes that can not be made here in a way that is satisfactory to you. That is complaint No. 1?

Mr. HODSHON. Yes.

Senator REED. And when you undertake to get those dyes in from other countries, Germany or any other country where they are made, the dyes are not on hand in this country, and you must go to a board and file an application, and have the board pass upon the application, and after all that is done then order your dyes, and be subjected to the delay of getting them. That is the situation?

Mr. HODSHON. Yes, sir.

Senator LA FOLLETTE. Have you had any of your applications to the board denied?

Mr. HODSHON. Yes; we had one, I believe, for blue denied, and we have a continual trouble with that. We dye our hats mostly, we will say, in lots of 24 dozen, one color at a time, and during the processes after the dyeing the felt washed out so that you would probably have to take out from one to three dozen out of that 24 dozen, and we either had to dye them over into a darker color or else sort them up into shades and use a dozen as you can. The dye does not stand the work.

Senator WATSON. What percentage of your dyes are made in America?

Mr. HODSHON. I should judge we use something like 75 or 80 per cent, blacks and anything we can get along with we use. But there are a lot of things—of course, in our business, novelties count a great deal, and we have tried to get out something new and you fellows want to wear and look a little nobbier than the other fellow, and we can not do it as easily as if we were not restrained in getting materials.

Senator WATSON. In other words, when you go to this board you are subject to all the delays that you are subject to when you go to any governmental board?

Mr. HODSHON. Yes.

Senator WATSON. That is a license system?

Mr. HODSHON. Yes.

Senator WATSON. Or anything run by the Government?

Mr. HODSHON. Yes. Besides that their experience is not our experience. A commission or board you go to has no technical knowledge of your business. There may be things in your business that do not apply to any other business at all, and they may say this dye dyes a brown piece of yarn or wool, and it may dye it all right, as there is nothing to penetrate. There is no trouble to dye those things with dyes, but if you come to get a thick, hard felt, and you have got to get the dye through there, you will have to have the dye that will do the work.

Senator WATSON. Mr. Chairman, while it is of some disadvantage to all these witnesses to come here, yet because of our presence being required in the Senate, I move that the committee rise until to-morrow morning.

The CHAIRMAN. The committee will now stand adjourned until to-morrow at 10.30 o'clock a. m.

(Thereupon, at 12.15 o'clock p. m., the committee adjourned to meet to-morrow, Thursday, August 4, 1921, at 10.30 o'clock a. m.)

## Thursday, August 4, 1921.

The committee met, pursuant to adjournment, in room 312, Senate Office Building, at 10.30 o'clock a. m., Hon. Boies Penrose presiding.

Present: Senators Penrose (chairman), McCumber, Smoot, La Follette, Dillingham, McLean, Curtis, Watson, Calder, Simmons, and Walsh.

The CHAIRMAN. The committee will come to order.

Senator CURTIS. Mr. Chairman——

The CHAIRMAN. Senator Curtis.

Senator CURTIS. I would like to ask the chairman to close the hearings today at 12 o'clock, because we have an important bill to

vote upon, and I hope, in view of that fact, that all witnesses who testify will be as brief as possible, because we must have every Senator there this afternoon.

The CHAIRMAN. It is understood that under a unanimous-consent agreement the Senate is proceeding to consider, in limited speeches, and to vote, if possible, to-day upon a bill, and therefore the committee will be compelled to adjourn at 12 o'clock in order to permit the members to be on the floor and vote on the frequent roll calls which will prevail during the afternoon. In view of that fact it is desirable for the witnesses, who are numerous, to make their statements as brief as possible, particularly in view of the fact that a subcommittee of this committee has already held voluminous hearings within a comparatively recent period, and also similar hearings have been held by the Ways and Means Committee of the House of Representatives. The matter has been quite fully argued and debated in the Senate.

The committee will, at the special request of Admiral Smith, if he is present, proceed to hear him.

## STATEMENT OF ADMIRAL W. STROTHER SMITH, UNITED STATES NAVY.

Admiral SMITH. The Secretary of the Navy has addressed to you a letter on the subject, sir.

The CHAIRMAN. Yes, sir; I have it.

Admiral SMITH. The only point that the Navy wishes to bring up is in regard to the preparation for war in having dye industries in this country that can supply war materials.

The question resolves itself into either making a Government laboratory or encouraging private industries. A Government laboratory with a highly trained personnel would be a very expensive proposition, especially in the evolution of gas warfare so absolutely essential.

Before the war we were absolutely at the mercy of foreign countries, almost for everything, and unless we can keep ready at hand the means of quick preparation we will be at the mercy of any other foreign country which is better prepared.

Senator SMOOT. Admiral, do you think a Government laboratory would be as expensive as it would be to have an absolute embargo and allow any price to be paid for all of the dyes wanted in the United States?

Admiral SMITH. I think it would, sir, because we would have to keep a Government laboratory for a great many years, but an embargo can be limited to a few years.

Senator SMOOT. I can not see any argument in that. If the embargo is for a few years, your laboratory could cease when the embargo ceased.

Admiral SMITH. But you would have to spend a great deal of money in building a laboratory and getting it started.

Senator SMOOT. But the American people would have to pay a great deal of money the other way.

Admiral SMITH. The main point that I have in mind is only having something at ready command. That is all I am interested in. The means of doing it I leave to others.

The CHAIRMAN. What are the principal articles that the Navy Department is dependent upon in this connection?

Admiral SMITH. The principal articles are gas-tar products and derivatives which are used in manufacturing explosives, and also the derivatives used in making toxic gases.

Senator SMOOT. How did you get along at the beginning of the war? Upon whom did you depend then?

Admiral SMITH. We had not developed gas warfare then.

Senator SMOOT. Upon whom are you depending now?

Admiral SMITH. We are depending now upon the Army.

Senator SMOOT. The Army is doing it to-day?

Admiral SMITH. The Army is doing it to-day in a way.

Senator SMOOT. You want the Army to cease now?

Admiral SMITH. Oh, no, sir. Gen. Fries will tell you all that. He is thoroughly familiar with that end of the game.

The CHAIRMAN. If the Army gets along without this embargo, why can not you get along without it?

Admiral SMITH. We can. If the Army can get along without we can do it, sir.

Senator SMOOT. What has the embargo done to assist the Army in any way in this chemical warfare development?

Admiral SMITH. Nothing that I know of, so far.

Senator SMOOT. Then, why does not the Army proceed just as they have in the past?

Admiral SMITH. I do not think the Army can keep up and manufacture enough or keep a sufficient staff to supply war materials when a war comes.

Senator MCCUMBER. About all the Army can do is simply to make experiments?

Admiral SMITH. That is all, sir.

Senator MCCUMBER. It can not produce on any great scale, and you would need other factories if they were suddenly called upon to produce upon a large scale?

Admiral SMITH. If we were suddenly called upon to produce upon a large scale the Army could not touch it.

Senator DILLINGHAM. And that is the thought that you wish to impress upon the committee, is it?

Admiral SMITH. Yes, sir; that we absolutely need these materials in time of war and some method to produce them

Senator SMOOT. And if we have a war 50 years from now you think we ought to have an embargo for 50 years?

Admiral SMITH. Oh, no, sir; just long enough to encourage the industries to build up.

Senator SMOOT. That will be 50 years.

Admiral SMITH. That is a subject that I am not familiar with, sir.

Senator CURTIS. Senator, they have never asked over five years.

Senator SMOOT. No, but they asked first for a certain length of time, and they will ask in this bill for a certain length of time.

Senator WATSON. If they could develop in the next five years as much as they have in the last three, they would soon have this business on a sound basis?

Admiral SMITH. Yes, sir.

The CHAIRMAN. Is that all, Admiral?

Admiral SMITH. That is all.

The CHAIRMAN. Dr. Edgar F. Smith, of the University of Pennsylvania, desires to be heard, the Chair is informed.

Dr. Smith does not respond.

The next gentleman is Gen. Fries.

## STATEMENT OF BRIG. GEN. AMOS A. FRIES, CHIEF OF THE CHEMICAL WARFARE SERVICE, UNITED STATES ARMY.

Gen. FRIES. Mr. Chairman and other members of the Senate Finance Committee, I have here a chart that was drawn up about a year ago——

Senator WATSON. Give your name, please, and your experience in this matter.

Gen. FRIES. Amos A. Fries, brigadier general, chief of the Chemical Warfare Service.

Senator WATSON. When did you become chief of the Chemical Warfare Service?

Gen. FRIES. I became chief of the Chemical Warfare Service in France on or about August 17, 1917, and continued as chief of the service in France throughout the war.

Senator WATSON. Chief of the Chemical Service in France throughout the entire war?

Gen. FRIES. Yes, sir; returning to the United States just before Christmas in 1918.

Senator WATSON. What have you been doing since?

Gen. FRIES. I have been on duty with the Chemical Warfare Service; partly in Washington and partly in command of Edgewood Arsenal, and, since March 1, 1920, Chief of the Chemical Warfare Service of the United States Army.

Senator WATSON. When was the Chemical Warfare Service established in connection with the Army?

Gen. FRIES. It was established in France definitely on September 3, 1917. I was put in charge a couple of weeks before that.

Senator WATSON. And before that there had been no such thing in connection with the American Army, had there?

Gen. FRIES. There had not.

As I started to say before, I have a chart here which was drawn up a year ago to show the relations between war gas and dyes, explosives, and pharmaceuticals or medicines. It was drawn up for an exhibit in New York City but serves admirably the purpose of illustrating why the War Department is interested in the coal-tar industry.

As you know, from coking coal or making illuminating gas you get coal tar, and you distill that and get these crudes of which we give only five here, there being five others.

Senator DILLINGHAM. General, I suggest that your chart will not appear in the record.

Senator WATSON. Name them, please.

Gen. FRIES. Benzene, toluene, xylene, phenol, naphthalene, and five others. These are put on here because they show clearly what are essential, and the others were omitted because they would have complicated the chart.

All of our war high explosives, most of our war gases, many of our most important medicines, and our photographic chemicals, all of which are essential in war, come either directly from these coal-tar

crudes or in combination with other chemicals. For instance, trinitrotoluol, which is the only explosive now used in war by any nation, so far as they have a sufficient quantity of it. Before that it was all picric acid, or some compound of it, which comes from phenol by nitrating.

We have shown here how these crudes are made into dyes. Toluene is made into dyes and made into high explosives, and the picric acid in the same way and into medicines also. We have shown only one group here, acetanilid; but there are a number of groups coming from benzene and aniline dyes also from carbolic acid.

We make chloro-picrin directly from the bleach, itself made from chlorine, and picric acid, and it is one of the most important war gases that we have.

Phosgene is another one of our most important war gases. The Germans learned how to make it and use it. They knew how to make it, because they used it directly in making dyes, and it is so used in this country now. We have sold a good deal of our surplus phosgene to dye makers.

In that connection, the first phosgene that was made here was made in a chemical plant at Niagara Falls. They had about the only information, outside of Frank Hemmingway, who w s engaged in chemical production in New Jersey.

Senator SMOOT. To whom do you refer when you say "we"?

Gen. FRIES. The Chemical Warfare Service.

Senator SMOOT. The Chemical Warfare Service got up this diagram?

Gen. FRIES. Yes, sir.

Senator SMOOT. From what Germany was already doing?

Gen. FRIES. Well, from what Germany was doing and also what we had done, and to show, also, what we were going to have to do in the future if we keep prepared on this question.

From the phosgene dyes were made such as yellows, violets, blues, and in that way, while it was not a coal-tar product, it entered right into the manufacture of dyes.

We are interested in the medicine side of this question tremendously, and in photographic chemicals as well as the dyes; but the dyes are the most important in a commercial way. Hence, if that is kept up the others rather follow. In fact, the development of the medicinal parts of these coal-tar products followed the development of dyes, even in Germany. Before the war, according to the Tariff Commission's report of 1915, there were only seven concerns engaged in making dyes in this country. In the 1920 report, after six years of total embargo, there are shown 82.

Senator CURTIS. Right there: The seven to which you refer were making a very limited number of dyes?

Gen. FRIES. A very limited number; and they were using a great deal of intermediates, which are the next step after the crudes, and even crudes imported from Germany. We had a very small coal-tar industry, although we had millions of pounds going to waste in the old-fashioned coke ovens.

When the war came on the United States could not get enough high explosives from toluene. It could not manufacture any war gases, scarcely, until it began to build its own plants. The Chemical Warfare Service started in with the hope of getting the chemica

plants to make those war gases. Their plants were not large enough. They were already overburdened with war orders, and notwithstanding that they had been increasing some of their facilities for the two years that they had been working for the Allies on some of those things, the Government had to build tremendous factories throughout the country. Even then, as I said before, some of our very first phosgene was made in chemical works at Niagara Falls and another at Boundbrook, N. J., the Frank Hemmingway Co. The chloropicrin was manufactured in a concern at Stamford, Conn., while the Dow Chemical Works made some of our first mustard gas, but even in those cases the Government had to help build additional plants in those places. Those plants not being able to meet the needs, the Government started in and built some other plants, notably one at Edgewood Arsenal, which we now have in condition for use, at a cost of $35,000,000, and several others costing many, many millions more. At the same time the Ordnance Department built tremendous plants.

Senator WATSON. Where is that $35,000,000 plant?

Gen. FRIES. Twenty miles beyond Baltimore, on the Pennsylvania Railroad.

Senator WATSON. Is it still operating?

Gen. FRIES. We are operating the research part of it, which is the only thing we can operate.

Senator SMOOT. You can not dispose of your products, and the Government does not want them to-day?

Gen. FRIES. We could make a lot of products which we could dispose of, but it is not the Government's intention to engage in business. We could make chlorine and bleach and even phosgene for sale.

Senator CALDER. Is it the War Department's desire to maintain and retain that plant?

Gen. FRIES. It is, until such time as we have so completely developed the coal-tar industry that we can afford to abandon it. As a matter of fact, to-day we would have to depend on that plant for a large part of our war gases, because we have not the plants throughout the country and the trained personnel to do it. Even now, if we started those plants, we would have to call on the coal-tar industry and other chemical industries for probably three or four or five hundred chemists and chemical workers and chemical operators to put that plant into operation.

Senator WATSON. How many expert chemists have you now in connection with the Chemical Warfare Service?

Gen. FRIES. We have about 150 or 160, but they are almost entirely on research and development. We are doing those things which we can not get any college or research institutions to do. There are certain researches and developments in connection with poisonous gases that the college and other institutions do not want to take up.

Senator SMOOT. Do I understand that the Government made these researches and provided the data so that the necessary war materials could be manufactured in this country?

Gen. FRIES. A considerable part of them. We sent a good deal of it over from France. We had very little information here. One of the most important duties I had, as Chief of the Chemical Warfare

Service in France, in the early days, was to get this information and transmit it over by officers and men, which we did in many cases, or by letter, to the United States. They got much additional information on phosgene in addition to that which they got in the Oldbury Chemical Works and the Frank Hemmingway Chemical Works.

Senator SMOOT: Did the information come here through the Government?

Gen. FRIES. Not all of it. Part of our information on the manufacture of chloropicrin came from private parties; and as to the phosgene part of it, the very first that we got came from the Oldbury Chemical Works at Niagara Falls. Mr. Lidbury, in particular, took an interest in it, and also Frank Hemmingway, at Bound Brook, N. J. The Government added to it just as soon as we could get the information, because it was not in existence in this country in sufficient amount to do the work.

We were also short, in France, of personnel. We could not get trained chemists enough for field use. We have a great deal of use for chemists right out in the field.

One instance illustrates that clearly. In the fight in which the marines were engaged at Belleau Woods, a report came back to corps headquarters that the Germans were using a new gas and they did not know just what to do. One of the ablest men I had, a chemist, was sent there and rushed into the thickest of the fight, clear through the area, and was able to report to them that it was no new gas; that it was the same gas they had been using and that our gas masks were a protection against it.

That information was of very great importance to that command and the whole division operating around there. We will need more men of that kind in a future war. We could not get enough of them in France.

Senator WATSON. How many poisonous gases did you send abroad during the war that were made in America?

Gen. FRIES. We sent out four or five. Of course, chlorine was sent abroad. It was used as a poisonous gas in cloud gas, but now it is not really considered a poisonous gas, being much less poisonous than many others. We sent abroad some mustard gas, a great deal of chloropicrin and a great deal of phosgene.

Senator WATSON. Had any of those been made in the United States before the war?

Gen. FRIES. Not at all. There was a little experimental work in the laboratories with phosgene.

Senator LA FOLLETTE. To what extent had it been made outside of this country before the war?

Gen. FRIES. Phosgene had been made to a considerable extent in Germany.

Senator LA FOLLETTE. How about the others that you named?

Gen. FRIES. I do not think chloropicrin had been made to any extent at all. Mustard gas had not.

It is interesting in connection with the dye question to note that the Germans used one of the ingredients that they finally made mustard gas from in photographic chemical work, allied with the coal-tar products, and were able to make mustard gas rather quickly, after they decided to make it, by a method which had been known since 1886. We could not make it by that method, and never did,

because we had not developed that part of our photographic or coal-tar industry. So we had to introduce an entirely new method developed chemically by Prof. William A. Pope, of England, and by the Usine du Rhone, a dye plant in France, where it was first worked up. It was later perfected by Levenstein, a dye manufacturer of England. The process that we are now using is practically the latter's.

The result was that through our not having that information, which the Germans had in making these products for dyes and photographic chemicals, it was eleven and a half months after the Germans began using mustard gas before we could fire any back at them. It is probable that had we had this industry developed we would have saved several months and a good many lives.

Senator SMOOT. Germany is not making any of those gases at the present time, is she?

Gen. FRIES. Presumably not; unless perhaps she is making phosgene for dyes.

Senator SMOOT. That would be the only thing.

Gen. FRIES. And also chloro-picrin is used to some extent directly in making dyes, and she can make some of that.

Senator SMOOT. But there is very little demand for it in the world to-day, is there not?

Gen. FRIES. Comparatively little.

Senator SMOOT. Of course, you will not make any until there is a demand?

Gen. FRIES. No, sir. But every one of these plants that are making dyes or medicines or photographic chemicals or perfumes or any of these other products that come from coal tar can be turned, in a few weeks, into explosive plants. If we have not those plants, then we have got to build huge plants such as we built during the war; and in the next war we will not have time for it.

Senator WATSON. Germany, before the war, had made explosives.

Gen. FRIES. Extensively.

Senator WATSON. And they were all a product of the dye industry?

Gen. FRIES. Yes, sir.

Senator SMOOT. They made the same explosives that we made in this country, did they not?

Gen. FRIES. We made more dynamite from nitroglycerine than anything else, and we made very little trinitrotoluol because we had not the by-product to make it from. We went so far during the war, in order to get this toluene, as to rob the illuminating gases of New York City, to a very great extent, to get enough toluene to make the trinitrotoluol. Before that most of the countries were using picric acid or some picric-acid compound. For instance, that was the explosive dunnite of the United States, the lyddite of England, the mellinite of France, and the shimose of the Japanese.

We are interested because we believe that without a complete development of the coal-tar industry we can not be nationally prepared in case we have to be, and we will not have time in the future to build great plants such as the one at Edgewood. Even if we keep that up we are going to have to depend upon these industries for the trained personnel to operate with. We could operate now in 48 hours if we could get the trained men, but we have got to draw them from these other sources.

We have felt that the embargo was a success during the war, in building up this industry from, say, 7 plants to 82, and that if it had done that during this time, the embargo, continued for some time, would eventually develop our industry to the point where we would be making practically all the dyes that Germany is making and we would be utilizing all of the coal-tar products. In other words, before they do that they have got to change over many beehive coke ovens to those that will save the coal tar.

Senator SMOOT. General, if the industry can be protected by a rate of duty, you have no love for the embargo, have you?

Gen. FRIES. Not at all.

Senator SMOOT. All you want, you say, is that the coal-tar products from which explosives and the necessities in the United States are made in case we get into another war have sufficient protection to enable the amount to be made that the Government would require?

Gen. FRIES. Yes, sir. But looking at it from the result before the war, when we had a duty on dyes and when we had made practically no progress, and looking at the progress we made under the six or seven year embargo due to the war, which was a total embargo, it would seem the part of wisdom, to me, to continue that embargo long enough to develop the other 40 per cent of these coal-tar products and the other 500 or 600 dyes that are not made in this country.

Senator SMOOT. You know that the rate of duty was rather low on dyes; that is, the rate was put upon the dyes in the Underwood bill according to the request made by the dye manufacturers of the United States. At that time they had no idea or thought of making explosives for the Government of the United States. That came about on account of the war. But there is no question in my mind—there may be in the mind of others—that 90 per cent of all of these can be protected by a rate of duty; and I am perfectly willing to give them a rate of duty, but am opposed to any embargo.

Gen. FRIES. So far as I have been able to investigate it and talk with those I thought well informed, I do not see how a duty, unless it were a hundred per cent of the American cost, would keep them out.

Senator SMOOT. I would rather do that than have an embargo.

Gen. FRIES. I have been told, and I think I am not violating any confidence, by Mr. Secretary Hoover within the last 10 days that the Germans had enough dyes to flood this country in a few weeks, so that the industry could not recover in a couple of years.

Senator SMOOT. I have here a statement of the amount of dyes which have been made in Germany and the amount that they have on hand. Whether it is correct or not I can not say, but I am going to find out.

Gen. FRIES. We know this, Senator, that the plants manufacturing coal-tar products and dyes and medicines and the like can be readily turned into high-explosive and war-gas plants. Just as the Germans made great extensions to their plants in the war, just so they can be turned back into dye-making. We have pretty good evidence that many of the German dye plants have been busy because that is the only use to which they can be put. They would not use them for high explsives now——

Senator CURTIS. Right there, before you pass on, did not the evidence show that before the war Germany was producing over 90 per cent of the dyes of the world?

Gen. FRIES. Yes, sir; very close to that. And it was just for that reason, in my opinion, that she was enabled to produce the powders and high explosives and the war gases and her medicines—which are tremendously important in war—on a quantity basis which enabled her to fight that war against the world for four and one-half years. I do not think there was any other way she could have done it at all.

Another thing that appeals to me in regard to the embargo was that we are expecting to have a disarmament conference in this country in the next few months. The nations that will interest us most in this conference have already put embargoes on the importation of dyes. Those nations are England, France, Italy, and Japan; and, looking at it from a preparedness standpoint, it looks to me as if that would be the safest thing for us to try; and since I appeared before this committee about two years ago I have received a report from the British mission appointed right after the armistice to investigate the chemical plants in the occupied territory. There are some parts of this that have such an important bearing on this question, and apparently such an important bearing on the consideration of the question by England, that I am going to take about five minutes to read a part of it. The first statement I will read is:

Some years before the war, a combination was formed by the Bayer, Badische and A. G. F. A. Companies, and somewhat later a second group was formed which included Meister Luciu and Bruning, Casella and Kalle. During the war, these two groups amalgamated, and the Greisheim Elektron, Weiler ter Meer, Leonhardt, and other smaller companies entered the combination, which is known as the I. G. It was largely owing to the efforts of this combination that Germany was enabled to continue the war in spite of the blockade. The I. G. works produced the bulk of the synthetic ammonia and nitric acid needed for the production of fertilizers and explosives, all the poison gas (with the exception of some chlorine and phosgene), and a large proportion of the high explosives.

Under the heading "Explosives" that committee states [reading]:

No arrangements appear to have been made prior to the outbreak of war to utilize the resources of any of the dye factories for war purposes, and on mobilization their chemists were called up for military service. After the battle of the Marne the Government realized the need for expanding the output of explosives and most of the chemical works were producing small quantities by the end of 1914. The demand made on them increased during 1915, but it was not until 1916 that plans were laid down to assist in the enormous production of explosives required by the Hindenburg program. Most of the big extensions of the synthetic ammonia and of the nitric and sulphuric acid plants date from this time, many chemists being released from the army and the scientific staff of some of the works being augmented. A standard plant used for the manufacture of dyes was converted for the production of explosives with remarkable speed; for instance, at Leverkusen a T. N. T. plant producing 250 tons per month was put into operation in 6 weeks.

This bears out my statement that these plants are available for turning into explosives, war-gas, or medicine plants.

The statement is also made [reading]:

At first chlorine and phosgene were the main requirements, but afterwards a variety of organic substances were employed, all of which were made by the factories of the I. G. combination. Many of these substances were new and difficult to prepare, and rapid production was only possible owing to the speed with which the peace organization of the dye factories could be utilized for this purpose.

I would like to add right here that more important really than the plant is the trained personnel. [Reading:]

When the Government wished to introduce a new gas, a conference of the various firms was held at Berlin to determine how the manufacture should be subdivided

in order to use existing plants to the best advantage. For instance, the initial stages of the manufacture of mustard gas were carried out at Ludwigshafen and the final stage at Leverkusen.

Senator WATSON. Do you know many chemists of long years' training Germany had before the war?

Gen. FRIES. I do not know. But in the reports of the Tariff Commission they state that beginning in the seventies Germany began an intensive research program. It was just about that time they learned they could make all of these dyes, and they began an intensive research program which they continued, for, say, 20 years, until the early nineties. Then during the nineties they put in their main efforts to developing processes for manufacturing and, following that, about 1900, they began to push their sales throughout the world. So that they had these hundreds and perhaps thousands of chemists working, beginning away back in 1873.

Senator WATSON. And as they developed the dye on one side by adding a little of some chemical or by taking away a little of some chemical, they could make an explosive, and over on the other side they could make a medicine?

Gen. FRIES. Yes, sir.

Senator WATSON. So that nearly all of these coal-tar medicines came from research work in the German industries?

Gen. FRIES. Yes, sir; and mustard gas came into being in just that way, because Victor Meyer in 1886 discovered mustard gas and worked with it until he found it produced these burns that were produced during the war, and he had to quit working with it. It was undoubtedly at the same period of time that the investigation I spoke of a while ago, beginning in the seventies, that Germany discovered mustard gas and a number of other compounds as well as most of the gases employed toward the end of the war.

The CHAIRMAN. What were you quoting from, General?

Gen. FRIES. I am quoting from the Report of the British Mission Appointed to Visit Enemy Chemical Factories in the Occupied Zone Engaged in the Production of Munitions of War.

Senator SMOOT. General, you put the whole of it in.

Senator WATSON. Yes; do not read it all, but put it in.

The CHAIRMAN. How long is it?

Senator SMOOT. It would be best to have it all in.

The CHAIRMAN. Very well; let it be inserted in the record at this point.

Gen. FRIES. I just want to read the summation of these recommendations. [Reading:]

Further, the members of the mission are of opinion that the attention of the Government should be drawn to the military importance of developing and consolidating the chemical industry of Great Britain. The points requiring immediate consideration are:

(1) The speedy erection of factories on an adequate scale for the production of ammonia and nitric acid from the nitrogen of the air by means of the Haber process, in order to render this country independent of imported nitrate.

(2) The provision of factories on an adequate scale for the production of dye-stuffs and pharmaceutical products.

(3) Action to obtain the requisite security for the chemical industry during the period of its development.

(4) The provision of facilities for obtaining new materials such as potash, alcohol, and benzene under conditions favorable to the industry.

(The report referred to is as follows:)

REPORT OF THE BRITISH MISSION APPOINTED TO VISIT ENEMY CHEMICAL FACTORIES IN THE OCCUPIED ZONE ENGAGED IN THE PRODUCTION OF MUNITIONS OF WAR, FEBRUARY, 1919.

MEMBERS OF THE BRITISH MISSION.

Brig. Gen. H. Hartley, C. C. W. D., Mr. F. H. Carr, Capt. A. C. G. Egerton, Lieut. H. G. Greenwood, Dr. H. Levinstein, Mr. W. Macnab, Mr. A. W. Tangye, Mr. S. I Levy, secretary.

DELEGATES OF ALLIED GOVERNMENTS WHO ACCOMPANIED THE MISSION IN THE BRITISH ZONE.

Lieut. Col. C. W. Steese, Ordnance, United States Army; Lieut. Col. J. F. Norris, Chemical Warfare Service, United States Army; Maj. T. W. Sill, Chemical Warfare Service, United States Army; Capt. R. D. McGrath, Chemical Warfare Service, United States Army; Capt. J. W. Martin, Ordnance, United States Army; Lieut. H. J. Himmelein, Ordnance, United States Army.

Italian: Capt. C. Mazetti, Lt. I. Cardoso, Lt. M. Malvano, Sig. M. Bonelli, Sig. M. Peirsel.

French: Col. M. Marquoyrol (Direction des Poudres), Comm. M. Chaud, Mons. T. Sordes, Mons. N. Simon.

Belgian: Capt. M. Janlet.

INTRODUCTION.

The mission was appointed to visit German chemical factories in the zone occupied by the Allies which had been engaged in the production of munitions of war. It was instructed to obtain information as to the methods of manufacture, capacity, and output of plant, and present stocks of explosives, poison gas, and the initial products used in their production. The mission left London on January 29 and spent from February 1 until February 14, inclusive, in visiting the important chemical and explosive works in the British zone and the chief chemical works in the French and Belgian zones as follows:

BRITISH ZONE.

1. Farben-fabriken vorm. Friedrich Bayer-Leverkusen and Dormagen.
2. Rheinische-Westfaelische Sprengstoff Aktien Gesellschaft, Coln-Troisdorf.
3. Chemische Fabriken Griesheim Elektron-Wissdorf.
4. Carbonite Aktien Gesellschaft-Schlebusch.
5. Rheinische Dynamitfabrik-Opladen.
6. Rheinische Sprengkapsel und Zundhutchen Fabrik, G. m. b. H.-Kupforsteg.

BELGIAN ZONE.

7. Chemische Fabriken vorm. Weiler ter Meer-Uerdingen.

FRENCH ZONE.

8. Farbwerke vorm. Meister Lucius und Bruning, Hochst am Main.
9. Kalle & Co., Biebrich.
10. Verein, Chem. Fabriken, Mainz-Mombach.
11. Basische Anilin und Sodafabrik, Ludwigshafen and Oppau.

The usual procedure was first to have a general view of a factory in order to get an idea of its layout and prewar capacity, and of the way in which this had been utilized and extended for war purposes. Afterwards the mission divided into three sections in order to get details of the war productions, as follows:

Initial products (e. g., sulphuric acid, nitric acid, ammonia, chlorine, caustic soda): Mr. Tangye, Lieut. Greenwood, Capt. Egerton.

Explosives: Mr. Macnab, Mr. Levy.

Poison gas: Dr. Levinstein, Mr. Carr.

The information obtained by each section has been embodied in the present report.

In some cases considerable difficulty was experienced in obtaining accurate details of manufacture, especially as regards substances which have a peace value, and the information must be accepted with some reserve on this account, although it was checked by cross-examination of the officials concerned, and by a careful examination of the plant admittedly employed for war purposes.

As a result of its visit, the mission has obtained valuable information as to the methods of manufacture of explosives and poison gases employed by the enemy, and of the initial products necessary for their production. It was also able to form a clear impression of the military value of the German chemical industry.

Some years before the war a combination was formed by the Bayer, Badische and A. G. F. A. companies, and somewhat later a second group was formed which included Meister Lucius and Brüning, Casella and Kalle. During the war these two groups amalgamated, and the Griesheim Elektron, Weiler ter Meer, Leonhardt, and other smaller companies entered the combination, which is known as the I. G. It was largely owing to the efforts of this combination that Germany was enabled to continue the war in spite of the blockade. The I. G. works produced the bulk of the synthetic ammonia and nitric acid needed for the production of fertilizers and explosives, all the poison gas (with the exception of some chlorine and phosgene), and a large proportion of the high explosives.

The following are the more important works of the I. G. which were not visited, as they are outside of the occupied zone:

Factories of the Aktien Gesellschaft fur Anilin-fabrikation.
Factories of the Griesheim Elektron Gesellschaft.
Factory of the Bayer Company at Elberfeld.
Factory of the Badische Company at Merseburg.
Factory of Casella & Co., Mainkur, near Frankfurt.
Factory of Leonhardt & Co., Muhlheim, near Frankfurt.

A summary of the information obtained as to the war production of the factories visited is given under the headings of initial products, explosives, and poison gases.

### INITIAL PRODUCTS FOR MANUFACTURE OF EXPLOSIVES AND POISON GASES.

The principal material concerned are ammonia, nitric acid, sulphuric acid, and chlorine, and it was on the output of these that the war production of chemical munitions depended. The expansion of output by the factories of the I. G. combination during the war is shown by the following tables:

*Ammonia (metric tons $NH_3$ per day).*

| | 1914 | 1918 |
|---|---|---|
| Oppau | 25 | 250 |
| Merseburg | Nil. | 400 |
| Total | 25 | 650 |

*Nitric acid (metric tons 100 per cent acid per day).*

| | 1914 | 1918 |
|---|---|---|
| Leverküsen | 56 | 180 |
| Höchst | 150 | 375 |
| Oppau | (?) | 100 |
| Ludwigshafen | 40 (?) | 40 |
| Weiler ter Meer | 12 | 24 |
| Total | 258 | 719 |

Oppau has the power to produce now 500 tons $HNO_3$ daily, still retaining sufficient ammonia to supply the output at Höchst.

*Sulphuric acid (metric tons 100 per cent acid per day).*

| | 1914 | 1918 |
|---|---|---|
| Leverküsen | 340 | 470 |
| Höchst | 224 | 280 |
| Ludwigshafen | 275 | 410 |
| Weiler ter Meer | 48 | 60 |
| Total | 837 | 1,220 |

Meister, Lucius & Brüning have also erected a large new plant at Höchst, which has not yet started and was not examined.

The Bayer Co. has erected at Dormagen a large vitriol plant equal to 250 tons per day.

*Chlorine (metric tons per day).*

| | 1914 | 1918 |
|---|---|---|
| Leverküsen | 20 | 20 |
| Höckst | 4 | 8 |
| Ludwigshafen | 13 | 35 |
| Total | 37 | 63 |

EXPLOSIVES.

No arrangements appear to have been made prior to the outbreak of war to utilize the resources of any of the dye factories for war purposes, and on mobilization their chemists were called up for military service. After the battle of the Marne the Government realized the need for expanding the output of explosives, and most of the chemical works were producing small quantities by the end of 1914. The demands made on them increased during 1915, but it was not until 1916 that plans were laid down to assist in the enormous production of explosives required by the Hindenburg programme. Most of the big extensions of the synthetic ammonia and of the nitric and sulphuric acid plants date from this time, many chemists being released from the Army and the scientific staff of some of the works being augmented. (A standardized plant used for the manufacture of dyes was converted for the production of explosives with remarkable speed; for instance, at Leverküsen a T. N. T. plant producing 250 tons per month was put into operation in six weeks.)

The following table shows the amounts produced in the factories visited:

*High explosives and intermediates.*

[Quantities of intermediates are shown only where these were not converted to finished explosives in the producing works. (Metric tons per week).]

| Factory. | Ammonium nitrate. | Dinitrobenzene. | Dinitrotoluene. | Trinitrotoluene. | Mononitronaphthalene. | Dinitronaphthalene. | Dinitrochlorbenzene. | Dinitrophenol. | Picric acid. | Trinitroanisole. | Dinitrodiphenylamine. | Hexanitrodiphenylamine. |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Leverküsen | ..... | 270 | ..... | 270 | ..... | 150 | 40 | ..... | ..... | [1] 3 | ..... | ..... |
| Dormagen | ..... | ..... | ..... | ..... | ..... | ..... | ..... | ..... | 600 | ..... | ..... | ..... |
| Urdingen | ..... | 60 | ..... | 75 | (2) | ..... | ..... | ..... | ..... | ..... | ..... | ..... |
| Höchst | 500 | 110 | ..... | 200 | ..... | ..... | ..... | ..... | ..... | 30 | ..... | [3] 1½ |
| Ludwigshafen | ..... | 25 | 50 | ..... | ..... | 15 | 200 | 35 | ..... | ..... | [4] 25 | ..... |
| Oppau | 300 | ..... | ..... | ..... | ..... | ..... | ..... | ..... | ..... | ..... | ..... | ..... |
| Wiesdorf | ..... | ..... | ..... | 120 | ..... | ..... | ..... | ..... | ..... | ..... | ..... | ..... |
| Schlebusch | 100 | ..... | ..... | 150 | ..... | ..... | ..... | ..... | ..... | ..... | ..... | ..... |

[1] For 3 months only.
[2] Small.
[3] For one year.
[4] For 3 months only.

Other intermediates: Ludwigshafen, sodium benzene sulphonate, 100 tons per week.
Other explosives: Schlebusch, hexanitrodiphenylsulphide, 15 tons per week.

*Propellant explosives, detonating substances, etc.*

[Metric tons per week.]

| Factory. | Nitrocellulose powder. | Diethyl diphenylurea. | Diphenylamine. | Nitroglycerin. | Cordite paste. | Dynamite. | Tetryl. | Fulminate. | Lead azide |
|---|---|---|---|---|---|---|---|---|---|
| Urdingen | ..... | 35 | 7 | ..... | ..... | ..... | ..... | ..... | ..... |
| Kuppersteg | ..... | ..... | ..... | ..... | ..... | ..... | ..... | 0.7 | ..... |
| Troisdorf | 250 | ..... | ..... | ..... | ..... | ..... | 6 | 7 | 0.7 |
| Schlebusch | ..... | ..... | ..... | 21 | 40 | ..... | ..... | ..... | ..... |
| Opladen | ..... | ..... | ..... | 75 | 35 | ..... | ..... | ..... | ..... |
| Wiesdorf | ..... | ..... | ..... | 50 (?) | 40 | ..... | ..... | ..... | ..... |

POISON GAS.

At first chlorine and phosgene were the main requirements, but afterwards a variety of organic substances were employed, all of which were made by the factories of the I. G. combination. Many of these substances were new and difficult to prepare, and rapid production was only possible owing to the speed with which the peace organization of the dye factories could be utilized for this purpose. When the Government wished to introduce a new gas, a conference of the various firms was held at Berlin to determine how the manufacture should be subdivided in order to use existing plant to the best advantage. For instance, the initial stages of the manufacture of mustard gas were carried out at Ludwigshafen and the final stage at Leverkusen. The following table shows the production of gas and intermediate products in the various factories visited:

*Output of finished poison gases from various works.*

| | Factory. | Monthly output (metric tons). | | Total production (if known). | Date of commencement. |
|---|---|---|---|---|---|
| | | Average. | Maximum. | | |
| Chlorine | Leverkusen | 600 | | | Prior to war. |
| Do. | Höchst | 240 | | | Do. |
| Do. | Ludwigshafen. | 860 | 1,261 | 38,600 | Do. |
| Phosgene | Leverkusen | | 30 | | Do. |
| Do. | Ludwigshafen. | 288 | 621 | 10,682 | Do. |
| Disphosgene | Leverkusen | | 300 | | June, 1915. |
| Do. | Höchst | 139 | 266 | 3,616 | September, 1916. |
| Chlorpicrin | Leverkusen | | 200 | | July, 1916. |
| Do. | Höchst | 45 | 101 | 1,127 | August, 1916. |
| Xylyl bromide | Leverkusen | | 60 | | March, 1915. |
| Brom acetone | do | | 20 | | Early 1916. |
| Brom acetone<br>Brom ethyl<br>Methyl ketone | Höchst | 19 | 45 | 685 | April, 1915. |
| Phenyl carbylamine chloride | do | 65 | 124 | 721 | March, 1917. |
| Mustard gas | Leverkusen | | 300 | [1] 4,500 | Before July, 1917. |
| Diphenylchlorarsine<br>Diphenylcyanoarsine | Höchst | 150 | 300 | 3,000 | May, 1917.<br>February, 1918. |
| Ethyldichlorarsine | do | 78 | 150 | 1,092 | August, 1917. |
| Dichlormethyl ether | do | 26 | 51 | 243 | September, 1917. |
| Dibrom methyl ether | do | 7 | 29 | 69 | April, 1917. |

[1] Estimated from capacity of plant. Probably the same quantity was produced at some other factory as the output of Thiodiglycol from Ludwigshafen would suffice for this

*Output of intermediate products for poison gas manufacture.*

| Finished gas. | Intermediate products. | Total output (metric tons). | Place of production. | Destination of intermediate products. |
|---|---|---|---|---|
| Phenyl carbylamine dichloride. | Phenyl mustard oil. | Not obtained | Kalle | Höchst. |
| Mustard gas | Thiodiglycol | 7,026 | Ludwigshafen | Leverkusen and one other factory. |
| Diphenylchlorarsine | Phenyl arsenic acid. | 1,600 | do | Unknown. |
| | | 1,200 | Kalle | Do. |
| Do | Diphenyl arsenic acid. | 4,800 | Leverkusen [1] | Probably A. G. F. A., Berlin. |
| Ethyldichlorarsine | Ethyl arsenious oxide. | 840 | Ludwigshafen | Höchst. |

[1] In addition Höchst produced 3,000 tons of diphenyl chlor- and cyanarsines from own intermediates.

MILITARY IMPORTANCE OF THE GERMAN CHEMICAL INDUSTRY.

The above figures for the output of explosives and gas show the great military value of the factories of the I. G. Combination. Although no arrangements had been made to mobilize them at the outbreak of hostilities, they were rapidly converted to war purposes, thanks to their highly trained personnel and the great technical resources of their peace organization. In the future it is clear that every chemical factory must

be regarded as a potential arsenal, and other nations can not therefore submit to the domination of certain sections of chemical industry, which Germany exercised before the war. For military security it is essential that each country should have its chemical industry firmly established, and this must be secured as one of the conditions of peace, as otherwise we are leaving Germany in possession of a weapon which will be a permanent menace to the peace of the world.

The key to Germany's war production of explosives was the Haber process for the production of ammonia from atmospheric nitrogen. It is significant that large scale production by this process only began at the end of 1912, and that in the early part of 1914 great pressure was put on the Badische Company to increase its output. During the war, owing to the extensions of the Haber plants at Oppau and Merseburg, Germany has become independent of foreign countries for her supplies of ammonia and nitric acid, substances indispensable for the manufacture not only of high explosives but also of fertilizers for food production. Without such a process Germany could not have made the nitric acid required for her explosives program, nor obtained fertilizers for food production after the supply of Chile saltpeter had been stopped by our blockade, and it is probable that she could not have continued the war after 1916. In the event of another war we might be cut off from supplies of saltpeter while Germany would be independent of them.

The resources of the German dye industry are of no less military importance. Most of the gases employed toward the end of the war were complex organic substances, none of which had been made previously except in small quantities, and some of which were prepared for the first time during the war. Gas warfare will undoubtedly continue to develop in this direction, and in the future organic substances will be employed which we do not know to-day. The use of gas will always offer great opportunities for surprise in military operations, and the experience of the present war has shown that rapid production of a new gas is essential if the surprise is to be effective. Any country without a well developed organic chemical industry will be severly handicapped in this respect.

RECOMMENDATIONS.

In view of the military and economic importance of the German chemical industry the mission is of opinion that this subject should receive special consideration, both from the armistice commission and at the peace conference, and the following action is recommended:

(1) It should be one of the conditions of peace that Germany should put the Allies in effective possession of such processes as are considered necessary for establishing chemical industries on a firm basis in other countries, one of these being the Haber process. Any private rights in respect of such processes (if any could be established) can if necessary be considered as part payment of the war indemnity.

(2) For a limited period of years Germany should be compelled to furnish at reasonable prices under allied control such chemical products as are required by the Allies, in order to prevent her from exploiting her chemical production so as to exert economic pressure in allied countries.

(3) All chemical works in the occupied zone should be controlled as regards the supply of raw materials, the purposes for which these are used, and the ultimate destination of the products.

(4) The provisions of clauses (2) and (3) should be carried out by means of a comptroller, who should have at his disposal the services of experts in each branch of the industry concerned. The control by the several allies should be closely coordinated.

(5) Enemy chemical factories of a character capable of being used for the manufacture of explosives and poison gas must be considered in any scheme for the delimitation of armaments, and arrangements should be made for their periodical inspection by an allied commission to determine the extent to which they are producing war material.

(NOTE.—Such inspection would not guarantee that the plant installed was not capable of being used for the production of toxic gases at short notice or even was not designed for that purpose. After seeing the facilities afforded by the German chemical plant in this respect, the mission is of opinion that whatever be the decision with regard to the use of gas in warfare, the temptation to use it is such that it is essentail to the military security of this country that provision should be made to continue research in chemical warfare.)

(6) Control should be established in chemical works not in the occupied zone to insure that they are not used for war purposes.

(7) The large stocks of explosives and poison gases now existing in Germany should be destroyed.

(8) In view of the possibility of a renewal of hostilities measures should be taken so that all explosives factories and all works of primary importance for the production of explosives, such as Oppau, could be destroyed if they were likely to fall into the hands of the enemy.

The following quotation from Dr. Poppenberg, called the "Ludendorff of chemistry" in Germany is of vital interest:

"The next war will be a chemical war. I have interested myself in artificial smoke. We have developed chemical smoke which will cling to the water for five hours. War inventions are successful only when a nation so organizes its chemical and metal industries during peace time that the road is open for war-time progress unimpeded."

Further, the members of the mission are of opinion that the attention of the Government should be drawn to the military importance of developing and consolidating the chemical industry of Great Britain. The points requiring immediate consideration are:

(1) The speedy erection of factories on an adequate scale for the production of ammonia and nitric acid from the nitrogen of the air by means of the Haber process, in order to render this country independent of imported nitrate.

(2) The provision of factories on an adequate scale for the production of dyestuffs and pharmaceutical products.

(3) Action to obtain the requisite security for the chemical industry during the period of its development.

(4) The provision of facilities for obtaining raw materials, such as potash, alcohol, and benzene under conditions favorable to the industry.

H. HARTLEY,
*Brigadier General, on behalf of the Members of the Mission.*

LONDON, *February 26, 1919.*

Senator LA FOLLETTE. General, how important do you regard gas in warfare?

Gen. FRIES. I consider it one of the most important agents in any possible future war. It caused, even in the last war, when the Germans never really realized the power of it until it was too late, and when the enemy never was able to produce all he wanted—it caused over 27 per cent of all of the American casualties, although the death rate was very light from gas. If you take out the deaths from other causes, the percentage of wounded rises to almost one-third of all our wounded.

Senator LA FOLLETTE. The use that Germany made of gas in the war, so far as you can judge, if I understand you, developed largely after they got into the war?

Gen. FRIES. Yes, sir.

Senator LA FOLLETTE. There had not been much preparation for the employment of gas as a medium of warfare, or they would have been better equipped for it.

Gen. FRIES. I think that is true. I do not think the Germans had any idea when they went into the war of using poison gas, because I firmly believe they expected to win the war by October, 1914, by the capture of Paris.

Senator LA FOLLETTE. When you consider the tremendous development of gas as an instrument of warfare, during the period—just the few years this war lasted—if study of the use of these gases in warfare should be conducted by the governments of the world for the next 10 or 15 years, is it highly probable that gas will be the one important factor in winning or losing the wars in the future?

Gen. FRIES. I think it will be the one element that will put more men out of action than anything else.

Senator LA FOLLETTE. Not necessarily destroy life, but reduce armies to a quiescent state where they can not be very effective?

Gen. FRIES. Yes, sir. There will be a great deal of this study, because I believe every police department in the land and every

penitentiary will be equipped with tear-gas grenades, and the like, which will stop any mob and do it in one minute. Of course, a number of these gases have considerable peace-time uses.

Senator LA FOLLETTE. Are some of these gases very destructive of life?

Gen. FRIES. They are all destructive of life if you get enough of them; that is the question.

Senator LA FOLLETTE. How about lewisite?

Gen. FRIES. Lewisite is not much more poisonous than phosgene, but it has one quality that no other gas we know of has. If you get the quantity of lewisite in three full drops absorbed into the skin, it will probably cause death, because it will cause death in rats that we experimented with in one or two hours if you put it on the skin. But the trouble would come in war to get three drops on a man and leave it there long enough to be absorbed. If you rub it off, it will only cause a blister and bad sore; that is all.

Senator LA FOLLETTE. Is it destructive of plant life?

Gen. FRIES. Not that I know of. I have heard that statement made many times, but I have not been able to get any confirmation of it at all.

Senator LA FOLLETTE. Are there any gases or chemicals that are destructive of plant life, so far as you know?

Gen. FRIES. Phosgene and chlorine. Chlorine is used all over the world now for disinfecting purposes and water purification and the like, and in strong concentration it will kill plants; phosgene will kill plants, just kills them down about like a frost, but the roots will grow back. But it does not affect the soil at all.

Senator LA FOLLETTE. Is there any chemical that you know of that would destroy the productivity of the soil for a time?

Gen. FRIES. Not that we use in poisonous gases, so far as I have been able to find out at all.

Senator LA FOLLETTE. I have noted some discussion of that and some claims in that regard.

Gen. FRIES. Yes, sir; but if there is such a thing I have not been able to find it out, nor any of my chemists.

Senator MCCUMBER. You say that Germany did not produce the gases in any great quantities prior to the war?

Gen. FRIES. No, sir.

Senator MCCUMBER. Could she have produced them in great quantities at all unless she had had her many plants engaged in the other dye industries?

Gen. FRIES. Absolutely not; in fact, she could not have produced the explosives and the powders even without those plants.

Senator MCCUMBER. Without these many plants doing a commercial business we would be equally impotent in case of war to immediately begin the production of these gases?

Gen. FRIES. Yes, sir; just as we were in the last war; and it was only because the Allies held that line a year and a half after we entered the war, even, that we were able to get these plants going. Even then commercial plants made poison gases in 11 months, while the Government plants were 14 months after we declared war, although, due to the fact that we did not really realize the importance of poison gas in the war, they did not begin energetically until after we had been in the war four or five months.

Senator McLEAN. General, may we not naturally expect that other compounds will be discovered; that is, gases that will be much more fatal than the ones now in use?

Gen. FRIES. That is possible.

Senator McLEAN. Is not that the reason why this country should be alert?

Gen. FRIES. Yes, sir; and it is the reason why the more extended we can possibly get our chemical industry and the more we extend our chemical research in colleges and universities in these industries, the more certain we will be that we will be able to discover as much as anybody else may have discovered, and that is the only way we will be sure.

The CHAIRMAN. Is that all, General?

Senator SIMMONS. General, let me ask you one question: It was stated, by implication if not expressed here yesterday, that the cost of producing dye stuffs in this country was three or four times greater than in Germany at present. Can you tell the committee why the cost of production is greater in this country than in Germany? What is it that makes the cost three or four times what it is in Germany?

Gen. FRIES. I think there are just two reasons: First, the higher wages paid our labor, and that applies to the production of your coal tar as well as to the actual making of dyes from the crudes and intermediates, and also a difference in the value of the two currencies, the mark being very greatly depreciated. The German workmen being paid in marks makes a still further difference in the productive cost.

Senator SIMMONS. Those are the two elements, you say. The cost of labor—well, that is the measure of the difference in cost. Labor costs less in Germany because of the exchange. So that labor is really the difference in cost and is really that which measures the difference between here and abroad?

Gen. FRIES. I think so. Even the Germans before the war received less and after the mark gets back to proper value again will undoubtedly receive much less than American workmen.

Senator SIMMONS. If that be true as to the dyestuffs industry, if that be the only reason then why does not your reason apply to every other thing produced in this country and Germany?

Gen. FRIES. There is a great difference grows up many times due to whether Germany has all of the raw products or not, or whether we have all of the raw products.

Senator SIMMONS. I did not understand you just now as including in the difference the cost of raw products?

Gen. FRIES. I included that in the labor cost when I said that the difference in labor came in the production of the crudes from which you make the intermediates and the dyes, as well as in the making of the dyes themselves; it all goes back to the first production cost.

Senator SIMMONS. You say the crudes cost more here because labor costs more; and you also say that because of the difference in the cost of labor it enables them to make any such product in Germany three or four times less than in the United States. If that is true, if the labor cost measures the difference, and that is the element in the problem, why does not that apply with equal force to every other thing that Germany produces?

Gen. FRIES. Take the question of cotton goods: Germany imports all of her cotton. The cost of that cotton is a very great factor to Germany in the cost of her product. But she has the coal and she has the kinds of industry with which she produces the coke, and hence she gets these coal-tar products really as a waste product, and it was because Germany woke up to the great economic value of utilizing these waste products that she started into dye manufacturing extensively long prior to the World War.

Senator SIMMONS. This is not the only industry that has been developed to a very high degree in Germany that has to get raw materials from abroad, is it?

Gen. FRIES. No, sir. But there are many other factors, of course.

Senator SIMMONS. The truth is that Germany has to buy very largely the raw materials that she uses in her industries, does she not?

Gen. FRIES. Yes, sir; but she has the advantage in the dye industry that she probably has not in many of the others, in that she has such a tremendous corps of trained specialists who have been working 40 years on this, while the United States has hardly worked at all on it; and we have not got those trained specialists.

Senator SIMMONS. And they were trained in the dye industry?

Gen. FRIES. Yes, sir.

Senator SIMMONS. When you did not have those trained specialists in this country, how did you manage during the war to develop this industry to the point where you could make such enormous quantities of raw materials; and in that limited time run the production of this country up from 10 per cent of what we consume in this country to 90 per cent of what we consume in this country?

Gen. FRIES. But we had some very great advantages. We had our manufacturers being trained for two and a half years in manufacturing many of these supplies for the Allies, before we declared war, and then in the 18 months after we declared war before we got up to that production, we were enabled to train hundreds of men. They were not as skillful as Germany had, but they were skillful enough to do that work in a very limited way; and the only way we will have sufficient trained personnel in the future is to develop the dye industry where they acquire it.

Senator SIMMONS. What I can not understand, General, is this: You had sufficient trained chemists in this country, not only to produce 90 per cent of all the dyestuffs that were consumed, but to furnish other countries with enormous quantities of the dye products of our dye factories. It would seem to me that that would controvert your contention that we have not in this country an adequate amount of trained chemical knowledge to meet the domestic requirements in reference to dyes.

Gen. FRIES. I think the difference can be shown by the differences in the number of dyes, for instance, that are made. Even now, after a seven-year embargo, due to the war, and the tremendous development pushed by every resource of the American mind, we are still making less than one-third as many dyes as Germany makes, and Germany produces her dyes cheaper than we do, because in making 900 dyes or thereabouts she perhaps uses all of these crudes and has practically no waste whatever. If we are only making a half dozen dyes we have a lot of waste products that could be made into different products if we had the highly trained personnel and

factories Germany has got, and that is the point to which I would like to see the dye industry developed in this country.

Senator SIMMONS. I do not see why Germany is making so much more dyes than we are at this time, in view of the fact, as testified here, that England has established something equivalent to an embargo and some of the other industrial nations of Europe have also done so. What nations, under the circumstances, is Germany supplying? She is not supplying us.

Gen. FRIES. She is hoping to, probably. Those men have got to make dyes or do nothing. They have the plants and trained personnel all there, and that is the only thing they can do with this product; and they hope by making it and having it available they can get established and supply the whole world as they did before. I think that is why they are making it; I think it is absolutely forced on them.

Senator SIMMONS. I suppose if they had that hope they would not make these products in advance, especially if they need all the money they have got for things in immediate demand. I should imagine good business sense would suggest to them that they wait until these markets are opened up.

Gen. FRIES. But they only get money that is really valuable by selling products to somebody at the present time; and these men are available to do this. They had better keep them busy piling up dyes than to have them idle to start revolutions, I presume.

Senator SMOOT. Italy and France and England and Belgium, as you state, have embargoes upon German dyes——

Gen. FRIES (interposing). I do not know about Belgium, Senator; I am not certain about Belgium at all.

Senator SMOOT. Then cut out Belgium and say in the other countries noted.

Gen. FRIES. Yes, sir.

Senator SMOOT. And they are the great manufacturing countries of the world, and Germany certainly is not going to make dyes and pile them up. Where is there any other country outside of this country here to sell those dyes to?

Gen. FRIES. She can only sell them perhaps to China. She sells a good deal of indigo and the like to China and perhaps some to Russia.

Senator SMOOT. She does not sell as much indigo to China as we do.

Gen. FRIES. Perhaps not. But the point important to me is that she would hope, if we do not have an embargo here to keep out those dyes, she can sell them here.

Senator SMOOT. She can not, with the rate of duty we will put upon them.

Senator WATSON. Is it not a fact that at the time you appeared before the subcommittee, of which I happened to be the chairman, when we investigated the dye industry, and at that time there was talk about large quantities of dyes coming into this country and going to other countries, it was shown that England had lifted the embargo or had not yet laid an embargo? Do you recall that?

Gen. FRIES. Yes.

Senator WATSON. And after that there came into England dyes in a very great quantity; and then England put on the embargo.

Gen. FRIES. Yes, sir; the embargo was laid in the last year.

The CHAIRMAN. General, I suppose if the disarmament arrangements come to anything effective the abolition of the use of gas for military purposes would be among the chief accomplishments, would it not?

Gen. FRIES. I do not think so, Senator; I think it would be the most dangerous thing they could possibly do, because every coal-tar industry is a potential poison gas or high explosive factory.

The CHAIRMAN. Do you mean to say that the disarmament arrangement among the nations would not have as one of its chief results the abolition of gas?

Gen. FRIES. No, sir: I do not think so.

The CHAIRMAN. Then we would have to keep on making plenty of gas under the disarmament arrangement?

Gen. FRIES. No, sir; we would not make gas any more than we are making it now. But we would know if we developed the coal-tar industry we would be able to make more gas than any others, and we could turn those plants into poison-gas factories if we had to.

The CHAIRMAN. Then you would look upon disarmament as being ineffective?

Gen. FRIES. No, sir; I think it would be very effective. Under the development of a coal-tar industry our keeping up in chemical warfare is very easy and cheap; in fact, it is very cheap to-day. The total expenses of the Chemical Warfare Service since the war have been less than two-thirds of 1 per cent of the Army appropriation, and they will continue to be low, not over 2 per cent at the most. But we would have available in the coal-tar industry plants where we could provide any quantity of poison gases or high explosives we would have to produce, and it is the only kind of armament that would cost us nothing in peace.

The CHAIRMAN. But we are not supposed to need those agencies if we disarm.

Gen. FRIES. If we can come to a complete disarmament and be sure——

The CHAIRMAN. That is what I am asking you.

Gen. FRIES. I do not think that is possible for a long time.

The CHAIRMAN. Then you look upon this negotiation as likely to be a failure, do you?

Gen. FRIES. No, sir; I think if we can go far enough to put a limitation, we will say, on the number of battleships each country may have and the number of big guns each country may have, that we will have gone a long way toward reducing the cost of armament, which is the first consideration.

The CHAIRMAN. Then you would not expect it to cover one of the most murderous weapons of modern warfare, which is gas?

Gen. FRIES. I think you would then be putting this country into the complete power of some nation that might become an outlaw.

The CHAIRMAN. Then you think a little gas "on the side" would be a good thing? [Laughter.]

Gen. FRIES. I think it a wise precautionary measure, Senator. [Laughter.]

Senator WATSON. They will still continue to make guns, will they not?

Gen. FRIES. Very likely, sir. I hope to see the disarmament a success.

Senator WATSON. Also munitions and powder?

Gen. FRIES. Yes, sir; and they will have the plants ready to make them in all countries that produce coal-tar products.

Senator WATSON. They will not use these guns to shoot religious fanatics. [Laughter.]

The CHAIRMAN. The pending negotiations open up a new vista to me after hearing you, General.

Senator SMOOT. Mr. Metz would like to testify at this time.

The CHAIRMAN. Mr. Metz is here, and we would be glad to have him submit his views.

## STATEMENT OF HERMAN A. METZ, PRESIDENT OF THE CONSOLIDATED COLOR & CHEMICAL CO., NEWARK, N. J.

The CHAIRMAN. You are in the dye business, Mr. Metz?

Mr. METZ. I am in the business of manufacturing dyestuffs and pharmaceutical goods, at Newark, N. J., and Brooklyn, N. Y.; among them salvarsan, the 606 specific, and those other highly organized products so often referred to which are manufactured in large plants on this side owned and operated before and since the war by my companies.

The CHAIRMAN. Will you state your views on this matter, Mr. Metz?

Mr. METZ. I am entirely in accord with any proposition that will give the American industry ample protection. We need the industry; we must have it. I was an importer as well as manufacturer before the war, and have been in the business nearly 40 years handling dyestuffs. I do not want to see my plants scrapped. They will not have to be scrapped if we are given proper protection and which will at the same time give the consumer those dyes which he needs, if he is willing to pay for them.

We are at the present time making 90 per cent of the dyes used in this country. Out of the number mentioned by Gen. Fries, three-fourths are used only in a comparatively small way. The essential dyes are being made, but there are certain special dyes that are not being made here. Some of them I do not believe ever will be made here, because they can not be made economically. If we can't import them then those dyes will be available to other countries, and textiles will be dyed with those dyes and sent here on the fiber instead of being made here.

I do not believe our dye men are bothering enough about that. We heard it said that they could be made in two years, but we haven't got them in six years, because we do not produce anthracene in sufficient quantity at a price to warrant making those colors.

We are down to-day to the prewar price of the imported goods on some of the colors. Three colors constitute about 50 per cent of all those used in this country—sulphur black, direct black, and indigo. Indigo has dropped within the last 10 days; it has dropped gradually since the first of the year from 70 down to 40, and I understand it is offered below 40 cents to-day, and that you can buy it for 35 cents. The ingredients entering into it have not dropped in proportion, showing that the margin of profit has been cut and that consumers are coming into their own.

The plants built by myself and others have been or should have been charged off in profits long ago. The expensive research work

we hear so much about has been paid for by the Government, because it was taken out of expenses and charged off in income and excess-profits taxes. We should not have to pay interest on big investments which have been amortized. My plants have grown enormously, because the profits went back into them.

I did not pay it all out in dividends nor put all the profits in our pockets, and others who did the same thing have no business kick coming and are protected to that extent for all time; that is my position as a manufacturer.

Senator CALDER. You are also an importer of dyestuffs?

Mr. METZ. I am an importer to the extent that others are importers. I get the licenses from our customers, and I import on orders for them.

Senator WATSON. You imported largely before the war?

Mr. METZ. Very largely. I also made colors long before the war, however, and on certain things which we competed with the imported. We also exported. Some colors were exported all over the world before the war, for there were a few colors we did make and export. We were not producing much benzol then; but since our coke ovens were rebuilt benzol is now produced by the ovens and we can not stop it. When the steel industry starts up, there will be benzol enough to flood the country.

There is so much stress laid on what the dye industry uses that I brought with me a list issued by the Koppers Products Co., of Pittsburgh, showing for what others benzol is used, which reads [reading]:

*Benzol—Koppers.*—When buying benzol, toluol, or solvent naphtha specify "Koppers." Over half produced by the Koppers process.

Benzol, toluol, and solvent naphtha are being used by the more progressive manufacturers engaged in the following lines of business:

Rubber goods, tires, tubes, rubber cements, paints, varnishes, lacquers, soluble cotton solutions, bronzing liquids, paint removers, varnish stains, furniture polishes, metal polishes, floor waxes, enamels, turpentine substitutes, shingle stains, wood preservatives, bitumastics, roofing cements, road compounds, electrical insulating varnishes, artificial leather, printing inks, intermediates, dyes, leather goods, naphtha soaps, disinfectants, emulsions, sweeping compounds, show polishes, carbon removers, leather dressings, solvents for waxes, cans and food containers, impregnating asbestos boards, wall boards, brake linings, extraction work of all kinds, alkaloids, recovery of vegetable and animal oils, coconut extraction, degreasing garbage, bone, hide and hair, rosin extraction, dry cleaning, cleaning preparations, mineral flotations, motor fuel, fuel gas, pharmaceuticals, perfumes, organic chemicals, photographic developers, denatured alcohol, explosives, chlorinated, nitrated and sulphonated products, linoleum, oilcloth, printing press and type cleaning.

There are a thousand other uses besides dyestuffs for benzol. If all dyestuff plants stopped to-morrow they would still have uses for benzol, and the same holds as regards toluol and the other crudes used for dyestuffs. Benzol and toluol to be used for explosives must be nitrated.

Of the 80 plants mentioned, there are not 8 that can do nitrating on a scale available for explosives. The people who have nitrating plants are the powder concerns and the people who make the "dope," so called, for artificial leather, who nitrate cotton. Those are the plants that can be converted into munition plants. The average dye plant is not any more fit for producing dyestuffs or poison gas than a brewery. I make chloropicrin, but it is a laboratory proposition. I produce it in order to make certain pharmaceuticals. Chloropicrin is made practically in a laboratory way, unless you do it on a large scale as the Government does it.

In regard to phosgene gas, I wrote abroad to find out how much phosgene is used. Phosgene is used in about four colors, and that is all. I wanted to know how much we were producing and how much was produced abroad. I found there practically only one other plant making phosgene, and that would be the Badische, because they had the patents on these particular colors, and one plant in Switzerland made them also.

My information is that in 1913 204 tons were used for colors and intermediates, and then Germany practically supplied the whole world with the products made with phosgene. In 1920 only 64 tons were produced. That isn't enough for one charge in war. Our records show that the United States produced in 1918 1,616 tons of phosgene, and it shows that no plant then making colors made phosgene. I built a small plant in Rahway to make it, but never started it, for as soon as the armistice came I could get all I wanted from the Government plant if I would only cart it away, because it can't be handled by freight. They have enough to supply the country for dye purposes for the next generation.

Chlorine we manufactured before the war and were the largest producers and exported a large amount. There is more chlorine used for paper manufacturing and disinfecting than in all other lines put together.

The same thing is true in regard to picric acid. There is enough picric left from the war to last the dye men for years. Chlopicrin is made of picric acid and chlorine. Phosgene is not a coal-tar product; phosgene is made of carbonic acid and chlorine. It is not a coal-tar product at all. It is used in the dyestuff industry for three or four colors, and those can be substituted. Auramine, the chief one, is used in paper making to a large extent. Crystal violet is used for typewriter ribbons and purple pencils.

Senator WATSON. You have been for years an importer and an importer on a large scale?

Mr. METZ. Yes, sir; and from all producing countries.

Senator WATSON. And you are now manufacturing and have been since the beginning of the war?

Mr. METZ. Yes, sir.

Senator WATSON. Is it your opinion that this industry can be protected without the embargo?

Mr. METZ. I believe that you can protect it by a specific and an ad valorem duty. Increased cost of dye does not have much bearing in the last analysis on most fibers, but on some—for instance, cheap cottons dyes with indigo—it does.

Let us take indigo. Indigo was sold at 12 cents, without duty, before the war, and 10 pounds of indigo to dye 100 pounds of cotton made the cost of dyeing 1¼ cents a pound for dye. It is used largely on denims, cheap cotton goods, made in the South, and used for overalls. The biggest plant is at Greensboro, N. C. Their business is largely export. These denims dyed with indigo would cost 1¼ cents for dye; at 60 cents for indigo it would be 6 cents a pound for dye, which is very materially higher. If you figure 40 cents a pound for cotton, it is not so much, as when you get down to 10 or 12 cents cotton, and it puts you out of business in competition with England or other countries having cheaper indigo; they will have the export trade then and you will not.

The manufacturer can stand higher priced dyes on other higher priced goods, and if he wants a certain dye to produce a certain result, which he can stand behind, he can not take "something just as good;" he must have the color he wants and ought to be able to get it without a lot of argument and delay.

Licenses for the import of dyes are given out by the War Trade Board section, and I want to say that I have no criticism of the functioning of the War Trade Board as its bureau is constituted. They try to be reasonable. I want to say now that we ought to do something to extend its functions over the indefinite period from August 28 until a permanent rate is fixed for the protection of the dye industry.

I am not afraid of being swamped by German dyes. The Germans have not got the dyes, no matter what they tell you. I was over there last year, and saw them all for myself. They have doubled their plants, but they were doubled because they had to make synthetic alcohol and acetic acid from carbide, fertilizers, synthetic rubber, gums, and shellacs. They could not get those outside, and they did not do a solitary thing in the way of new colors or new medicinals.

In the matter of pharmaceuticals, I sent an order in 1920 to Germany for 10 pounds of orthoform, an anesthetic, and they did not have it in all Germany. They had stopped manufacturing and were making things more essential. The dye plants made war products because they were acid manufacturers.

Senator CALDER. They can manufacture them eventually?

Mr. METZ. We have been shipping wood alcohol and other raw materials to Germany; we have been shipping formaldehyde to the other side. There are many raw materials they have not got. They have not got the coal; their plants are not running over a third capacity.

Senator CALDER. But they can get the coal.

Mr. METZ. Eventually they can. But give us protection against that, but do not say we can not get what we want if we are willing to pay for it. I am making novocaine and salvarsan, or 6-0-6, that you have heard so much about.

Senator WATSON. Is that a coal-tar product?

Mr. METZ. It is to a small extent from aniline, with arsenic; and that is all the coal tar there is in it. After that you get away from coal tar.

Senator WATSON. It was discovered in the dye industry, was it not?

Mr. METZ. It was not discovered in the dye industry. It was discovered by Ehrlich and because he used a coal tar preparation, the dye people made it. That price was $2.50 for six-tenths of a gram before the war. I sold it here.

Senator CALDER. You were the sole agent?

Mr. METZ. I was the sole agent. They paid 40 per cent royalty to Ehrlich, for the Speyer-House, which is like the Rockefeller Foundation here, and the duty was 25 per cent. I am making it here now under license and my last price was 27 cents, for the same quantity, to the United States Government.

Senator CALDER. When was that?

Mr. METZ. Lately; on the last contract. Several concerns took it up under license from the Federal Trade Commission on a 5 per cent royalty. Practically an agreement was made with the Public

Health Service that a dollar a dose would be a fair price to the Government for war purposes. The Army had about 400,000 doses. Syphilis is not like malaria or a cold in the head, and will not cure itself and I made up my mind that the more I could extend the use of salvarsan the better it would be for mankind; and to-day the Government is buying it, and clinics are enforcing its use and doing it free.

Senator CALDER. Buying it at 27 cents?

Mr. METZ. At 27 cents.

Senator CALDER. Before the war how much was it?

Mr. METZ. $2.50; that was the price. It went from that up to $4.50 in single doses to physicians, but speculators cornered it and got $25 and $50 for a dose early in the war.

Senator CALDER. Were you the importer selling it to the Government before the war?

Mr. METZ. Certainly. They paid the same price as anybody else.

Senator CALDER. What was the Government paying you before the war?

Mr. METZ. About the same, the best wholesale price, about $2.50, unless they saved the duty.

Senator WATSON. It was made abroad?

Mr. METZ. Made in Germany by the patentees.

Senator CALDER. Is this the same article you are making here?

Mr. METZ. It is the same article exactly.

Senator CALDER. How many licenses are there for manufacturing?

Mr. METZ. Three or four licenses from the Federal Trade Commission and two or three from the Chemical Foundation, which took over the patents, with 4,500 others. I am not making anything on what I sell the Government, but I am simply mentioning it to show what we can do.

The labor cost is enormous on that stuff, and whether it competes with us or not, and no matter what price they put upon the German stuff, if a man has syphilis and wants the German product, but is compelled to use something said to be just as good, we will get the blame for it if he is not cured. There is psychology involved in the matter; the man ought to get the German goods if he thinks they will cure him. Within the last two months I have imported some of the German stuff, and it cost me 56 cents to lay it down here.

Senator SMOOT. Is it any better?

Mr. METZ. I do not think it is as good. It is just as efficient, but our stuff is more thoroughly tested; it is tested three times. It is first tested in our own laboratory. I have three men from the Public Health Service for research work. I endeavor to get the best service I can for that purpose. As I said, it is first tested in our own laboratory, where it has to pass a certain test. Five rats are injected. Those rats must live 48 hours. If more than 60 per cent die, the stuff is rejected. Then we send it to the Columbia University and it is again tested. Then it is tested again in Washington. There the test is very severe.

Senator WATSON. Do you want this rat industry protected?

Mr. METZ. I think the rats are quite able to take care of themselves.

Senator LA FOLLETTE. We can put it in this bill if you want it?

Mr. METZ. Well, everything else is in it. We have a more severe test than the Germans have. Our product will test higher than the

German stuff. A rat may live at 300 with the official test 200. We have to get the purest possible product. It takes 50,000 pounds of material to make 100 pounds of salvarsan, and there is not a single ounce of by-product. If it goes in your veins and it is wrong, you are dead. Even without embargo there are to-day restrictions against bringing this material into the country. The Chemical Foundation hold the patents and the Public Health Service prescribes regulations, so there is ample protection for the manufacturer. I put originally $100,000 in my plant to make salvarsan. I have over a half million dollars invested in it to-day and it pays a good profit, but for the physiological reasons stated, the German product ought to be available.

Senator WATSON. You still import some German dyes, do you not?

Mr. METZ. Only on licenses granted to consumers.

Senator MCLEAN. What percentages of your turnover do you import?

Mr. METZ. Dyes?

Senator MCLEAN. Yes, sir.

Mr. METZ. I suppose altogether there is about 10 per cent importable colors still on the list coming in.

Senator MCLEAN. Of your own business what percentage of your annual turnover do you import. Either for yourself or acting as agent?

Mr. METZ. I can not import for myself. I import as an agent only. All dyes from Germany come in that way. The Swiss came to dealers.

Senator WATSON. What company do you represent?

Mr. METZ. I represented the Hoechs plant, one of the so-called Big Six.

Senator CALDER. What was the value in money on the dyes you manufactured last year in your own business?

Mr. METZ. I can not tell you off hand. I could give you the exact figures later. Last year was an off year. We were shut down half the time. I do not suppose my entire manufacturing business last year amounted to over $3,000,000 or $4,000,000.

Senator CALDER. How much did you import?

Mr. METZ. A very small amount. I suppose if we did $250,000 worth of business altogether since we started importing, it is not a whole lot.

Senator LA FOLLETTE. Since what time?

Mr. METZ. Some of the goods ordered in the spring of 1920 are not here yet. They have not got the stuff, gentlemen.

Senator WALSH. How many employees have you?

Mr. METZ. In my dye plant? I suppose I have about 200 men in the Central, about 150 in the Consolidated, and in the Laboratories about 200, but there most of them are women.

Senator WALSH. How many are there in the whole industry that would be affected by this legislation?

Mr. METZ. That is hard to tell. I do not know what the National has now. There has been a combination with the General Chemical and the Barret companies, and a very proper one for this country to have.

They talk about the embargo in England and France. I have letters to-day from England offering German dyes and letters from France

offering reparation dyes. The English went into Germany and bought up a two years' supply before they made the embargo. That is why they have an embargo. The English are always on the job and we are not. I have offers to-day for German dye from English dealers, and if you will send for the records of the War Trade Board you will find that permits are being given right along to bring over these German colors from England. I have a list of the French reparation goods and the Italian reparation goods, all of which can be dumped in here, if you do not prohibit them.

Senator SMOOT. What about Japan?

Mr. METZ. Japan is still buying. I suppose you saw the list of exports by these poor fellows that were going out of business this last June. They still succeeded in doing a little business in the export line. This is up to date. It was 400 and some odd thousand dollars worth which we still exported this June, although we are talking about going out of business. This is from the record of the Department of Commerce sent out by the Dyes Institute. I have no objection to exporting all we can; it shows we can compete against German goods in other countries, even if we are scared to death here.

Senator SIMMONS. This closing down of factories that we have been hearing so much about and this slumping of price in this country are not due to any foreign competition?

Mr. METZ. It is due to the fact that our mills were not consuming. We were all loaded up on olive drab and khaki. I have enough dye for olive drab and khaki to clothe the armies of the world for the next 10 years which nobody wants to-day. That dye decomposes in time. We had to have it on hand to keep the mills going, and when the war stopped—biff.

Senator SIMMONS. You were somewhat in the same condition with the cotton growers in the South?

Mr. METZ. Certainly. I am willing to practically give away this olive drab.

Senator WALSH. You ought to start a propaganda.

Mr. METZ. There is enough without that. I do not think it is necessary to spring that kind of stuff on the public. I am in the military branch myself and hold the rank of colonel still. American dye makers exported in June four hundred and some thousand dollars worth, and Japan took two hundred and twenty odd thousand dollars worth. That does not show that we are going out of business.

Senator MCCUMBER. We exported that during what period?

Mr. METZ. During the month of June of this year. I have a list here of the colors that France and Italy are offering to this country. I have here a letter from England, from Harry Heymann, of Bradford, under date of May 21, 1921, offering German colors. He says:

> I thank you for your letter of the 10th instant, and beg to state in reply that I am in a favorable position to deal with any inquiries which you may be good enough to submit to me, either by letter or cable, for all classes of aniline colors of German origin, and to guarantee all deliveries to be standard European types in maker's original packages.
>
> I have already been dealing with important inquiries from your country and have done some very large business.

That is in spite of the embargo in England. There have been licenses granted right along for colors from England that are not made here that are being sold below the German prices.

Senator WALSH. And were originally bought in Germany?

Mr. METZ. Certainly, and sold as German goods.

Senator MCCUMBER. Were they not taken as part of the reparation?

Mr. METZ. No, sir. They were bought by the dye consumers, of England. They sent a commission over to Germany and bought up a two-years supply, and I was told that the reason they put an embargo on was to protect those people who had those dyes. England can take off an embargo to-morrow the same as she puts it on by an order in council. We can not do that; we have to come to Congress.

Senator SMOOT. How are the prices offered by England?

Mr. METZ. I am coming to that. I have taken the German cost price of goods. I have taken from the records goods that we are making here, the German mark price and the German selling price. I cabled for prices, asking for the export price and the German mark price. We formerly paid duty on the German mark price, which was much less than the price we paid in dollars. That was not fair and has been overcome in the emergency tariff. I find that the average cost price abroad on the average color is one and one-half times over the prewar price of the cost of manufacture. If you will get the reparation list you will find, if you multiply by four, the amount of each color they made. In that list is given the minimum price, their cost price, practically.

Senator SMOOT. What I wanted to get at was this: If England has bought a two year's supply of dyes from Germany, and France has the reparation dyes on hand, and Italy has them, and they are offering them in this country, if they are offering them at a price, say, half of what the American price is, the manufacturer will want an embargo against those goods. What are the prices that they are offering?

Mr. METZ. Goods that are made here can not come in at present. On the goods that are coming in the prices are, under the present tariff, lower; but the German price for manufacturing, given in the reparation list, compared with my prewar prices is one-and-a-half times, figured at the old rate for marks. In other words, converted into dollars, the price to-day of making is one-and-a-half times greater than it was before the war. Here it would be about 75 cents against $1.25. If we take the cheapest colors—and the bulk of them will never be brought in again anyway—and put on a specific duty of 10 cents a pound and 35 per cent ad valorem, it is an embargo. If you take the American valuation to-day, the price at which they are sold here, and put on a duty on that basis, or take the Moses amendment, it is absolutely an embargo for everything made in this country. The specific rate can be increased as the value of the color increases.

Senator SMOOT. The manufacturers or users of dyestuffs are not complaining so much about the rate of duty put on the goods as they are complaining about the embargo itself?

Mr. METZ. Absolutely.

Senator WALSH. Do I understand the witness to say that notwithstanding the American valuation plan in this bill it amounts to an embargo on all goods as well as dyes?

Mr. METZ. I should think the American valuation as such would be very hard to administer, but it can be administered in the chemical line, because we know what the prices are.

Senator WALSH. It is an embargo?

Mr. METZ. It is an embargo on goods made here.

Senator SMOOT. Providing that the rate is as high as you have stated.

Mr. METZ. Yes.

Senator SMOOT. It is not an embargo in itself, but it can be made an embargo by having the ad valorem rate high enough?

Mr. METZ. Yes; but it will be practically an embargo on what we are making here now because they are within reach of a reasonable price.

There is another point I wish to make and that is on the subject of the license system. The Amoskeag manufacturers put out a certain blue. It was a German color. They wanted 20,000 pounds of this particular blue. Our manufacturers have to make up goods for the full season. They ordered 20,000 pounds of this stuff. By the time it got here the season was ended. I had to pay for the stuff on the other side before it was shipped. We are trying to peddle that stuff out to other mills.

Senator WALSH. The Amoskeag Mills are very much opposed to the embargo?

Mr. METZ. All the big mills are opposed to it.

Senator WALSH. The textile industry is against the embargo?

Mr. METZ. Yes, sir; they are against it.

Senator WALSH. That is because there are certain colors that they need that are not produced in America?

Mr. METZ. Yes. Mr. Waters spoke yesterday of colors that he used. Well, he is in a very limited line. His colors are made here and he can get them. Other mills want colors for fancy shirtings and sunproof and laundry goods.

We had a request for rhodamine 6-G, which is a color used very generally by print-goods mills down East. The War Trade Board wrote the mill that they could get information from the Dye Institute where to buy the goods here. A man with a little plant said, "My price is $55 a pound, and I am going to make you people pay for what I have lost." The price was about $6.50 on imported goods at the time and this so-called American plant wanted $55. The import license was finally granted. Those goods have since come into the market at about $10, which is reasonable.

Senator MCCUMBER. Did I understand you to say, Mr. Metz, that the Moses amendment, in your opinion, would constitute an embargo on dyestuffs?

Mr. METZ. It will constitute an embargo on things made here. The moment you apply duties under the Moses amendment you will keep out practically everything made in this country. But it is better than an embargo, no matter how high it is, because it gives people a chance to get whatever they want if they are willing to pay a high enough price for it. You can not bring them in at prices to compete with American stuff.

Senator CALDER. Except the things that are not made here.

Mr. METZ. There is a point that I did not touch on in respect to salvarsan. To-day this is the result: It is being smuggled in by sailors, stewards, and others and peddled among the doctors, who get high prices for it. If it were done openly there would be no trouble. But if the stuff sold very often is not salvarsan, it is

positively deadly. It is smuggled in from Hamburg, where peddlers sell it as narcotics on the docks. Sometimes it gets in through the trunks of passengers, and the Government loses the duty besides.

Senator WALSH. Mr. Chairman, it is now 12 o'clock and the Senate is about to meet. This witness seems to be very well informed on this subject, and I think when we adjourn we ought to invite him to come back and resume his statement.

The CHAIRMAN. It will be impossible to hold a meeting of the committee this afternoon. The committee regrets very much not being able to accommodate to-day the gentlemen who are here to be heard. This unanimous-consent agreement still continues on the floor of the Senate and there will be roll calls every 10 or 20 minutes making it absolutely necessary for the committee to adjourn until to-morrow at 10.30.

Mr. METZ. Then I will return to-morrow morning.

Senator SUTHERLAND. Before we adjourn, Mr. Chairman, Mr. Silver, who is present, desires to file some papers.

The CHAIRMAN. There are at least 10 gentlemen who want to be heard and file papers. We would be kept here an hour or more receiving them. The supposition is that every gentleman who files a paper ought to permit himself to be examined if need be. Merely coming up and filing a paper is a practice that the committee really frowns upon.

Senator SUTHERLAND. Mr. Silver will come back at any time.

The CHAIRMAN. Then, Mr. Silver, suppose you come in to-morrow and file your paper. The committee may want to ask you some questions about it.

(Thereupon, at 12 o'clock noon, the committee adjourned to meet Friday, August 5, 1921, at 10.30 o'clock a. m.)

## Friday, August 5, 1921.

The committee met, pursuant to adjournment, in room 312, Senate Office Building, at 10.30 o'clock a. m., Hon. Boies Penrose presiding.

Present: Senators Penrose (chairman), McCumber, Smoot, La Follette, Watson, McLean, Calder, Simmons, and Sutherland.

The CHAIRMAN. The committee will come to order. Mr. Metz was addressing the committee at the time of adjournment yesterday. He is to conclude his remarks this morning. Is Mr. Metz here? [After a pause.] Mr. Metz does not seem to be here.

Mr. Choate is here and will kindly address the committee at this time.

Mr. CHOATE. Has Mr. Metz finished?

The CHAIRMAN. Mr. Metz is not here.

Mr. CHOATE. I want to say just a few words. I shall take about five minutes of your time.

The CHAIRMAN. If you do not wish to go on now we will go ahead with some of these other witnesses.

Mr. CHOATE. I think I might as well go on now.

The CHAIRMAN. I wish to say this morning that it is very important for the witnesses whose names appear on this schedule to remember that they use, during the course of their remarks, a great many technical phrases with which the stenographers are not familiar and which are naturally difficult to understand. Therefore, I sug-

gest that the witnesses speak slowly and audibly at all times so that the stenographers can take their testimony. I hope that it is fully understood by everyone, now and hereafter, who appears before the committee, that the committee is extremely anxious to have the proceedings accurately reported in the language of the witnesses, and with that end in view all witnesses appearing before the committee may correct their manuscripts, so that every gentleman who is willing to take the trouble to go to the clerk to the committee may get his manuscript and correct the proof. He may have all the time he wants. The committee will hold the final print as long as possible, in order that these very important, instructive, and interesting proceedings may be embodied in permanent and accurate form. The committee hopes it will have the cooperation of the witnesses and the taxpayers in this matter.

Now, Mr. Choate, will you proceed?

## STATEMENT OF JOSEPH H. CHOATE, JR., REPRESENTING THE AMERICAN DYES INSTITUTE.

Mr. CHOATE. To save the time of the committee——

The CHAIRMAN (interposing). You submit a brief?

Mr. CHOATE. Yes, sir.

The CHAIRMAN. Do you desire to have this brief printed?

Mr. CHOATE. As to that, I suppose it ought to form a part of the record, because it is the only comprehensive statement to be made on our side of the case.

The CHAIRMAN. Does this cover testimony given at the last hearing?

Mr. CHOATE. It covers testimony given at the last hearing and new matter which we desire to present now.

The CHAIRMAN. In your opinion, it is of such character that it should be reprinted in this record?

Mr. CHOATE. I think it should.

The CHAIRMAN. The stenographer will embody it in the record at this point.

### BRIEF OF JOSEPH H. CHOATE, JR., REPRESENTING THE AMERICAN DYES INSTITUTE.

ADEQUATE PROTECTION TO THE AMERICAN COAL-TAR CHEMICAL INDUSTRY.

THE SITUATION.

The tariff bill as passed by the House leaves the coal-tar chemical industry without any substantial protection. The duties imposed of 7 cents a pound and 30 per cent on intermediates and 7 cents a pound and 35 per cent on dyes and finished products are conceded to be utterly incapable of enabling our new industry to compete with the Germans.

The bill as reported by the Ways and Means Committee contained, in addition to the duties, provisions intended to furnish substantial protection. These excluded altogether for a period of three years all such coal-tar products (other than crudes) as were made in the United States in proper quantity and quality and at a fair price. Provisions based on similar principles had been recommended by the Ways and Means Committee, passed by the House, and adopted by this committee in the last Congress, after hearings at which many hundreds of pages of testimony were taken and after consideration extending over many months. The reports of all three committees show that each separately reached the conclusion that the industry is vital to our country and that no less drastic form of protection would serve. The House, after a debate which could not, in

the nature of things, cover adequately even the outstanding features of so complex a subject, first adopted the special protection paragraphs and then reversed itself, rejecting them by a vote of only 208 to 193. This adverse majority included substantially all the Democrats, so that even in the House the measure commanded the support of two-thirds of the friends of the protective principle.

We therefore desire to recapitulate the facts which led to the previous decisions of the committees and to urge that an amendment to the tariff bill be recommended accordingly—preferably along the lines of the bill reported by this committee in the last Congress—so as to insure the exclusion from import for a substantial period of those coal-tar chemicals which are well and cheaply made at home.

### I. THE PROTECTION DESIRED.

The protection required to sustain the industry, as was offered by this committee's amended version of the Longworth bill in the last Congress, is substantially as follows: The importation (except in bond) of all such intermediates, dyes, drugs, and other coal-tar chemicals as are found by an impartial body—e. g., the Tariff Commission—to be obtainable in the United States on reasonable terms as to quality, price, and delivery should be prohibited for a substantial period. This exclusion, though hitherto recommended by the committees for not more than three years, should, for reasons which will appear, extend for at least five. To prevent the Germans from making impossible by large present imports the production here of new products, the quantity importable should be limited to a six months' supply for each consumer. The regulation by which these results are to be attained should be as flexible as possible and controllable by the body which is charged with their administration.

The rates were, of course, adopted as mere adjuncts to the protective provisions operating by way of direct exclusion, which have been struck out. If no direct protection of the selective embargo type is ultimately granted, such rates are merely derisory. If the more drastic protection be granted but limited to any such brief period as three years, and the rates be left at the present figures, the industry will be placed in a peculiarly difficult position. The main protection having lapsed, they will have to apply for either a renewal or increased rates. Judging from past experience either one would be excessively difficult to obtain, however strong the case presented. The proper reluctance of Congress to change tariff provisions relating to single industries is well known, and based on sound principles. It will be ruinous to the dye industry, however, if low rates are coupled with brief embargo protection.

In practice the plan would work out simply enough. The Tariff Commission would, after investigation, issue, and from time to time revise, an importable list, enumerating the substances, covered by paragraphs 25 and 26, found not to be adequately manufactured here. These would be freely importable by anyone up to the limit of a six months' supply, without license, troublesome formality, or the possibility of discrimination. Any consumer who could not buy a product at home could import his reasonable requirements of it; and if the list prove in any way erroneous, could secure its correction without waiting till he needed the goods. The plan of this "selective embargo," therefore, contemplates that no consumer shall be prevented from getting what he needs or seriously delayed in getting it. It encourages import of all those things which can be imported without ill effect on our industry. By duties upon such imports it provides substantial revenues. It is a temporary measure adapted to an emergency; and it follows the example of legislation to the same purpose already adopted, after wide experience, by France, Great Britain, Italy, and probably Japan, by which our dyes as well as those of the Germans are, with like limitations, excluded from those countries.

It is urged in opposition to our contention that protection by even a limited embargo is unheard of and un-American. In answer, we need only point out that many instances of embargoes in existing legislation were cited by Senator Watson in his speech in the Senate (Cong. Rec., vol. 59, pt. 4, p. 3456) on February 25, 1920.

### II. WHY A NATIVE DYE INDUSTRY IS NECESSARY.

A complete self-sustaining domestic dye and coal-tar chemical industry is indispensable to our national prosperity for five compelling reasons:

(*a*) $3,000,000,000 worth a year of American goods can not be made without its products.

(*b*) It alone can keep the Nation abreast of the progress of science in chemical warfare, and provide and keep available in peace times an inexhaustible source of explosives and poison gases needed for national defense.

(*c*) Without it no real disarmament is possible.

(*d*) It alone can insure due progress in industrial chemistry.

(*e*) It alone can provide both personnel and material needed for the advancement of scientific and medical chemistry.

Let us take these propositions seriatim.

(*a*) *Dyes are essential to other manufactures.*—The figures submitted by the Tariff Commission show at a glance the enormous magnitude of the industries which can not be carried on without coal-tar dyes and intermediates. These are indispensable for almost all of the innumerable varieties of textiles as well as for paints, varnishes, papers, inks, and felts. With the exception of a small proportion of natural vegetable dyes, all of the dyes used in these industries are of coal-tar origin. In addition to these uses, coal-tar products are equally indispensable to drug manufacturers and are the foundation of the one great chemical industry of purely American origin—the manufacture of the so-called condensation products—like bakelite, condensite, and redamanol. At the outbreak of the war all these dye-consuming industries were, and for a generation had been, substantially dependent upon Germany for their supplies of coal-tar material. The small American production of a few colors was itself equally dependent on German supplies, since it was no more than an assembling industry putting the finishing touches on intermediates made in Germany. Hardly a tenth of our needs could be filled from any non-German source. The entire prewar production of Switzerland, the only other considerable dye-exporting country, had it all been available to us, would not have supplies half the quantity needed, to say nothing of the necessary variety. Many indispensable colors could be obtained from Germany alone, and only at such prices as her makers chose to ask.

It is self-evident that in this situation our consuming industries were at the mercy of the Germans, who were, in most of the lines in question, formidable competitors. By withholding supplies, by raising prices, or by furnishing inferior colors they could at any moment have dealt us a deadly blow. The need for such an attack had not yet arisen. Their consuming industries had not yet reached the point where they could make a serious bid for any such monopolization of the world's markets as their dye works had attained. But with a few years more of peace, the time may well come. Suppose the German textile makers have 10 years of unimpeded Government-aided progress in export trade. Suppose that then they or their Government intentionally and suddenly bring upon our textile makers a dye famine such as was brought about incidentally and gradually by the outbreak of the war. Where would our textile industry be in a year's time? How could it meet, under those conditions, unrestricted German competition? To these questions the Germans well know that there is but one answer. They recognized it early in the war. On March 13, 1915, Bernstorff, in a dispatch to his Government, stated the situation precisely. He said:

"Serial No. 432 of March 13, 1915. It is reported to me by Hossenfelder, telegram No. 4, that the stock of dyes in this country is so small that by a German embargo about 4,000,000 American workmen might be thrown out of employment.

"BERNSTORFF."

(*b*) *Only a complete dye industry can safeguard the national defense.*—The World War began as a 100 per cent explosive war. It ended as a 55 per cent poison-gas war. The testimony of Gen. Fries before this committee in the last Congress shows that at the end of the fighting 55 per cent of all projectiles fired contained poison gas. This trend toward chemical warfare showed so constant and rapid an increase that it is as certain as anything can be that future warfare will be primarily chemical. Facilities for the manufacture of the necessary materials for the conduct of such warfare are thus absolutely indispensible to national defense.

While it is now universally known that a complete dye works can be almost instantly converted into an explosive factory capable of producing unlimited quantities of almost any high explosive, it is equally true but less well known that the same factory can with equal ease be converted to the manufacture of

poison gases. The report of the British commission which inspected the great German dye works after the armistice discloses that the Germans made every ounce of their poison gases, with one trifling exception, in their dye works, without having to change the factories in any substantial particular. The materials, the apparatus, and the men were there ready to their hand. Their dye chemists and dye workmen, as part of their regular equipment, had the necessary technique, which could have been found nowhere else. Accordingly, Germany was instantly ready, without special preparation to provide itself, overnight, with all the requisite materials of chemical warfare. No other country had any such facilities, and accordingly the Germans had a start in the race which was almost impossible to overcome.

The provision of the necessary materials is, however, the least important part of chemical warfare. In it, more than in any other form of hostilities, surprise is the vital essential. When the Germans first let loose the flood of chlorine upon the Canadians at Ypres they were within an ace of final victory, which must have been won had they realized their success or prepared for it upon an adequate scale. Nothing saved the Allies then but the instant recognition of the poison, and the provision within 36 hours of improvised gas masks. Chlorine was a simple substance, recognizable by any schoolboy chemist, and neutralizable with equal ease. The next gas used, however, phosgene, was much more difficult both to recognize and to counter, and only the possession of considerable chemical skill and manufacturing facilities enabled the Allies to escape defeat under the impact of this new attack. The same situation arose, in more and more acute form, with the introduction of each new gas. It was most striking, perhaps, in the case of natural gas, the great defensive gas of the war. Gen. Fries's testimony shows that it was 11 months after the introduction of this greatest of all defensive gases before the Allies were able to manufacture any of it for use in resisting German attacks, and that if we had had 1,000 tons of it in April, 1918, the great German drive could have been stopped in its tracks. During the 11 months this gas alone was responsible for 300,000 ally casualties. The problem of its manufacture was originally solved in the little French dye works of the Usines De Rhône, and was finally perfected at Levensteins dye works in England. If the Allies had had possession of a dye industry equal to Germany's or to that of the United States to-day this problem could have been solved in days or weeks, and the 11 months' delay and the 300,000 casualties would have been saved. During this 11 months we worked and spent our tens of millions on the problem, safely protected by the armies and navies of our allies. Next time that protection may be withdrawn.

It is, however, in the matter of research that the dye industry is capable of rendering the greatest service to the national defense. The horrible poisons used in the latest fighting were a mere beginning. Each side had already developed others much worse, now concealed and held in reserve. To recognize and offset these will require the very highest chemical skill. Any scientist working with primitive apparatus in the smallest laboratory may at any moment happen upon a gas which for a time at least may furnish an irresistible form of attack. The dye chemists are constantly working and experimenting with every possible product likely to furnish such gases. Chlorine and phosgene are ordinary materials of dye making, and every known form of poison gas, every known antidote, and every known substance used in gas masks is within the ordinary field of dye research. Dye laboratories thus automatically keep abreast of the latest scientific knowledge in this field, and the chemists trained in it are not only more certain than any other scientists to be able to identify and counter any new substance which may be introduced by an enemy but are also more likely than any other to make the discoveries which have military value.

There can be no substitute for this function of the dye industry. The necessary pure scientific knowledge might be provided at large expense by special Government institutions, but such knowledge would be utterly useless without practical manufacturing skill. Many of the poison gases are so deadly that to make them without killing the maker is a task of considerable difficulty. Many others require large practical experience if manufacturing losses are to be kept down to a point which makes real quantity production possible. No conceivable Government institution which could be maintained in time of peace could provide and keep in existence a manufacturing staff capable of solving the problems which arise in such manufacture. It is therefore the literal truth that only the nation which possesses a complete dye industry can to-day

keep abreast of the progress of chemical warfare and place itself in a position to resist the chemical attack which may be directed against it by any adequately prepared enemy.

(c) *Without it no real disarmament is possible.*—At their first introduction poison gases were used without the aid of artillery or any other weapon. The chlorine at Ypres was merely released from compression cylinders and allowed to drift down wind upon the enemy. Although afterwards most of the poison gases used were fired in shells from ordinary artillery, the tendency in the last of the fighting was toward a purely independent chemical warfare utilizing no regular military weapon. Projectors had been devised which could be cheaply made in any tube works and which would put down oceans of gases wherever desired at ranges up to a mile. This development was only in its beginning and its possibilities are almost unexplored. Already, however, it would enable an otherwise unarmed nation to place in the field a force which could not possibly be resisted by any opponent not either similary equipped or else armed to the teeth with all the resources of modern artillery, air craft, and machine guns. The Germans still retain intact their colossal chemical industry with all its war expansion. If we destroy every gun, rifle, machine gun, and tank in Germany they can still by chemical means alone offer a formidable attack. By the same token they can enable the bolsheviki to do the like. So long as this is true no nation which could possibly become involved in hostilities with Germany can dream of cutting down its own military power to any serious extent. We must therefore either be ready for chemical warfare as only a complete dye idustry can make us ready, or abandon any idea that the world can safely disarm. In a disarmed world dye-making nations will be absolutely supreme.

In the present state of the world, all this is more important than ever before. Armaments are going to be reduced. Expenditures on munitions and on the means of making munitions are going to be cut far below prewar standards. Yet even in the days when peace groaned beneath enormous armaments no nation could have afforded to maintain in idleness at all times plants capable of producing the quantities of explosives or gases needed in this war. Even in those days the inexhaustible reservoir of munitions which her dye factories gave to Germany was an overpowering advantage. Think what such an advantage would mean in an era of disarmament, when the maintenance in peace of vast munition plants would be unthinkable. In such a period no nation which lacked a dye industry could offer any effective resistance to a sudden onslaught by a nation which had one. If at this time we deny ourselves a dye industry we sow the seeds of war, invite aggression, and offer a defenseless front to the rapacious instincts of the world. If we allow Germany to regain her world monopoly of dyes we offer her as a free gift capacity for world conquest.

(d) *Only a complete native dye industry can insure the progress of industrial chemistry.*—The making of colors is the most complex existing industry. Over 950 colors, each a different chemical substance, were habitually imported into the United States before the war (Norton census). Each dyestuff is produced by a separate process, usually of many operations. Each operation produces substances not desired in addition to those which are sought. These by-products in large works, are simply innumerable. The task of ascertaining their natures and possible uses is overwhelming. Only a fraction of it has been accomplished. The rest presents an unbounded field for the research chemist, whose work in finding uses and outlets for by-products will often determine the success or failure of the business. Moreover, there is an incessant demand for new shades, and for means of adapting old colors to new fabrics and different processes. Here again the research chemist is indispensable. The result is that a complete dye industry provides a livelihood for many times as many research chemists as any other business, and keeps them incessantly busy acquiring information which is of use in other industries. In a country where dyes are made on a large scale the university student with a talent for research can look forward to a real opportunity in that line and can hope to make for himself a real career. Where there is no such industry the opportunity is, by comparison, infinitesimal. A real dye industry at the same time stimulates the supply of research chemists, whose training makes them available in other industries, and pours out a never-ending flood of scientific information as to the industrial possibilities of a vast number of substances and processes.

A limited dye industry, making only a part of the colors demanded by the consumers, has no such effect. If selected colors only are made, the makers will choose those which present the fewest problems in the way of the disposition of unwanted by-products and will devote little work and capital to the development of new products. If, then, we could firmly establish our existing industry, without providing for its expansion into the making of the whole line of needed colors we should lose this, one of the chief benefits which the Nation can derive from the industry. Research would instantly be reduced to a fraction of its present activity. Stagnation would set in.

(e) *Only a complete domestic dye and coal tar chemical industry can insure American progress in scientific and medical chemistry.*—The research requirements of the dye business are so vast that they far transcend industrial bounds. In seeking the solution of the ordinary industrial problems arising out of poor yields, defective results, or new requirements, the research chemist of the dye works is constantly led beyond the existing bounds of recorded scientific knowledge. Often before he can commence the task of solving a particular industrial puzzle he is compelled to explore some whole new realm of the chemical world. As a consequence, the dye chemists are constantly delving into mines of new scientific material. Accordingly their equipment, both material and intellectual, has to be of the best, so that a great country which makes its own dyes necessarily has laboratories which, in staff, apparatus, and supplies, surpass any required in any other branch of human activity. The workers in these laboratories range far and wide over the whole world of organic chemistry, and their annual contribution of scientific data is of incalculable value.

This is particularly true in medical chemistry, that marvelous field, of which the systematic exploration, barely begun, has recently brought forth such magnificent first fruits. For untold centuries the medical profession has been pouring into the human system drugs of which next to nothing was really known. Until recently the difficulty of the subject was unknown. Only of late years have men of science realized the terrifying complexity of the processes of organic chemistry which take place within the human body. No systematic study of these, or of the effect upon them produced by chemicals, was imaginable until the world's knowledge of organic chemistry had approached its present volume. Now the beginnings—postponed perhaps by the immense results of medical work in the biological field, with its serums and antitoxins—have been fairly made; and the greatest progress has been made not only with the aid of the dye laboratories but actually in them. In the laboratory of any great German dye works, before the war, it was a common sight to see dozens of university chemists, many unconnected with any industry, at work side by side with the industrial scientists. The facilities of the laboratories could be and were put at their disposal by the owners, without loss. Some of the results were startling. One of these was Salvarsan itself. Ehrlich, its discoverer, convinced that arsenic properly disseminated would kill the germs of the cruelest scourge of humanity, arrived at a theory that arsenic could be so disseminated without injury to the body by the use of one of a group of possible compounds numbering many thousands. There was no way to test this theory except to experiment with and examine each possible compound. Nowhere except in the dye laboratories were the needful substances and facilities to be found. The laboratories and research staff of the great Cassella firm were placed at his disposal, and there the laborious process of elimination was carried out, and the amazing triumph won.

Indeed medical research is an almost inevitable outgrowth of a complete dye business. Many of the related products show powerful therapeutic effects and a number of them have developed into useful remedies. Any number of other by-products, not yet studied from this point of view, may turn out to be valuable. Every such discovery is a direct financial benefit to the business; some, like "aspirin," are more valuable commercially than any known dye. Again the technique of the dye laboratories lends itself naturally to the synthesis from coal-tar materials of remedies ordinarily derived from natural sources. In this way many valuable medicinals have been produced at lower cost or of better quality than was previously possible. A notable example is the widely used substance adrenalin, discovered in this country and made here at high cost from the suprarenal glands of animals. The Germans presently proceeded to produce it synthetically from coal-tar materials. In general, it is clear that as a stimulus to medical chemistry there is no substitute for a strong dye industry.

III. OUR INDUSTRY, IF SAVED NOW, WILL SUFFICE.

At the outbreak of the war patriotic American business men, realizing the consequences of a dye famine, threw themselves and many millions of capital into the breach and saved the situation. Tackling the appalling task of developing under the burden of war conditions the most complicated known industry, they accomplished wonders. The manufacture of crudes was so vastly increased as to place the raw materials on a favorable basis. Most of the most-needed intermediates were soon produced and the number of finished colors constantly increased. As a result in 1920 the industry produced nearly all the requirements of the domestic market and exported dyes to the value of perhaps $22,000,000.

It is most significant, however, as indicative of our inability to compete with German dyes that the United States Tariff Commission, in its Census of Dyes and Coal-Tar Chemicals, 1920, at page 14, states as follows:

"The total exports of 'aniline dyes' in 1920 was $22,450,480, which was more than 100 per cent increase over that of 1919. * * * In the first four months of 1921 the export of 'aniline dyes' showed a rapid decline, receding from a value of $943,595 in January to $305,760 in April. This represents a large decrease from the average monthly export of $1,870,873 in 1920, *and was undoubtedly chiefly due to the appearance of German dyes, either directly or through reexport of reparation dyes, in the large export markets of the world, such as China, India, and Japan.*" (Italics ours.)

To-day more than 360 of the nine hundred-odd colors used in 1913 are made here and many others are in course of production. Production of some of the most desirable dyes, notably the very fast vat dyes, was delayed by the German-owned patents, which prevented their manufacture here. These vat dyes are now being commercially produced in large quantity. Many of the missing dyes are used in such small quantities or are so easily replaced by other satisfactory dyes that their production has necessarily been postponed. It is clear, however, that unless progress is checked the factories of this country should produce within five years dyes capable of accomplishing every possible needed result. Prices are still high, but this while the industry is new is probably inevitable. Inexperience frequently results in producing yields of only a fraction of what they should be. The business in this respect is utterly different from ordinary mechanical manufacturing. A builder of machines, a maker of textiles, a paper manufacturer buys his raw materials knowing that he will produce from them in finished goods nearly 100 per cent of the possible product. Even pieces spoiled in manufacture are often, as in the steel business, as useful as ever in the capacity of raw material. In dye making, however, the situation is utterly different. In each step of the complicated processes used chemical reactions take place which destroy the original raw materials, replacing them with others, only a few of which are desired. Consequently, the consecutive losses multiply. The proportions of the desired products obtained at each successive step vary enormously with the conditions and with the details of the methods used. Half a dozen slight variations of process—tricks of the trade—may change the yield from 10 per cent of the capacity of the raw materials to 60 or 80 per cent. In one case, testified to by Mr. Klipstein before this committee, his yield, which after many months of experiment had remained obstinately at 10 per cent, was increased overnight to 90 per cent by merely slowing down the mixing paddles in one vat from 65 revolutions a minute to 60. The Germans in 40 years of work forced their yields up to very high figures, but their's also began low. Our makers can do the same, but the knowledge of how to do it is not to be found in the books. It can be gained only by experiment, and if the Nation wants such knowledge it must give the makers time in which to gain the needed experience.

In the statistics submitted by the Tariff Commission will be found figures indicating the present magnitude of our new American industry. These demonstrate, we submit, that it is worth saving.

IV. WHY THE INDUSTRY NEEDS AND DESERVES HELP.

It deserves help because the large investment now locked up in its plants represents a bold and patriotic effort by many citizens to meet a national emergency. As will appear, the risk they took was so obvious and so great that many of them must have been actuated more by patriotism than by hope of gain. It also deserves help because, though protected hitherto by the war and

by the present license system, it has consistently reduced prices during the last three years.

It needs help because the industry is up against the most formidable and unscrupulous opponent and competitor in the commercial world. The German industry, self-contained, favored by nature with materials as cheap as any, labor, transportation, and technical service, and aided by the Government, has a start of 40 years in the race—an incalculable advantage in knowledge and technical skill. It has always waged ruthless commercial warfare by means of destructive underselling, full-line forcing, direct bribery, and many other corrupt practices. Its plants are organzed on an enormous scale, several employing (even in 1913) each as many men as the largest three American works together have ever employed and producing such quantities as satisfied the requirements of the whole world. In November, 1920, one German firm (the Badische) employed 80,000 men, or 7,000 more than the largest number ever employed by all our works. In 1916 this huge industry, realizing its danger, consolidated into a single gigantic trust, organized avowedly to fight for the recovery of its foreign markets. The assets of this commercial monstrosity, figured from the last available Berlin stock quotations, may be fairly valued at over 400,000,000 gold dollars. It is receiving all the aid the new Government can give it. For example, the German ministry of industry has abolished the export duties on aniline and other coal-tar dyes, alizarin dyes, and artificial indigo. (See Dyer and Textile Review, issue of May 15, 1921.) Again, the German Government has arranged to refund to German dye exporters the 26 per cent reparation levy exacted by the British German reparation (recovery) act. (See Chemical Age, issue of May 28, 1921.) In November, 1920, the German trust formally complained to the reparation commission that the failure to withdraw reparation dyes was interfering with business by clogging their warehouses. Since the reparation dyes then constituted but 25 per cent of daily production it is evident that the trust's warehouses were nearly full without them, and that accordingly it has large stocks, unsaleable elsewhere, to use in commercial warfare upon our industry. Unless miracles happen the trust will fight more ruthlessly than ever. Indeed, it must. France, England, and Italy, determined to have their own dye industries, have closed their doors to German dyes. An industry equipped to supply the world can not be operated to supply only the German market, and still live. Is it not as certain, then, as anything in human experience, that the German trust will stick at nothing in its effort to regain its great American market, and kill a competitor for the market of the rest of the world? We submit that it is; and that if the American industry is left to shift for itself, it will be "spurlos versenkt."

The fact is, that the attack has already begun, and begun in a manner which illustrates not only the extent to which the Germans will and can go in price cutting but the merciless extortion which the dye-consuming industries can expect from them hereafter if our industry be killed. Take, for comparison, two colors as classified in Norton's Census, Ingido R. B. and Victoria Blue B. These were both cheap enough before the war, the average import prices for 1913–14 as given by Norton being, respectively, 37½ and 31½ cents a pound. In 1920 Indigo R. B. began to be produced in this country. The average import price for the calendar year 1920 thereupon dropped to 29 cents, or about three-fourths of the prewar figure. On the other hand, for the Victoria Blue B. which was not made here in sufficient quantity, the average import price for 1920 rose to $2.86. This is but one of scores of instances which show that while German prices on dyes which are also made in America may be on an average but two or three times the prewar figures, they are multiplied indefinitely when relieved from American competition.

And our industry needs help not only against German aggression. The Swiss industry is also a grave danger. The Swiss, too, have a start of many years, and the benefit of a huge accumulation of knowledge. The German commercial penetration of Switzerland has not ceased. How far its influence extends no man knows; but it will be easy for the huge German trust to form an alliance with its little neighbor; or, failing that, to disguise its goods as Swiss.

### V. WHY NO OTHER REMEDY WILL SERVE.

Only three other remedies have been suggested—a high tariff, antidumping laws with a strict corrupt-practice act, and the application of the antitrust law.

The tariff alone will not save our industry, because the German trust is at the same time too strong and too desperate. Though its costs, like ours, may have been increased by the war, it can still undoubtedly produce far more cheaply

than we, if only because its superior experience, resulting in vastly greater yields, enables it to make out of any given quantity of raw materials, and with any given amount of labor, far more dye than our makers can now obtain. Its size and compactness of combination—impossible to our makers under our anti-trust law—also give it huge advantages. It can and does avoid the immense wastes from which we suffer in the way of duplication. Where we waste a dozen sets of research and plant to produce in as many factories an intermediate for which the market can support but one or two makers, they confine the work to one, which gets assistance from all.

Again, the trust's resources (conserved by profitable war work) are enormous. It well knows that it must regain our market or find other and less profitable business for a large part of its plants. Clearly, then, it is in a position where it can and must practically give its goods away for a year or two if thereby it can kill off domestic competition. No matter what tariff is imposed, short of a specific duty equal to the price of domestic goods, the German prices could be cut as a measure of wise business management low enough to compel our makers to sell at a loss. Our industry is in no position to meet such competition. It has no such stake in invested capital to be protected at any cost. It has no such resources to fight with. Its workers have recently been in other occupations and will not, therefore, as the Germans probably will, stick to an endangered industry because they have never been in any other and are reluctant to begin life anew. It can not at this time, or until it has had an opportunity to gain experience, beat such an opponent by fair fighting, and it will not adopt the enemy's methods.

Most important of all, there is a simple method by which the trust can infallibly destroy our industry by the expenditure of at most a few millions, a sum which, regarded as insurance of its vast investment, must be deemed nominal. This is the method of selective attack by which our makers may be picked off one by one. The fact is—and it is obvious to the Germans—that no one of the American dye makers makes money except on a few dyes, most of which are not produced in large quantity. The dyes which have been recently introduced (a class which includes the great majority) are necessarily made at a loss, owing to the huge losses resulting from inexperience and to the expense of continuing research. The great bulk dyes and almost all the older products are made by so many companies whose competition has been so keen that prices have been forced below the profitable level—in the case of the greatest, sulphur black, nearly to prewar figures. Between these extremes lie the few money-making products, those which by some accident of process, situation, or market, one maker makes better or cheaper than others. To kill off our greatest company at all that would be needed would be to import and sell at whatever sacrifice was necessary a year or two's supply of its money-making products. To show how small this undertaking would be it is only needful to recall that a year's supply of all dyes for the whole country—30,000 tons—makes only three shiploads, and that nearly half this annual consumption consists of two colors, indigo and sulphur black, each of which is the subject of the keenest competition among many domestic producers. It would not be necessary to attack in this manner more than one or two of our producers. If it were once announced that nothing but a tariff stood between them and the trust, most of our 70 or 80 small companies would go out of business forthwith. One or two demonstrations would convince the rest.

It will not do to say that antidumping laws and corrupt practice acts will prevent the underselling by which such attacks must be carried on. Once the dyes are in the country, it will be almost impossible to follow them. Secret sales and secret rebates may be made in a thousand ways which can hardly be detected. The Germans have always been past masters of such tactics.

As applied to so complex an industry as dye making antidumping laws all have the same defect—they shut the door after the horse is stolen. All depend on ascertainment of either foreign costs or foreign prices. Foreign dye costs are usually impossible of ascertainment, because almost every dye is so involved with valuable by-products, which are unavoidably produced in making it, that its cost is matter of arbitrary bookkeeping. German dye prices, in view of the absolute power of the trust, can be manipulated at will. Worst of all, the comparison with foreign prices can be made impossible in a thousand ways by disguising or really altering the product so that the precise thing sold, having never before been sold anywhere, can have no market price. It is easy for the German chemists to turn almost any dye into what is at least apparently if not really a new product by additions or slight alterations which do no harm. By these methods the effect of any

possible antidumping law may be avoided. But if this were impossible such laws would be too slow to help. They require proof before they can be made to act, and to get proof out of the German dye works will be the work of years.

Finally, antidumping laws would fail to afford the necessary protection, because their only effect is a relatively small increase of duty. This would merely increase by a comparatively small amount the cost of the selective attacks by which our industry could and would be destroyed. No such small and contingent extra expense could possibly stop or delay the German trust in its fight for life. If our industry is to have no better shield than such legislation it may well be killed bfeore ever the protection becomes available.

The same may be said of the antitrust law. To prove that particular goods are the product of the trust can be made infinitely difficult, and we can trust the trust to do it. Till such proof is produced the law will not operate.

VI. THE BILL AS REPORTED TO THE SENATE BY THIS COMMITTEE IN 1920 AS A SUBSTITUTE FOR H. R. 8078 FURNISHES THE NECESSARY PROTECTION WITHOUT DAMAGING ANYONE.

If continued for a longer period and amended so as to exclude from import those dyes not now made here which are of no value except as mere substitutes for satisfactory domestic products, the plan as embodied in the Finance Committee's substitute bill of 1920 will obviously do the work. Carefully administered, it can certainly save our new industry. The only question, then, if we assume that the industry ought to be saved, is, what harm the proposed legislation could do.

We submit that it can harm no one. Under it every consumer can import whatever he really needs and can not otherwise get. If his foreign competitors gain an advantage by getting any particular German dyes he can be given the same advantage. The system is flexible.

Much was said by the opponents of special protection, particularly when a license system like the British was under discussion, to the effect that it would prevent the textile maker from knowing beforehand what dyes he could get, and thus cripple his business by making it impossible for him to send out samples and take orders months beforehand. This committee's substitute bill, by abandoning the license system, obviated this objection, but the fear has now been demonstrated to have been baseless. Under the existing temporary license system now enforced by the Treasury Department the dyes not obtainable in the United States are procured by the consuming industries, so that the seasonal sales of goods are proceeding as before the war.

VII. IF WE DO NOT ADOPT SOME SUCH DIRECT-EXCLUSION MEASURE WE SHALL BE LEFT ALONE TO FIGHT NOT ONLY THE GERMAN TRUST BUT ALSO THE INDUSTRIES OF THE ALLIES.

England and France have protected their new industries by stringent license systems. Italy, after watching the results, has just adopted a similar law. Each is developing as fast as possible, mostly with the aid of direct Government subsidies, her own dye industry. Each now excludes our dyes except as imperatively needed. Each will naturally seek an export market, at the same time keeping up the bars against our products. Are we, then, to "hold the bag"? Are we to let in British, French, and Italian dyes, as well as German, though those nations keep ours out? That is an arrangement which seems to have no legitimate appeal either to the patriotic or the economic sense. We may not value British, French, and Italian precedent as an example, but we must value it as a warning.

From every point of view, then, a direct exclusion or selective embargo law suggests itself as the inevitable answer to the pending question. It is the one safe, certain remedy which will insure to the country the permanence of the industry on which more, perhaps, than on any other single branch of human activity, our economic and scientific progress and our national security depend.

VIII. REPLY TO OBJECTORS.

Since the hearings before this committee in the last Congress, the main attack upon the proposed protective measure has taken the form of unmeasured denunciation (unaccompanied by any suggestion of proof) of the American dye makers as monopolists and members of a trust. It is submitted that the facts disclosed in the Tariff Commission's census for 1920 (Tariff Information Series

No. 23) dispose of this accusation once for all. These show that whereas in 1913 we had 4 or 5 dye-making concerns we now have 82, while the makers of coal tar and organic chemicals, generally, have increased to 171. Among these there is no interlocking of stock ownership, or of directorates, as will be shown by a statement signed by 60 or more of the smaller makers showing their entire independence, and that they have not encountered any American monopoly. The fact that competition is keen and earnest is demonstrated by the tables appearing at page 33 of the census above referred to. These show that 92 per cent of the American dye production in 1920 consisted of dyes made by three or more firms, while more than 50 per cent of the production consisted of 35 colors, each of which was made by seven or more firms. No trust or monopoly outside of Bedlam exercising any control over an industry ever permitted or would permit such competitive duplication as that. The whole cry of an American monopoly is pure myth, the last desperate resort of those who realize that in fair argument their case is hopelessly weak.

At the hearings before the committees of the last Congress every witness who appeared in opposition to the bill was apparently in agreement on two propositions: First, that the dye industry ought to be protected; second, that any increase in the cost of dyes which might be occasioned by such protection would be of no consequence to anyone, because the cost of dyestuffs forms so small a proportion of the cost of finished goods. The opponents were also substantially unanimous in asserting that even the then American production of dyes was entirely satisfactory for the bulk of their requirements and that they needed only a comparatively small number of dyes for special purposes and needed these only to meet the competition of foreign goods which might thereafter come into the country dyed with dyes not then obtainable in the United States. Since the hearings the number of imported dyes needed has been materially reduced by the introduction of new domestic products, including several of the important vat dyes which were then the missing colors most urgently needed. Except the importers, no one appears to have suggested that the exclusion from import, for a time, of all those dyes now made here in perfectly satisfactory quality and quantity would injure the business of any consumer. The argument of the objectors was devoted to two propositions: First, that a high tariff would furnish all protection needed, and, second, that any additional protection was dangerous to the consuming industries. For the convenience of the committee we may summarize these arguments and our replies as follows:

1. *As to the sufficiency of protection by tariff.*—The opponents of the various direct-exclusion measures assert:

(*a*) That in the manufacture of the dyes which constitute 80 per cent of the present American production our manufacture is so far advanced that a tariff would protect.

The testimony before this committee shows that this is wholly untrue, because the manufacture of the well-established dyes can not in many cases be profitably carried on unless other dyes produced as by-products can be disposed of to advantage. No witness who had any familiarity with the manufacture of dyes gave any support to the proposition. The idea that a tariff would protect most American dyes is based on the rapid reduction in price of certain bulk American products which has taken place. This, however, has been brought about by domestic competition. It is reasoned by the objectors, nevertheless, that because sulphur black, for instance, is sold at prices with which the Germans would probably find it comparatively unprofitable to compete, this product could be protected by a duty. The fact is, however, that sulphur black is cheap because of a large competitive domestic production which has resulted in sales below the costs of some manufacturers. The fact is that no American dye maker could sell any of the bulk products in question at anything approaching his present prices if he were not able also to sell at higher prices other products the production of which is facilitated by the manufacture of the bulk products. The dye industry, in fact, is single, and can not be treated as if it were a collection of separate industries, one for each product manufactured. The products are hopelessly interlocked. If the makers' market for even a few products be cut off it will inevitably render impossible the economical manufacture of many others. A tariff, therefore, apparently capable of equalizing the present American and German prices for many products would utterly fail because the withdrawal of a market for other products not capable of protection by such duties would make impossible the production at present costs of the products in which the greatest manufacturing advance has been effected.

More important than all this, however, is the certainty that a tariff could not possibly protect the products new to American production which are just coming on the market, and those which will later follow in natural sequence. Unless we develop these dyes now lacking in our American manufacture our industry will not only be stagnant and lifeless but will lose its chief value to the country. A stationary industry requires little research, and one which can not fill all the wants of the consumer is at the mercy of any foreign industry which can.

(*b*) That until now our dye makers always said a moderate tariff would protect their industry and that those who said this do not now deny it.

The statements referred to were made before congressional committees, in the 1916 and earlier tariff hearings, by dye makers who knew nothing of a real dye manufacturing industry but only understood the small assembling industry which was all we had in this country up to 1915. Moreover, is it not true that none of the manufacturers who formerly said a tariff would do the work have since denied it? Dr. Jayne and Dr. Matthews, two members of the 1916 committee, appeared before the House committee in favor of this bill and they only refrained from testifying before the Senate committee in deference to the chairman's request that testimony be not duplicated.

(*c*) That since the dye makers told the 1916 committee that a tariff would do, the changes in the situation have been favorable to the American and unfavorable to the German industry.

One change unfavorable to the American dye industry has taken place, the importance of which outweighs all other variations in the situation. The formation of the single German trust, and the doubling of its capital, by the sale for cash, of new stock, have produced an enemy to the American industry more formidable than any which confronted it, and the desperate plight to which this gigantic German kartel has been driven by the adoption of the license plan in Great Britain, France, and Italy makes certain a ferocity of competition which the American industry in 1916 could never have foreseen.

(*d*) That American dye makers have made large profits and that, therefore, they are in a position to survive.

Under the total embargo brought about by the war, only a few companies have made profits at all, and such were going concerns in 1914 and were able to begin real manufacture at any early date. These, by risking large capital investments, which would have been worthless had the war ended abruptly, were able to supply the bulk needs of the simpler colors and thus save the consuming industries of the United States. It may be true that they have been able already to write off the greater part of their plant expenditure. This, however, is necessarily normal practice for concerns engaged in dye making. The obsolescence of plant is so rapid, and rebuilding is so frequently required, that unless a plant can be written off or at least written down with reasonable promptness, the business can not be established on a sound basis.

(*e*) That our exports of dyes show that our industry is beyond the infant stage.

These exports show only the universal shortage of such products in the whole world outside of Germany. We have been the only country which, during the war, has had time and money to devote to this industry. The rest of the world which had to have dyes could find no surplus of any non-German dye anywhere except in the United States. Unfortunately, however, these exports have now, with the revival of German export, taken an abrupt and ominous drop, as heretofore shown by the report of the Tariff Commission.

(*f*) That in addition to tariff the industry has or will have other forms of protection:

(1) The Chemical Foundation: The protection offered by the Chemical Foundation's patents is purely future and doubtful at that. Less than 10 per cent of the dyes imported before 1914 were covered by the patents. These patents are expiring rapidly, so that only a fraction of those covered in 1914 are still covered. Moreover, ownership of the patents will not prevent importation. It will merely give a right to collect royalties after the imported patented articles are sold in this country. With this very limited protection the native industry, unless saved by legislation, will be destroyed.

(2) Reparation commission: It is constantly asserted that the reparation commission under the Versailles treaty controls the situation and protects the American industry, yet all that the reparation commission controls is 50 per cent of the stock of German dyes available when the treaty became effective (long since distributed) and 25 per cent of new production during five years.

The remaining 75 per cent of the present German production are absolutely free and can be used by the Germans as they see fit. The reparation dyes will perhaps take care of the real needs of other countries and most of ours; the balance, except the small fraction needed for Germany (perhaps 10 per cent of her normal production), is available for commercial warfare.

2. *As to the alleged dangers of the proposed special protection.*—Its opponents condemn the plan because—

(*a*) It is said the commission could not determine whether the quality of American dyes was good enough without proceedings amounting to a litigation.

The difficulty of this question is enormously exaggerated. Each dye (except mixtures) is a definite chemical substance—as definite as common table salt. This is true, although the exact chemical constitution of some is not precisely known. The maker either succeeds in producing this particular substance or he does not. If he produces it and turns it out in reasonable purity and proper strength, it can not help doing the same work as the same substance produced anywhere by anyone. Accordingly, if a given dye is really produced here it can not help fulfilling every purpose which the similar German dye can fulfill. The question as to whether the American dye is good enough is thus not an ordinary question of quality, largely matter of opinion, but a question of identity or purity. The Tariff Commission as a practical matter would only have to ascertain whether the American dye was the same substance as its German prototype and whether it was equally pure. These are questions of fact for a chemist leaving little room for argument.

(*b*) It is said that the plan forms a bad precedent for future legislation designed to protect American industries.

The purpose of the Congress is certainly to protect adequately the American organic chemical industry, of overwhelming national importance as it is. Much as we may dislike to exhibit our national shortcomings in trade or in industry, we have no complete organic chemical industry in the United States, and are just beginning to develop one. That such an industry is absolutely necessary and is confronted with most dangerous foreign competition all seem to admit. The fact is no other substantial industry is so young in America. In 1914 there were not 10 completely trained organic chemists in the country and not 500 workmen or foremen who could perform the simplest operations in an industry of such infinite complications as the organic chemical industry. Experience and education and not money alone can overcome these deficiencies. With the complex nature of production in the organic chemical industry and the ability of the foreign manufacturer to distribute his extremely low costs over a range of products not yet manufactured in America it is easy to see that tariff rates alone will not keep the great German monopoly from destructive competition with our products. To-day our industry is slowly building up, and with such beneficial legislation as may be devised for its protection must do battle with foreign competition. Such an extraordinary condition requires an extraordinary form of protection.

(*c*) It is said that the consumers will be seriously injured if British and French goods dyed with German dyes come in while the makers of our goods can not get them.

Of course they would; but the whole theory of the proposed measures is to permit—indeed, compel—the admission of every German dye which excels the native product. The danger is therefore remote. The fear, however, proceeds on the curious assumption that the Tariff Commission in administering the plan would not do its duty. If, as commanded by each of the three measures which have been reported out, it makes admissible everything unobtainable in this country in proper quality, etc., the danger can never arise. If the plan is an impediment at all, it is one from which the British and French textile makers will suffer also, and they are more dependent upon specialities requiring particular high-grade colors than are we, and their legislation compels them to rely chiefly on their domestic dye industries, which are far less advanced than ours.

It must be noted that the fear of German textiles dyed with German dyes is no argument against the measures. Under her reparation burden Germany must export to live. Her textile industry is capable of many times as large exports as can possibly be made of dyes. If any particular German dyes can give German textiles such a superiority as to enable them to outsell our goods in any market—here or abroad—we shall never get an ounce of those dyes, whatever our legislation.

When all detailed arguments are made and answered, however, the committee, we believe, will find itself driven back to first principles. With the testi-

mony and documents before it, it is in better position than either dye makers or textile makers to decide what is good for the country and for them. The considerations which should govern the final decision are, we submit, these:

First. Now, and now only, can we secure a real dye industry. While the Germans retain their present advantages, and the power and necessities of the great trust compel that attack which we deem inevitable, their commercial warfare will instantly kill our industry unless whatever protection is provided is truly efficient. Once killed it could never be revived. If it be not saved now and promoted as well as protected, American capital will never again go into it, and a world monopoly will be handed back to Germany for all time. The fact that we can now, through the reparation commission, force delivery of such German dyes as are really essential, makes this the psychological moment. At any time when the Kartel can exercise pressure by refusing supplies of necessary dyes, it can, until our industry is complete, and able to supply or replace those dyes, destroy it at once.

Second. Since it is certain that there will never be another opportunity to provide the United States with a real dye industry, it is the duty of Congress, if it believes such an industry to be essential, to take no chances. The stake is too great for any gamble; and to adopt any method of protection with doubt as to its efficacy is to gamble with an interest vital to the whole country. According to the overwhelming weight of the testimony, we submit, no tariff practically enactable can furnish the protection needed. The evidence of the opponents of the bill, even taken alone, would only show that a high enough tariff might protect. They urge adoption of a method which even they can not deny to be of doubtful efficacy. In this matter, then, the counry is like a man walking on a railroad track, who, as he comes near a trestle, sees a train coming. He thinks the train is probably not coming fast enough to catch him before he gets over that part of the trestle which offers no place of safety, but if he has any wisdom at all he will not stake his life on his guess. He will take the safety path provided for him beside the trestle, so that no matter whether he has guessed right or wrong he will pass on unharmed.

Third. Only the complete protection and efficient promotion of our dye industry can insure the safety of the textile makers themselves. As long as the German industry is in one single hand, and that hand at the disposal of its Government, it can and will be used to further any national ambition. In 1915 Germany sought by an embargo to starve our textile men into forcing our Government to take a hostile attitude toward Great Britain. The plot nearly succeeded. It failed chiefly because, having no foreign competition during the war, our dye consumers never felt the full pressure intended. What was done in 1915 to force the hand of Britain can be done at any time unless we have a dye industry to destroy our textile industries for the benefit of their German competitors. See how the mere possibility of being delayed in getting a few relatively unimportant colors which competitors may have, alarms the textile makers. The German agents have had only to suggest such a possibility to create opposition to tariff bills in the past and to the various special protection bills in the present. Only the existence of our dye industry to-day stands between our dye-consuming industries and complete German domination. The dye makers of America have saved the business of the dye consumers. If they could not get American dyes our textile men would have to take German dyes on any terms which might be imposed; or the Germans might withohld their best dyes altogether and seek that export trade, which they must have, in the larger field of textiles. The committee can see this, as perhaps the manufacturer, with his outlook narrowed by nearness to the difficulties of his task, can not.

Fourth. If capital is to be attracted into and kept in the dye idnustry the necessary special protection must be assured for a period long enough to permit the development of most of the missing dyes. The testimony leaves no real doubt that three years is wholly inadequate. Moreover, a longer period need alarm no one. If the law works, the industry, stimulated by immediate capital additions, will expand so fast that nearly all the dyes will be made within a comparatively short time, in which case few imports will be needed or desired. If it doesn't work, it will create a weight of textile opposition which will result in prompt repeal.

No matter what Congress does, the textile makers are certain to have their supply of dyes subject to some outside control. If Congress does not enact this or some equally effective selective embargo, they will be subject to license issued or withheld at will by one man, the head of the German Dye Trust.

Except for the reparation commission supplies, which may be wholly insufficient on the most important products, not one ounce of German dye can be bought by any American without the permission of the German trust. Give them, by refusing necessary protection, hope of reestablishing German domination of our markets, and they will use this power relentlessly to further the trust's purposes. Show them by granting what is needed, that Germany is never again to be given control, and they will have no motive to refuse any reasonable offers of purchase.

(The foregoing was submitted by Mr. Joseph H. Choate, jr., representing the American Dyes Institute, of which the following companies are members:)

Althouse Chemical Co., Reading, Pa.
American Aniline Products (Inc.), 80 Fifth Avenue, New York.
American Vat Color Co., 3223 South Western Boulevard, Chicago.
Atlas Color Works (Inc.), 322 Ninth Street, Brooklyn, N. Y.
Barrett Co., 17 Battery Place, New York.
Butterworth-Judson Corporation, 61 Broadway, New York.
Calco Chemical Co., Bound Brook, N. J.
Certified Chemical Corporation, 240 Plymouth Street, Brooklyn, N. Y.
Chemical Co. of America, 46 Murray Street, New York.
Commonwealth Chemical Corporation, 15 Park Row, New York.
Consolidated Color & Chemical Co., 122 Hudson Street, New York City.
Dicks, David Co. (Inc.), 19 North Moore Street, New York City.
Dow Chemical Co., Midland, Mich.
Du Pont de Nemours & Co., E. I., Wilmington, Del.
Dye Products & Chemical Co., 200 Fifth Avenue, New York City.
Essex Aniline Works (Inc.), 86 Broad Street, Boston, Mass.
Gaskill Chemical Corporation, 157 Spencer Street, Brooklyn, N. Y.
Grasselli Chemical Co., Cleveland, Ohio.
Heller & Merz Co., Newark, N. J.
Holland Aniline Co., Holland, Mich.
Holliday-Kemp Co., Woodside, Long Island, N. Y.
Hydrocarbon Chemical Products Co., Lancaster, Pa.
Koppers Co., Union Arcade, Pittsburgh, Pa.
Merrimac Chemical Co., 148 State Street, Boston, Mass.
Monsanto Chemical Works, St. Louis, Mo.
Morrill Co., Geo. H., Norwood, Mass.
National Aniline & Chemical Co., 21 Burling Slip, New York City.
Naugatuck Chemical Co., Naugatuck, Conn.
Newport Chemical Works (Inc.), Passaic, N. J.
Peerless Color Co., Bound Brook, N. J.
Sherwin-Williams Co., Cleveland, Ohio.
Tower Manufacturing Co., 326 Broadway, New York.
Transatlantic Chemical Corporation, Linden, N. J.
United States Color & Chemical Co., 93 Broad Street, Boston, Mass.

(Companies which are not members of the American Dyes Institute and which are represented by Mr. Choate include the following:)

Amalgamated Dyestuff & Chemical Works, Newark, N. J.
Beaver Manufacturing Co., Ballardsvale, Mass.
Croton Color & Chemical Co., New York, N. Y.
Campbell & Co., John, New York, N. Y.
Noll Chemical & Color Co., New York, N. Y.
Raritan Aniline Works, Brunswick, N. J.
Republic Color & Chemical Works, Reading, Pa.
Seydel Manufacturing Co., Jersey City, N. J.

Mr. CHOATE. It is our understanding that this brief is concurred in by others with whom we have not had an opportunity to get in touch directly, and that I should present their views briefly to the committee this morning.

I wish at the beginning of my remarks to say a few words with reference to the testimony of Mr. Metz given yesterday.

Mr. Metz presents matters in such an attractive manner, with such a flood of words and such evident knowledge, that the impression which he makes at the time one hears him is always very striking, but it was surprising to me, on reading his testimony last night, to find how little had actually been said that bore upon the question at issue. I think it is fairly accurate to say that once his testimony is analyzed there is nothing left except the statement of his opinion.

He says that the American industry can be protected by a tariff because, in the first place, certain plants have already been amortized as the result of the profits made in this business.

When you heard that statement you probably thought it referred to all the plants. However, when you read it you find it refers only to those few that were practically in his own situation.

Mr. Metz was one of the four manufacturers before the war. Of course, they did have a magnificent opportunity. The dye famine during the early part of the war may well have enabled them to make profits which were large enough to write off their plants. However, that has no relation to those who built new plants to make difficult dyes during the last four years. They have had no opportunity to make large profits, because the products have been new and their expenses have been enormous, and they have had to build their plants and to carry on their research work at a time when the cost of everything was enormously high.

Other manufacturers will testify before you and will give you their first-hand knowledge of the condition of the dye industry in this respect.

I believe that my statement will not be challenged when I say to you that, except for those who made dyes before the war, no dye maker in this country has had a chance to amortize anything.

Mr. Metz says that the dyes not yet made in this country, and particularly some of the vat dyes, will never be made in this country, because there is not a sufficient supply of anthracene. The Tariff Commission census for 1920 takes care of that. In their report of 1920 you will find the fact stated that a shortage of anthracene had become relatively unimportant, because it is used chiefly in making the intermediate anthraquinone, which is now made synthetically—in fact, by more than one process—from other substances.

Mr. Metz gave no figures anywhere as to the manufacture of dyes which would support his contention that the industry can survive in this country when protected only by an ordinary tariff. He laid great stress, however, upon the manufacture of salvarsan. As to that, I would like to have the committee remember that he told you that salvarsan was a product in making which no by-products were produced. That sort of manufacture in relatively simple when compared with the enormous complications of dye making, involving a great many by-products, which are really the key to the situation.

Mr. Metz has had five or six years in the manufacture of his specialty, to which he has devoted not only large sums of money for plants, but an immense previous experience.

It has also appeared in earlier investigations that at one time he sent a brother abroad to get experience and advice from Germany, so that his success with his particular product forms no basis for reasoning in regard to the possibilities in the manufacture of dyes.

It is true that he did reduce the price from $2.25 to 27 cents. That shows the remarkable effect of the competition to which he was subjected, and it also shows that the prewar price in our market of a commodity on which the Germans had a monopoly was probably excessive.

Mr. Metz says that dye plants are no more fitted for the manufacture of explosives than are breweries. Notice that he does not say that they are not fitted for making poison gas. He does not attempt to contradict Gen. Fries on that. He says the only dye plants good for war purposes are those which include nitrating plants. All considerable dye plants have nitrating plants, and a very large proportion of the dyes that are made require nitrating sooner or later. He says there are only eight plants in the country that nitrate. In that connection permit me to say that one of the witnesses to be heard later will show the existence of at least 13 plants which nitrate.

Mr. Metz says, "I am not afraid of the Germans."

Senator McCUMBER. He says what?

Mr. CHOATE. He says he is not afraid of the Germans. Why should he be? Just before that he had said, "I am a representative of the great Hoechet concern.

Mr. METZ. I said that I represented them. I said that I was not a representative of anyone to-day.

Mr. CHOATE. "I represent" was the phrase you used.

Mr. METZ. I beg your pardon; I said I did represent.

Mr. CHOATE. Well, it is hardly worth discussing; but I think I am right.

At all events, Mr. Metz will not contradict me when I say that he is now advertising their product on a considerable scale.

Mr. METZ. I am advertising only such——

Mr. CHOATE (interposing). You are inserting full-page ads that carry the suggestion that the product of the German trust can be bought through you.

Mr. METZ. Certainly, and I am glad of the chance.

Mr. CHOATE. Now, then, he tells you in one breath that the Germans are not making dyes and that the market is liable to be flooded at any moment by the German reparation dyes coming from England, France, and even——

Senator SMOOT. Did he say they were not making any dyes?

Mr. CHOATE. That is an exaggeration, Senator. He says "they have not got the dyes." As to that question, he is contradicted by the figures.

Senator WATSON. That they had converted the dye industry into other things.

Mr. CHOATE. As to their production, they are required by the treaty, under the reparation clause, to deliver 25 per cent of the dyes which they make—of their daily production I mean—to the Allies. There is no check on this report. There is no way to find out whether they are telling the truth or not. They have an enormous interest in not telling the truth, and from what we know of the Germans we are justified in believing that they would not tell the truth under such conditions.

They are not required to report intermediates at all, so that at any moment the situation may be that they have piled up great quanti-

ties of intermediates that are almost dyes and are ready to flood the market with dyes thus produced.

The Tariff Commission's report will show that in 1920—and during the first part of that year they manufactured very little—they made 103,000,000 pounds of dyes.

Now, as to the question of what they have got on hand, I have said that I can give you first-hand information. I was in Paris working with the Reparations Commission in November, 1920. The German trusts made an official complaint to the Reparations Commission, which you will find in their files, to the effect that the Allies were not taking away the reparation dyes and that as a consequence their warehouses were clogged with goods.

Of course, the gentlemen know that since November and December, 1920, the dye business has been pretty slack; that there has been remarkably little opportunity to sell dyes; and you know as well that since that time the English embargo has gone into effect. Accordingly, it is as sure as anything can be that if the warehouses were clogged with dyes in November and December, they are clogged now, and if they are clogged it means that they have large supplies which they can not sell, and that if they can not sell them they have dyes that they can give away.

Senator SMOOT. Do you mean to say that Germany produced only 103,000,000 pounds of dyes during the year?

Mr. CHOATE. They admit no more than 103,000,000 pounds. That is the statement they made to the Reparations Commission.

Senator SMOOT. That is only 51,500 tons.

Mr. CHOATE. Yes; that is about two-fifths of the usual production.

Senator SMOOT. They were producing just before the war broke out about 150,000 tons.

Mr. CHOATE. One hundred and fifty thousand tons, perhaps.

Senator SMOOT. They exported 135,000 tons of coal-tar dyes alone

Mr. CHOATE. Of course, Senator Smoot, we must remember that the production in the early part of 1920 was very small.

Now, a word as to the situation of those German works. In November, 1920, Capt. Norris, the head of the dye section of the Reparations Commission, who happens to be an American, made a trip to the German dye works and inspected them. The Badische works, which before the war were about the largest, and which before the war employed 11,000 men, employed in 1919, at the time they advertised the fact in order to secure new capital, 16,000 men.

The chief director of the Badische Co. in November, 1920, told Capt. Norris, who reported it to the commission immediately afterwards, that they were then employing 30,000 men outside of the air nitrogen works, which is one of their main undertakings.

Mr. Jacoby, a representative of the State Department, went to the German factories in March, 1921, and made the same report. He also inspected their factories and found them very active.

Senator CALDER. Does your information indicate that they were manufacturing dyes?

Mr. CHOATE. Yes; I am coming to that.

Senator SMOOT. Were you there in 1920?

Mr. CHOATE. In France in the autumn of 1920—October, November, and December.

Senator SMOOT. How many were employed there at that time?

Mr. CHOATE. Thirty thousand. That was in the Badische Works alone, one of the Big Six. As compared with that, we have never employed more than 24,000 men in our whole dye industry.

Senator SMOOT. Before the war the number was 11,000?

Mr. CHOATE. Eleven thousand.

Senator SMOOT. Before the war Germany was producing 150,000 tons, and, if I remember the figures, the Badische Works were manufacturing about one-quarter of all that was manufactured in Germany.

Mr. CHOATE. I think that is so, Senator.

Senator SMOOT. It was either one-fourth or one-third. I forget the exact percentage.

Mr. CHOATE. Yes.

Senator SMOOT. Therefore, they are producing less in 1920 and have three times the number of employees.

Mr. CHOATE. They are admitting less production. I do not say they are producing less, because I do not know what the present production is. It is unfair to take the total of 1920 and to attempt to derive any accurate average from that. However, it is quite conceivable that they are not producing anything like capacity and that they are doing so without diminishing their force, because it is probably good policy to keep their force employed and contented, but I think that any concern that can afford to keep 30,000 men employed for the sake of keeping the organization together is undoubtedly in good condition.

As to the statement Mr. Metz made to the effect that the new plants were not dye plants, all I can say is that in the same expedition, in November, 1920, Capt. Norris was shown at the Badische works a very large new indanthrene plant. The indanthrene dyes are the vat dyes of the Badische Co. and are the most important of all. That indanthrene plant was not then completed but was still under construction. It was almost complete. So we know that that great company has built at least one new dye plant.

So, when we really come down to a final analysis, we have nothing more than an opinion. That opinion, it is true, is expressed by a man whose ability is conceded, whose knowledge is conceded, if you like, but by a man who has been for years the representative of a German trust, a supporter of the German trust, who is now pushing the sale of German dyes in this country. He has spent two years in fighting this legislation bitterly, and he quite obviously hopes to obtain a greater profit from the importation of German dyes than from domestic manufacture.

Senator SIMMONS. How has he been doing it?

Mr. CHOATE. By making speeches.

Senator SIMMONS. What is his name?

Mr. CHOATE. Oh, Mr. Metz.

Senator SIMMONS. Oh, I thought you were talking about a German.

Mr. CHOATE. I am not sure, Senator, that your misapprehension was not quite natural.

Senator SIMMONS. He is an American citizen.

Mr. CHOATE. I might say that Mr. Metz appeared upon the floor of the House at the time this bill was voted on.

Senator WATSON. Mr. Choate, men who are opposed to the embargo get themselves into a frame of mind where they are willing to be-

lieve that Germany is not making dyes, while the men who are in favor of an embargo get themselves into a frame of mind where they are willing to believe that unless we enact some legislation soon Germany will flood us with dyes in 30 days and thereby destroy the dye industry in America. Why do you not get down to facts and tell us whether the American industry can be saved in the absence of an embargo and whether or not the American valuation plus a certain rate will protect the American industry?

Mr. CHOATE. My view is that you can not be sure to save the industry except by an embargo.

Senator WATSON. Then tell us why.

Mr. CHOATE. Because of the colossal advantages which the Germans have.

Senator SMOOT. Let us get at this.

The CHAIRMAN. What advantages have they?

Mr. CHOATE. I would like to be heard on that.

Senator SMOOT. Let me ask you a few questions, and then you may direct your remarks to those questions. Is it not true that staple dyes—I shall not enumerate them, because you know them as well as I do—amount in dollars and cents to 80 per cent of all the dyes that are manufactured in this country or in the world?

Mr. CHOATE. I do not know about the world. I think it is true of this country.

Senator SMOOT. Well, then, this country, because those are the dyes that we use. Of course as to the bulk of them it is a great deal more than 80 per cent. With respect to those dyes, don't you think that we can put a duty upon the 80 per cent and not an exceedingly high duty, either, that will take care of them?

Mr. CHOATE. I think if those dyes were unrelated products, unconnected with the manufacture of other dyes, you could unquestionably protect them.

Senator SMOOT. Let me refer to the exact conditions under which they are made to-day. Considering the way you are making them, the way Germany is making them, the cost in this country and the cost of making them under German conditions to-day, don't you believe that with the American valuation and a percentage everyone can be protected?

Mr. CHOATE. I do not think so, and I will tell you why. It is a rather complicated story, and I shall have to go into it at some length. It is in my brief, but I think it may be advantageous to state it now.

The difficulty is that the manufacture of every one of these dyes is tied up with other dyes. I think that, with one or two exceptions, there is not one of the staple dyes in which economical manufacture does not involve the manufacture of a whole chain of other dyes.

Senator SMOOT. But they are not included in the 20 per cent I am speaking of.

Mr. CHOATE. I know they are not, Senator. The point is this: When you make dye "A," that has, say, 8 children in the shape of related dyes naturally made with the parent product, and unless you make the 8 children and sell them at satisfactory prices, you can not make a low price on dye A. Now, the Germans make dye A, and with it not only its 8 children, but also perhaps its 108 grand-

children. They make money on the children and on all the grandchildren, and sometimes the grandchildren are products in the way of drugs or perfumes that sell for $5 a pound, or even $5 an ounce. Unless and until we make the children and the grandchildren and sell them at remunerative prices we can not set as low a price for even the parent product as the fellow who makes the family. There are many concrete instances of that, but I do not know that it is necessary to go into it further.

The other reason why these staples can not be protected by a duty is this: There is an immense margin of difference in the costs. It is impossible to state accurately how much because of the relation which the by-product bears to the problem. The labor cost, however, is shown by the Tariff Commission to be five times as great in this country as abroad.

Senator SMOOT. Let us not get off this matter.

Mr. CHOATE. I am going straight to the point.

Senator MCCUMBER. I think the witness ought to be allowed to answer your question. You asked him this and he is attempting to answer.

Senator SMOOT. But he was getting off the main issue.

Mr. CHOATE. I think not, Senator. First, we start with the fact that there is a discrepancy in costs. I can not give the exact figures. In some cases given dyes cost less than nothing because they are by-products of something else.

Senator SIMMONS. If it costs nothing over there, it costs nothing over here; isn't that true?

Mr. CHOATE. If we also make the thing of which it is a by-product.

In the second place, there is this colossal difference in experience. Of course, that difference, as you all know, is less in the staple dye than it is in the others. With regard to those dyes which we have been making for four or five years, we probably get almost as large yields from our raw materials as they do. As to those dyes of which the children and grandchildren are new, we get in these subsidiary and related products almost no yields at all compared to theirs, so that we lose from one-quarter to one-half of our materials and labor, and therefore we start this situation with an immense and, in the nature of things, indefinite margin of cost against the American producer. Of course, if that were all there were to it, you could protect the industry by a tariff if you made it high enough. But that is not all of it. The difficulty is this, that we have as the main competitor against our industry the colossal German trust, this unscrupulous monster, that we all know about.

Senator SIMMONS. I understand that that unscrupulous trust before the war sold us dyes at a rather cheap rate.

Mr. CHOATE. They sold us dyes for what they thought the traffic would bear. The single trust was only formed in 1916. Before that time——

Senator SIMMONS. They sold them for about one-third of what they are now being sold for.

Mr. CHOATE. Certainly, but the trust was only formed in 1916, when importation was no longer possible.

Senator SIMMONS. However, they had an absolute monopoly, it has been contended.

Mr. CHOATE. But they could not send a pound of dyes into this country in 1916 when the I. G. was formed. Before that they had an absolute monopoly in the sense that Germany supplied the world, but their industry was not unified. It was made up of two groups, the one consisting of Bayer, Badische, and Berlin, and the other consisting of Hoechet, Cassella, and Kalle.

Senator SIMMONS. They seem to be more fortunate with their trusts than we are over here.

Mr. CHOATE. They had two trusts fighting each other, and that is what kept the prices down. The present single trust has got to get back the world's market. It is shut out of France, England, and Italy. It is, I hope, shut out of Japan. I do not know. There are but three great markets left—China, South America, and the great market of the world, the United States.

Behind that trust must be the German Government, because in the recovery of world supremacy in organic chemicals lies the only hope of the restoration of the military strength of Germany. There is there a motive so colossal, so all-important, that it would drive any of you gentlemen, if you were in charge of the German institution, to the greatest lengths which your conscience would permit in trying to recover this market; and I might say that the length to which the conscience of the German trust would permit it to go has never been measured. It is impossible to deny that that trust is determined on reconquering our market.

The CHAIRMAN. I want to say for myself, as one member of the committee, that this horrible nightmare does not intimidate me a bit.

Mr. CHOATE. I admire your courage, Senator.

The CHAIRMAN. I do not have any courage. I am naturally a timid Quaker, but these lurid pictures absolutely fall off me in a harmless way.

Senator MCLEAN. They fell off in 1915 and we were all timid Quakers in 1915 and 1916. We had made no preparation, and I think that some of us regret that we were not better prepared at that time.

Senator CURTIS. If you will read the official returns of what that outfit did with the profits made on dyestuffs you will be amazed.

Mr. CHOATE. I must say that I do not see how anybody can read the hearings taken before the committee last year and retain the courage which the Senator has shown.

Now, if I may continue, I would like to say that, working with this tremendous motive back of them and their immense resources. this trust can kill or destroy our industry by the method of selective attack. This is not a nightmare, this is not a pipe dream. It is a simple, inevitable fact.

No American dye maker makes money on his whole line of products, not even Mr. Metz. He makes a number of things, because he has to make them in making other things.

Senator WATSON. What about full-line forcing?

Mr. CHOATE. I am coming to that.

He makes these other things with the hope of making money later if he can beat his competitors to it. But, on his staples for the most part, competition has been so fierce and the price has been brought down so low that their manufacture is not profitable.

The tariff commission tells you that 52 per cent of the total tonnage of dyes made in this country consists of dyes made by seven or

more makers. As to other dyes there is a still greater number of makers. So that there is immense competition in these products and there is no money to be made from them. At the other end of the scale there are some 200 dyes each which is made by one maker alone. These are mostly new, and with regard to these new dyes the inexperience is so great and the manufacturing losses are so tremendous that the makers can not hope to make money. The result is that they make money on two or three dyes in between the two extremes. The Germans are past masters in this industry. They know what those new few profitable dyes are. All that is necessary for them to do to destroy any one manufacturer is to import a year's supply of his profitable specialties into America and give them away. No antidumping regulation and possibly nothing else that can be devised will stop such practices in time to do any good.

If you have read this record you have seen how easily it can be done. Once the dyes are here they can be given away and no one will be the wiser. It will be absolutely impossible to stop this by any corrupt practice act, because the importation will appear to be a real sale at a fair price. And so I say that if we had only fair competition from an equal opponent to meet you could perhaps meet the difference in cost on these staples, considered by themselves, by a tariff, but I also say that you can not meet the selective attack on these particular staples, although they are our strongest products, when that selective attack is carried out by an opponent such as the German trust.

Senator SMOOT. I do not know that it is necessary to go into this question any further than to state this, that 80 per cent of the dyes in the world are staple articles, and that out of that 80 per cent of the dyes, taking blues, blacks, browns, and the synthetic colors, the by-products would not amount to more than 7.5 per cent of the 80 per cent.

Mr. CHOATE. In value or in quantity?

Senator SMOOT. It would not be in quantity.

Mr. CHOATE. No; not in quantity.

Senator SMOOT. I am taking the staples. Grant that it is 10 per cent; I am perfectly willing to grant you 15 per cent, if you wish it. Then you can say 15 per cent of the 80 per cent, and that is 12 per cent of the whole amount. Now, you can not convince me that with the American valuation and a duty placed upon the 80 per cent of those goods you can not keep German dyes out of here, unless they really want to give them away.

Mr. CHOATE. I think they will give them away.

Senator SIMMONS. Germany is not going to give them away.

Senator SMOOT. Mr. Choate believes that Germany will.

Mr. CHOATE. I believe if I were running a $500,000,000 plant, which was going to be destroyed unless I did give them away, I would give them away.

Senator SMOOT. Well, we have taken 10 per cent. As to the other 20 per cent, or half of them, those are colors that in the past one manufacturing country in the world could produce a great deal more of than was wanted in all the world. In other words, the business is so small that it would not pay all the countries to enter upon the manufacture of those tints of blues and pinks and shades

of delicate colors. No one has started to do it in the past, with the exception of Germany. That leaves 10 per cent over and above 80 per cent that there is fighting ground for.

I think that Germany did control it and I think that through what you term the German dye trust she will control that 10 per cent, but that does not affect preparation for war and it does not affect the question as to whether we will be prepared from the by-products to manufacture the other 80 per cent of goods and that we will not carry on that work. That is what I want to get at. There is no one around this table, nor is there anybody in the United States, who wants to protect the dye industry more than I do, but I am not in a frame of mind which makes me feel like saying to the dye industry of this country, "You shall have an embargo," particularly the kind of an embargo you are asking. Your idea is that if the goods are made in this country the German goods shall not come in. Let the American manufacturer pay the extra cost for making his dyes. They are not kicking at that. They have suggested rates that no dye manufacturer could object to. They want the industry established in this country. They are perfectly willing to pay for it, but they do not want an embargo.

Mr. CHOATE. On that last point, Senator Smoot, in reference to our position, we advocate not the last House bill, not the provision in this bill, but the Finance Committee's bill of last year, which we think is better, and which, with a few slight changes, would be a more satisfactory arrangement.

As to the question whether 20 per cent of dyes outside of the staples are likely to be made here, let me say that if you establish a dye industry firmly in a country small manufacturers can live and thrive and have their being beside the big ones very readily and can specialize in just the dyes to which you refer. That has been the case in Germany. Throughout Germany, outside of the big six, there have been small manufacturers who have made their living specializing on extra high quality goods of these special types. That industry is in itself of great value, but it can not live if it has to get its raw materials, which are themselves the finished products of the big concerns, its advanced intermediates, from foreign sources. So that I think we shall make everything, no matter how small the consumption or individual production may be, before we get through, if you will save us.

It is quite true that if we had a flourishing dye industry making only staples, we could still produce the material needed for war. You are right there, but the flaw in your reasoning is this: The essence of chemical warfare is surprise; it is the new thing that kills; it is the new thing that is hard to meet. When the Germans came out with new gas, it was a question of touch and go every time as to whether they would not win the war then and there, unless that new gas was recognized instantly and recognized by a body of chemists who had knowledge which enabled them to determine what was a proper antidote for that gas and what was the proper protection in the way of gas masks. But for the possession of such knowledge the Allies would have been defeated instantly, on the first use of several of these substances.

Senator SMOOT. The discovery to-day is in the hands of the War Department.

Mr. CHOATE. That is only half of it.

Senator SMOOT. They make the discovery. The dye manufacturers in Germany do not do that. The German Government does it.

Mr. CHOATE. I must differ with you squarely.

Senator SMOOT. You may differ, but I do know that the German Government has those experts there, and I know they are working it out in connection with what they get from the by-products in the dye manufacturing, and I know the American manufacturer would not withhold any of those products from our Government, if our Government experts were experimenting upon the production of a new poison.

Mr. CHOATE. They would not, Senator; you are entirely right, to this extent, that the Government experts will undoubtely do purely scientific research work to the utmost of their ability, as they did in Germany. But it has been stated in the British report on the German industry which was introduced by Gen. Fries yesterday, that no step was taken during the latter part of the war by the German high command without the consultation on the one hand of the Krupps, who have been described as the right hand of the Kaiser, and on the other hand of the I. G., which may fairly be described as the left hand of the Kaiser—and the Kaiser was left-handed, he was a "south paw."

Senator SMOOT. The American manufacturers, as far as that is concerned, would not object at all to giving all the information and working in cooperation with our experts in the War Department?

Mr. CHOATE. Surely. But the point is that the dye manufacturer—the dye chemist—spends his days and nights working on these problems of organic chemistry, working constantly with the very materials out of which poison gases must arise, and out of which their antidotes must arise; he is constantly urging forward from the boundaries or existing knowledge; he is constantly finding out new things. He has got to do so. When he gets a given problem in research, he has not, half the time, the necessary data to begin his answer with; he has to work out wholly new fields before he gets started.

It has been stated authoritatively that any skillful chemist working in a back yard with a couple of teakettles and shaving mugs may at any time discover the final gas, or at least the best gas up to that time.

Surely the odds are enormously in favor of such discoveries being made by these armies of chemists in the dye laboratories which are working day and night with these materials, rather than by one of a few Government experts.

Senator SIMMONS. How many of them are working in that way?

Mr. CHOATE. One concern in this country has 600 such chemists, or had before the slump.

Senator MOSES. Are they going to stop?

Mr. CHOATE. Are they going to stop?

Senator MOSES. If they do not get an embargo, are they going to stop work?

Mr. CHOATE. They are going to stop work, and the situation is as plain as day. The embargo will do the work, as Gen. Fries said. Any other sort of protection may be inadequate, and I say it is up to Congress and to the United States to take no chances. The possible dam-

age in the way of inconvenience from embargo legislation is so small compared with the possible damage of the loss of this entire industry that I say it would be the part of foolishness to take a chance when it is not necessary. Senator Watson asked a question, and I have forgotten what it was.

Senator WATSON. I asked you about full-line forcing.

Mr. CHOATE. Unless we get a complete dye industry and make everything, we are at the mercy of a nation which has a complete dye industry.

A man wants to get a particular dye—let us take, for the purpose of argument, a vat red, which is not on the market in this country. The Germans have it. He goes to their agent and asks for some; in words, nothing is said; there is no writing; there is nothing by which the process can be detected. But he finds he does not get his vat red. Across the way is his competitor, who also wants vat red. That competitor buys all his goods from the German manufacturers. He gets his vat red. A little thought serves to convince the first manufacturer that perhaps he had better try getting all his goods from the German manufacturer, and then he also gets his vat red. And so by that simple, silent process the German gets that man's entire consumption of those dyes.

Of course, another allied process brought out in the last hearing was the use of long-term contracts, where it was shown that just before the war the Germans were refusing to sell indigo except on four-year contracts covering the consumer's entire consumption.

You can see that in this situation if we let the German dyes in, no matter how much they cost by reason of duty, the German manufacturer who can supply anything which we can not can say to his consumer silently, "You shall not have any of this thing you need unless you take all from me," or he can say, "Very well; you shall have this particular product, but only if you will contract to buy your supplies of it from me for 10 years."

Senator SMOOT. Why did not the German manufacturers do that when the alizarines first came out? They had the same power, and alizarines were used a thousand times more than the vat red dye—yes, ten thousand times more; and why did they not say to the American purchaser, "You can not have alizarines here unless you buy all of your dyes from us?" They did not do that.

Mr. CHOATE. I am not sure they did not do it.

Senator SMOOT. I am sure they did not, because I bought the alizarines when they were first made almost, and I know that Germany never asked me to buy other goods than I really wanted to buy from them.

Mr. CHOATE. The answer to that, perhaps, is that it was not necessary to do any "full-line forcing" there, because you had to buy almost all your dyes from Germany anyhow.

Senator SMOOT. That is not true either. We bought a great deal of them from England then.

Mr. METZ. And from Switzerland also.

Senator MOSES. They did not have the benefit of Mr. Choate's advice, Senator Smoot.

Senator WATSON. How many dyes did you buy from England, Senator Smoot?

Senator SMOOT. A great many of them. I used to buy dyestuffs by the carload, and I was at it for over 20 years, and I can not tell you how many I bought from England.

Senator WATSON. From England?

Senator SMOOT. Certainly.

Mr. CHOATE. Perhaps you bought alizarine from England?

Senator SMOOT. No; I did not.

Mr. METZ. The English made it, sent it here, and were in the combination.

Senator SMOOT. I did not buy it from them.

Mr. CHOATE. The British alizarine company was started by the Germans.

Mr. METZ. I do not care if it was started by the Germans. The British alizarine came from England, and they were competitors here in the market.

Mr. CHOATE. At all events, it is perfectly apparent, as Senator Watson suggested, that whether they did it in the past or whether they ought not to do it, they can do it now.

Senator SMOOT. If I was a manufacturer they would not hold me up that way.

Mr. CHOATE. There is one more thing I wanted to add in regard to staples—rather an apt illustration. I suppose that as staple a dye as any is magenta. All of you gentlemen remember the great brown-shoe famine; how for a couple of years during the war we could not get any brown shoes, except of that peculiar, unpleasant, dark-red tinge which nobody wanted. That was due to the absence of a dye called phosphine, which is the only thing that will do the work, now made here in large quantities. By the process ordinarily used until recently, in making 6 pounds of phosphine you had to make 94 pounds of magenta. I believe they have gotten rid of that difficulty now, but it was a difficulty that was insuperable until a few years ago. The country could consume only four times as much magenta as phosphine, and that accounts for the fact that in producing the amount of phosphine that was necessary to make the brown shoes of the country, for which the demand was imperative, we had to have an immense overproduction of magenta; and that accounts for the low price of magenta and is a perfect instance of the fact that the staples are not independent products which can be treated as if they were cement or cotton or any other product which is connected in manufacture with other things, but are so tied up with this interlocked industry as a whole that you can not separate and segregate them.

Is there any other question?

Senator MCLEAN. Mr. Choate, parties representing the textile industries appeared before the committee, and I think parties representing the hat manufacturers, and they are opposed to the embargo because they say that at present it is impossible for them, because of the practical difficulties of a license system, to get dyes in time to accommodate their trade. I do not know whether you have covered that in your brief or not.

Mr. CHOATE. I think I have. I would like to say a word about it here. All the opposition I have heard here has been appropriate as against the license system and not as against the bill drawn by you

gentlemen last year. It is quite true that under a license system you have got to ask for a license first and get it passed on by an independent body, and only after their decision is reached do you know whether you can get the goods or not. Of course, that does interpose an inevitable delay, which I am not surprised on the whole that the textile people complain about. But your bill should be carried out by the importable list system by which the Tariff Commission would find the facts and list the dyes that were importable, so that the importer could open a page and tell at a glance whether a given dye was importable or not, and there would be no delay of any consequence and no uncertainty because the importer could have the goods in hand just as before the war and delivered immediately if they were going to be deliverable.

Mr. METZ. And carry them at whose expense, Mr. Choate?

Mr. CHOATE. Well, your own expense, just as you used to do before the war.

Mr. METZ. I think not. I bought them and paid for them, and I would not do it again under any condition. You are just guessing.

Senator MCLEAN. There is just one other question, Mr. Choate, which I want to ask you. In regard to the new discoveries for gases and color compounds or dyes, what does the record show, comparing the discoveries that are made by the Government and those made by the chemists that are employed by private corporations?

Mr. CHOATE. The record can not be very clear about that, because much of the information which the Army has given us is of a highly confidential nature, and they could not disclose the details, I should judge. I do not know, and I do not believe anybody else does except the Chemical Warfare Service, where the discoveries have originated. But Gen. Fries has told you that the manufacturing problems, which are just as important as your technical problems—the problems of pure science—have been largely worked out in the dye works. He told us that mustard gas was impossible until the manufacturing problems were solved in the little French dye works and in the small English dye works and by the Dow Chemical Co. out here.

Senator MCLEAN. I have been told that very few of these discoveries emenate from governmental employees or chemists employed by the Government.

Mr. CHOATE. I doubt if it is possible to get any exact information on that. But I should say it is true, for the reason I have given you, that 600 chemists are employed by one concern in the industry on these jobs where 100 are in the Government employ.

Senator SMOOT. They are not able to produce poisonous gas?

Mr. CHOATE. They do not want to.

Senator SMOOT. Our Government worked that out and they worked it out in detail.

Mr. CHOATE. Yes; but, Senator, these products, dyes and poison gases are so closely related that you can not fail in dye research to get at masses of information which will enable you as soon as you desire to make poison gases—to hook up additional elements onto your previously worked out materials in the ways which are known to be likely to produce poison gases.

The CHAIRMAN. Does any member of the committee desire to address any inquiry to Mr. Choate?

Mr. LA FOLLETTE. I would like to have an opportunity to read Mr. Choate's brief, which, I suppose, is to be considered as a part of his statement of facts.

Mr. CHOATE. Senator, I have really been led over almost all the ground in it.

Senator LA FOLLETTE. And then I should like an opportunity to ask him some questions after I have read it.

The CHAIRMAN. Well, if you will indicate the day in which you desire to have Mr. Choate here, I have no doubt he will be glad to come.

Senator LA FOLLETTE. I will endeavor to do that work at once.

The CHAIRMAN. He will be here this afternoon, perhaps.

Mr. CHOATE. Could you make it this afternoon, Senator? I am very anxious to get away.

Senator LA FOLLETTE. I have other things to attend to. The Senate will be in session, and I do not know how much I will be interrupted in that way. I would like to get an idea of just whom you represent, Mr. Choate. You have perhaps furnished a list already to the committee while my attention was diverted.

The CHAIRMAN. He submitted that this morning.

Senator LA FOLLETTE. Has that been put into the record?

Mr. CHOATE. That, I understand, has been put into the record.

The CHAIRMAN. That was offered this morning.

Senator LA FOLLETTE. How many different manufacturing establishments are organized under this corporation, which, I take it, is the American Dyes Institute?

Mr. CHOATE. I do not think it is a corporation, is it?

Senator LA FOLLETTE. Is it a corporation?

Mr. CHOATE. I do not think so. It is just a loose trade association of the ordinary type, and nobody is organized under it.

The CHAIRMAN. When was it organized?

Mr. CHOATE. Can anybody give me that date exactly?

Mr. STONE. About the first part of 1918.

The CHAIRMAN. You are its legal representative?

Mr. CHOATE. Yes; in this matter simply.

Senator LA FOLLETTE. Will the representatives of these several manufacturing establishments appear before this committee?

Mr. CHOATE. Not to testify on their own volition, because we have covered the ground, at the request of Senator Penrose, as nearly as we could in one statement. They are here, a lot of them, and will be very glad to answer any questions.

Mr. METZ. I am also a member of that institute and pay my dues and am in good standing, I think.

Senator LA FOLLETTE. What capital does this association represent?

Mr. CHOATE. It does not represent any capital.

Senator LA FOLLETTE. What capital is represented by the several members, when you aggregate it all?

Mr. CHOATE. It is very difficult to say, because almost all of the large companies that are engaged in chemical manufacturing are engaged in dye manufacturing only to a small extent; for example——

Senator LA FOLLETTE (interposing). They know how much they have invested in that branch of their business, I suppose.

Mr. CHOATE. And the best estimate we could get was, at the last hearing, taking the statements given us of the total investment in the dye works in the country, about $93,000,000. I do not think it has increased since that time, because for each investment in actual money there have been write-offs and losses.

You see, in such a concern as the Allied Chemical & Dye Co., which has been flaunted before the country as having $280,000,000 in the dye industry, only a very small end of that is in the business at all. The National Analine represents an investment of $30,000,000.

Mr. METZ. Did they not have stock out for $60,000,000, Mr. Choate, before they went into the combine?

Mr. CHOATE. I do not think I can answer that.

Mr. METZ. I can answer it, and the records can answer it.

Mr. CHOATE. I will let them answer that.

Mr. METZ. I can answer it.

Mr. CHOATE. Mr. Metz can answer almost anything.

Senator SIMMONS. Did I not understand you to say that there were only $93,000,000 invested in the dye business in this country?

Mr. CHOATE. I think it is very difficult to determine, but that was the best estimate we could reach a year and a half ago.

Senator SIMMONS. Do you know how much is invested in the industry in Germany?

Mr. CHOATE. I can give you that pretty closely. I have not got the figures here at the moment, but they appear in the report of the British Parliamentary Commission on Profiteering which has just been issued, dated May 29, 1921. The capital of the German trust—that is, of seven of the larger companies; there are more than that in it now—in 1917 before the depreciation of the mark, was 383,400,000 marks.

Senator SIMMONS. Mr. Choate——

Mr. CHOATE (interposing). Wait a moment, if you will excuse me. I want to finish that. That was the nominal capitalization. The stocks of these seven companies alone at that time, on the stock exchange, had sold for a long time at an average of well over 400.

The nominal capital, therefore, was in the neighborhood of $90,000,000, and the actual value of that capital, figured on stock quotations in the stock exchanges, was between $360,000,000 and $400,000,000. Since that time $838,000,000 of marks have been added to the capital, not by more stock dividends, but by the sale of stock for cash. Those 817,000,000 marks are worth a great deal less than they would have been before, but they are worth something, and they have come along in two or three separate issues, so that the first of them were issued before the whole of the great depreciation took place, I think. That, I understand, does not include the air nitrogen works, which are now included in a separate company with a capital of 500,000,000 marks, which is managed by the trust.

So that the total nominal capitalization of the trust is now 1,200,000,000 marks odd, and plus the 500,000,000 in the air nitrogen works—and it certainly represents actual assets of over $500,000,000 gold. And that, remember, gentlemen, was mostly put in at times when things cost very much less to do than now.

Senator LA FOLLETTE. Do you figure the mark at 1/10 in arriving at that conclusion?

Mr. CHOATE. Oh, yes; because, as I say, the 387,000,000 marks nominal capital, or $90,000,000 nominal capital, was at the time before the depreciation of the mark in 1917, and it was even before the depreciation of the mark worth four times that on the stock exchange figures.

Senator LA FOLLETTE. Are the members of that the members of the General Chemical Companies?

Mr. CHOATE. I do not know that I exactly understand what you mean, Senator. They make things other than dyes.

Senator LA FOLLETTE. I mean to apply it to the statement you made some time ago that in that list you have furnished was the membership of the American Dye Institute you state that only a small portion of their business, or of the business of some of the companies, at least, represent the real dye industry.

What I want to get at is, if you know—and you seem to have more definite knowledge about the German combination than you have about the combination in this country—what the total capitalization that you have just stated over there represents, the general chemical business or is confined wholly to the dye business?

Mr. CHOATE. Of course, it is not confined only to the dye business.

Senator LA FOLLETTE. No; I assume not. I suppose their membership is composed of people who are in your corporations who are engaged in general chemical manufacturing.

Mr. CHOATE. I think that is not quite the way of it, Senator. I do not think there is any company in the German dye trust to-day that is not almost primarily a coal-tar chemical company. But they have developed additional business in the way of heavy chemicals and big chemicals, of course, a profitable and important and large part of their work. But it is not like the combination of the Allied Chemical & Dye Co., which consists of an acid company, a soda company, and various other companies specializing in heavy chemicals, all combined with a single dye company. Theirs are dye companies which have spread into other things.

Senator SIMMONS. What was our production last year?

Mr. CHOATE. Production of what?

Senator SIMMONS. Dyestuffs.

Mr. CHOATE. That is in the Tariff Commission's report. I have not charged my memory with it in six months, but I think about $80,000,000.

Senator SIMMONS. You tell us it is $80,000,000 as against $50,000,000 produced in Germany?

Mr. CHOATE. Our consumption is about 60,000,000 pounds, and I think our production last year was perhaps 20,000,000 more.

Senator SMOOT. In the amount of capital as invested in this industry in the United States, did you include the National Analine & Chemical Co.?

Mr. CHOATE. I did.

Senator MCLEAN. You did?

Mr. CHOATE. Yes, sir.

Senator SMOOT. The only report I can get of what capital they have is from Bradstreet's report, and Bradstreet's report shows, as a report from that company alone made to Bradstreet, from May 29, 1917, to December 31, 1918, approximately 18 months, an undivided earnings during that period of $22,823,661.11.

Mr. CHOATE. For what period was that?

Senator SMOOT. That was from May 29, 1917, to December 31, 1918, and that, as reported by Bradstreet, was made upon a capital—I should suppose that this is the capital that they say they have—of $25,504,654.

Mr. CHOATE. Your conclusion from that would be the capital and surplus of about $47,000,000?

Senator SMOOT. No. They do not say what their surplus is.

Mr. CHOATE. Undivided profits?

Senator SMOOT. Undivided profits during that time was $22,000,000. So I can not say what their surplus was before, but their admitted capital is $25,504,654.

Mr. CHOATE. It would be a waste of time for me to discuss that, because I know nothing about the facts.

Senator SIMMONS. You say they earned $22,000,000 during that time?

Senator SMOOT. During the 18 months they made upon this amount of capital—or what they reported to Bradstreet—that is, on a capital of $25,504,650—approximately during a period of 18 months, $22,803,661.

Mr. CHOATE. My figure of $30,000,000 is the figure they have given in the investment in plant and research up to a certain date, which I think was about a year ago. For any more detailed information it is useless for you to ask me, because I haven't it. But you have some manufacturers here who will be glad to tell you anything you like.

Senator SMOOT. Are you counsel for the Chemical Foundation also?

Mr. CHOATE. I am; yes, sir.

Senator SMOOT. What connection has that corporation with the American Dye Institute.

Mr. CHOATE. None.

Senator SMOOT. They do not work together?

Mr. CHOATE. Oh, they work together to this extent: That it is one of the Foundation's purposes to spread chemical information and to interest the public in chemical education, and in the importance of chemistry. That work naturally dovetails in with much that the Dye Institute does.

Mr. METZ. Will you not say that I subscribed $50,000 to that and paid in $30,000?

Mr. CHOATE. Mr. Metz, I can not say everything you want to have said. You can say it yourself.

Mr. METZ. I subscribed $50,000 to the Chemical Foundation.

Mr. CHOATE. I must confess that as a mouthpiece for Mr. Metz I seem to be a failure——

Mr. METZ (interposing). You can tell the truth, can you not. I want to show my standing as an American manufacturer; that is all.

Mr. CHOATE. Of course, you subscribed $50,000.

The CHAIRMAN. Are you through, Senator La Follette? I do not want to hurry you in any way. You can go on if you desire.

Senator SIMMONS. Mr. Chairman, I want to inquire if Mr. Stone may be heard? Mr. Stone requested me yesterday to ask that he be given a few minutes to present some matters to the committee.

The CHAIRMAN. Do they relate to this subject?

Senator SIMMONS. Yes.

The CHAIRMAN. Well, as soon as the termination of the examination of Mr. Choate is reached the committee will call on Mr. Stone at your request.

Senator SIMMONS. Thank you.

Senator LA FOLLETTE. I want an opportunity to look over Mr. Choate's brief.

The CHAIRMAN. Then, Mr. Choate, if you can be here to-morrow, perhaps—could you?

Mr. CHOATE. I can, but it will be at a very great sacrifice. I would like to finish to-day.

Senator LA FOLLETTE. I have other public duties to perform besides examining his brief.

The CHAIRMAN. You would prefer——

Senator LA FOLLETTE. I would prefer to have him appear here to-morrow.

Mr. CHOATE. Of course, Senator La Follette, the first-hand information you probably want as to the most of these matters you will have to get from the manufacturers in any event.

Senator LA FOLLETTE. Possibly.

Mr. CHOATE. Bear that in mind.

The CHAIRMAN. Then, I would suggest, Mr. Choate, if it meets your approval and that of Senator La Follette—it is a very important matter and one in which Mr. La Follette is greaty interested in getting to the bottom of—that you have such gentlemen as may occur to you present here to-morrow.

Mr. CHOATE. They will all be here. They are all here now.

The CHAIRMAN. Then, could we go on with the examination of some of them, Senator La Follette, or would you rather wait?

Senator LA FOLLETTE. I would like to look over Mr. Choate's brief and familiarize myself with the testimony he has given heretofore.

Mr. CHOATE. You have a copy of it?

Senator LA FOLLETTE. Of your brief?

Mr. CHOATE. Yes.

Senator LA FOLLETTE. Yes; I secured a copy.

The CHAIRMAN. Then, if it is the pleasure of the committee, the examination of Mr. Choate and his associates will be suspended for the time being, and, at the request of Senator Simmons, Mr. Stone will address the committee on this subject.

Mr. Stone, will you state your full name for the record?

**STATEMENT OF CHARLES H. STONE, VICE PRESIDENT ATLANTIC DYESTUFF CO., BROOKLINE, MASS.**

Mr. STONE. My name is Charles H. Stone.

The CHAIRMAN. Where do you reside?

Mr. STONE. In Brookline, Mass.

The CHAIRMAN. What is your business?

Mr. STONE. I am vice president of the Atlantic Dyestuff Co., whose home office is in Boston.

The CHAIRMAN. Where are their works located?

Mr. STONE. One is located at Burrage, a village 26 miles south of Boston, and the other at Portsmouth, up in Senator Moses's State, New Hampshire.

Senator SIMMONS. Mr. Chairman, I want to say that in asking that Mr. Stone be heard, I do not know whether he is going to say something for or against the views I may have. I do not know anything about that. He just made the request of me.

Mr. STONE. In view of Senator Simmons's remarks, I ought to thank him for giving me the opportunity of appearing here and to assure him that I am not going to embarrass him on account of his views, even though we did come from North Carolina.

The CHAIRMAN. The committee will be in order and the witnesses will cease conversation. If witnesses desire to consult or confer they will retire to a very large room adjoining, which will hold all of them.

Mr. STONE. Mr. Chairman, I come as the representative of one of the small manufacturers.

Senator WATSON. Manufacturers of dyestuffs?

Mr. STONE. Of coal-tar dyestuffs. We feel that we require unusual protection at your hands if we are to stay in business, and we feel that we must show you why you are justified in giving us this unusual protection. I want to give you a few facts, most of which I have taken from Government records. In behalf of, first, our industry, the American coal tar chemical dyestuff industry, and, second, in behalf of our belief that it is only through such protection as Senator Watson's bill that he prepared last fall would give us.

If I may review a few questions that seem to be in the minds of some of you gentlemen: At the outbreak of the World War there were a few—four or five or six or seven—coal-tar dyestuff manufacturers in America. These makers were producing about 5 per cent of the total amount of coal-tar dyes that were required. The other 95 per cent were imported mostly from Germany.

To-day—seven years later, almost exactly after the outbreak of the war—we have, according to the Tariff Commission's report, prepared by the Government, of which you gentlemen are an important part, 82 independent coal-tar dyestuff manufacturers.

What are the outstanding facts that we discover that have transpired during these seven years? Our imports of coal-tar dyes prior to the war were from 40,000,000 to 50,000,000 pounds. We have no public record of what the American dyestuff industry did prior to the year 1917. That year the Tariff Commission made us a report on what the industry had done, and we find that in 1917 we produced as many pounds of dyes in this country as we had been importing annually just prior to the outbreak of the war. Furthermore, we find that these 46,000,000 pounds of dyes were sold at an average price of $1.26 per pound.

In 1918 very considerable progress had been made. That year we made about 58,000,000 pounds of dyes—more than we had imported in any previous year prior to the outbreak of the war. And these we sold at an average price of about $1.07 per pound, a substantial reduction from 1917.

In 1919 we had made further progress. We made 65,000,000 pounds of dyes, and these were again sold at an average price of $1.07 per pound.

In 1920 we showed still greater progress. We made 88,000,000 pounds of dyes, perhaps one and two-fifths times as much as we had

imported prior to the war, and these were sold at an average price of about $1.08 per pound.

Let me say here, gentlemen, the——

Senator SIMMONS (interposing). Will you give the average price the American people paid for those before the war?

Mr. STONE. The nearest that we can get to that, Senator Simmons, is to take the possible volume of business of the German importing houses against the possible number of pounds that were used. We would then get perhaps 60,000,000 pounds of colors that were sold for anywhere from $30,000,000, $40,000,000, or $50,000,000.

Senator SIMMONS. I was trying to get the average at which these German dyes that you say were imported almost exclusively to this country before the war—that you are talking about—were sold at. You give the average of the price at which you sold them. Now, if you will give the average price the American people were paying before the war and buying from Germany it will answer my inquiry.

Mr. STONE. This is the best estimate that has been given, Senator Simmons, to my mind; prior to the war our per capita dye cost was from 30 to 35 cents per person. That would seem to indicate that our dyes then were costing about one-half what they are to-day, because when I use the records given by your Tariff Commission I find that the per capita dye cost for our American citizens to-day is 60 or 70 cents, or substantially double what it was prior to the war.

Senator SIMMONS. I have understood one witness to testify—I do not know who he was—that the average price he paid before the war was about 20 cents a pound.

Mr. STONE. Well, let his testimony stand as his testimony, not mine.

You gentlemen have noticed that the average price of the American-made dyes has not declined substantially for three years. You want to know why this is. We refer to the Tariff Commission report for 1920 and we find that there is from 1917, 1918, and 1919 a very substantial increase in the quantity of high-priced dyes.

Let me lay out some data here so that I can give you some specific instances.

Senator DILLINGHAM. You mean those dyes produced in this country?

Mr. STONE. Those dyes produced in this country, Senator; yes.

We will take the year 1918, for which the record is quite complete, and in the year 1919, and then the year 1920 These are the reports of the Tariff Commission to the President. I will refer to colors that constitute large quantities of our requirements. We find that in 1918 that direct yellow, which constitutes a large item of consumption in this country, was sold for an average price of $2.61 per pound.

Senator WATSON. What was that?

Mr. STONE. That was direct yellow.

Senator MOSES. You are not manufacturers of that?

Mr. STONE. Not of direct yellow.

Senator MOSES. What yellows do you make?

Mr. STONE. We make sulphur yellow.

In 1919 we made as much direct yellow as we did in 1918, or a little more—40 per cent more. We sold that at $1.74 a pound, a

reduction from $2.61 to $1.74. In 1920, of this same color we had a very considerable amount; the competition in this color had developed in the meantime—in 1917 and 1918—and there were about six or seven manufacturers, but when we come down to 1920 we have eight. I see among them the larger manufacturers. That year we made a substantial quantity which was sold at $1.49 per pound. The price of this color was nearly cut in two from 1918 to 1920; and I may say, as a dye seller, that the price of the direct yellow referred to here is substantially below the price of $1.49, which is the recorded price of 1920.

Shall I go on and relate other instances like this, Senator Penrose, to show the decline in price of dyes in this country?

The CHAIRMAN. You state anything that you think the committee ought to know from your angle, but remember that the committee is going very slowly toward accomplishing anything.

Mr. STONE. I know your time is valuable. Then, let me go on with one or two other colors. Let us take metanile yellow. In 1918 we have no recorded price, because there were not enough manufactured to justify the Tariff Commission in recording the price.

Senator LA FOLLETTE. What color is that?

Mr. STONE. M-e-t-a-n-i-l-e, which is an acid yellow, Senator.

In 1919 we have a price of 96 cents.

In 1920 we made a substantial quantity of that, and still the price remained, as there was an enormous demand for it for export—I want to show both sides—substantially the same as it was in 1919. But now since the slump in business, the price of this color is substantially below what it was in 1920.

Let us go to another, chrome black, which is used by Senator Smoot—who is not present now—in the woolen trade. In 1918 that sold for $1.62; in 1919 it sold for $1.25, and in 1920 it sold for $1.10; and to-day that same color, of the same quality and the same strength, is selling for about 75 cents.

I could relate a number of other instances like this.

Senator SIMMONS. What did that sell for before the war?

Mr. STONE. I beg your pardon.

Senator SIMMONS. What did that sell for before we began to produce?

Mr. STONE. Perhaps an average of 45 or 50 cents per pound.

Senator MOSES. How much was the production of this, Mr. Stone, before the slump in business to which you referred?

Mr. STONE. It would be purely a guess, Senator Moses, for me to endeavor to frame an answer to you. There is very sharp competition among the 82 independent manufacturers of this country, and we can certainly ascribe some of it to the slump in business. We can perhaps ascribe more of it to the fact that the German chemical cartel is producing enormous quantities of dyestuffs, which she is distributing all over the world, except to those countries which have barred German dyestuffs.

Senator MOSES. Would that necessarily affect the price of this market? They are not accessible to this market?

Mr. STONE. No; they are not accessible to this market.

Senator LA FOLLETTE. Do we export that color?

Mr. STONE. I doubt if we do in any substantial quantity.

Senator LA FOLLETTE. Then, if we do not, you would not be affected by German exports to other countries. The price would not be affected?

Mr. STONE. Unless those other countries were getting the business that our woolen manufacturers had been getting.

Senator MOSES. Just what do you mean by that, Mr. Stone? Do you mean that the German dyes were being sent to other countries, and that textiles were being brought here in competition with American textiles, and that that might affect the price of dyes in this country?

Mr. STONE. I mean, if we had been selling our products in Japan dyed with this color, that if our manufacturers had lost that market to some other manufacturer, then we would be deprived of the sale of the black through our fabrics.

Senator MOSES. What do you say about bringing in fabrics from Europe dyed with colors which our textile people could not get?

Mr. STONE. I do not consider that an exceedingly serious question, because I believe that if there are some manufacturers of dyes which are highly important or possess unusual properties, that those manufacturers outside of America would, perhaps, want to use them in fabrics and export the fabrics. What I mean here is that if the American dyestuff industry is not properly protected, and is submerged, that some day there is a possibility of those countries that control the dyestuffs keeping their dyestuffs in those countries and using them in their textiles, thus destroying the American textile industry.

If I may go on, gentlemen——

Senator LA FOLLETTE (interposing). Had you finished with your citations from the reports of the Tariff Commission?

Mr. STONE. I shall not make any more citations unless you wish them, Senator La Follette, except one, which is Congo red, if I can locate that color. Will some of you gentlemen tell me the number of it?

Congo red—we produced a substantial amount in 1918, which was sold for $2.01 per pound, average.

In 1919 we sold it for $1.12 per pound, substantially one-half the price of 1918.

In 1920 we sold it for 86 cents per pound, which is another substantial reduction, and to-day you can buy Congo red on the American market at 50 cents per pound, or thereabouts.

Senator LA FOLLETTE. You have selected four different colors from the list published by the Tariff Commission. Do the reports from which you have quoted give the general trend of the prices of all of the dyes manufactured in this country?

Mr. STONE. They do, Senator.

Senator LA FOLLETTE. Do they state in some summary an average for each year?

Mr. STONE. That is what I have just quoted prior to this. In 1918 our price was $1.07.

Senator LA FOLLETTE. You have quoted the average of the particular color that you selected from that list, but do they state the average trend of prices on all of the colors?

Mr. STONE. My first quotations, if I may set you aright, Senator, were on our total production.

Senator LA FOLLETTE. I thought direct yellow was the first color.

Mr. STONE. That is a specific case.

Senator LA FOLLETTE. You selected four specific cases.

Senator MOSES. What was that color?

Mr. STONE. Congo red.

Senator MOSES. Is that used extensively in this country?

Mr. STONE. Not so much now, Senator Moses. We have replaced it with other better colors.

Senator MOSES. Where is Congo red chiefly used?

Mr. STONE. It is exported as a rule, I believe.

Senator MOSES. To what country?

Mr. STONE. I think that I would have to name most of the textile countries of the world.

Senator MOSES. Is not that a very popular color in the Orient?

Mr. STONE. It is, I am told.

Senator MOSES. And used very much in the textile mills in India.

Mr. STONE. We can assume so.

I stated that the average price of dyes had not come down substantially, as reported by the Tariff Commission, for the years 1918, 1919, and 1920.

Senator LA FOLLETTE. Did you state the price for 1921 up to the present time, so far as you know it; the average? What is the trend of prices on all of the colors?

Mr. STONE. I would have to guess that.

Senator LA FOLLETTE. You would not know that?

Mr. STONE. No; that is not public property yet.

Senator LA FOLLETTE. May I ask you to state again, if you please, what companies you represent?

Mr. STONE. One company.

Senator LA FOLLETTE. Just one company?

Mr. STONE. Yes, sir; the Atlantic Dyestuff Co.

Senator LA FOLLETTE. Is that a manufacturing concern that manufactures dyes exclusively, or is it a general chemical manufacturing plant?

Mr. STONE. They manufacture coal-tar products exclusively.

Senator LA FOLLETTE. What is the capitalization?

Mr. STONE. $100,000, I believe, is the capital stock.

Senator LA FOLLETTE. Is it paid in in cash?

Mr. STONE. I think that it would be better to say in cash and the equivalent of cash.

Senator LA FOLLETTE. In cash and property?

Mr. STONE. Cash and property; yes, sir.

Senator LA FOLLETTE. When was it organized?

Mr. STONE. In 1916, I believe.

Senator LA FOLLETTE. Are you an officer of that company?

Mr. STONE. Vice president.

Senator LA FOLLETTE. What salary does that company pay to its president?

Mr. STONE. That I do not know, Senator.

Senator LA FOLLETTE. What salary does it pay you?

Mr. STONE. That I do not think you want me to answer, Senator.

Senator LA FOLLETTE. Yes; I do. I want you to answer it.

The CHAIRMAN. Mr. La Follette wants you to answer it, but you do not have to answer it if you do not want to.

Senator LA FOLLETTE. I am not certain about that, Mr. Chairman.

The CHAIRMAN. We can consider the question of drastic proceedings, if necessary; but in the meanwhile the witness declines to answer.

Senator LA FOLLETTE. I think that if the testimony taken before this committee is to have any value at all, we ought to have all the facts that bear upon the profits of the company.

Senator SIMMONS. I think that is a very pertinent question to this inquiry. We are trying to get at the cost of production in this country, and that, I understand, is one of the fundamental principles underlying all tariff legislation.

Senator LA FOLLETTE. I think it is basic. I think we are wasting time here, Mr. Chairman, unless we go right to the bottom of this whole business and find out how much money is actually invested in a business, find out the cost of production for every unit of production. All of these companies know, to the last fraction, the cost price of the production of everything that they are turning out. Then we want to know what part of the cost of production of every unit is labor and what part is capital, what part is overhead and what part is represented in all the items that go to make the cost balance sheet.

Senator SIMMONS. They rest their case absolutely on that.

Senator LA FOLLETTE (continuing). What percentage of profit they make on their capital. Then we ought to get, as far as possible, that same information with respect to the competing industries abroad. Then we have got a real basis for scientific tariff making. Without that I think we are just fanning the air here, mainly.

Senator SIMMONS. Why, certainly.

Senator LA FOLLETTE. I believe that the witnesses who appear in as important a proceeding as this ought to all be sworn and they ought to be required to answer.

The CHAIRMAN. I, personally, do not see any objection from the witness' point of view to his telling the committee what salary he receives. It is a matter of common knowledge, ultimately, to a large number of people.

Senator LA FOLLETTE. I will just withdraw that question for a moment.

Mr. STONE. Thank you.

Senator LA FOLLETTE. In what State is your company organized and incorporated?

Mr. STONE. Massachusetts.

Senator LA FOLLETTE. Did you not have to file an official statement with the secretary of state or some other State official?

Mr. STONE. Yes, sir.

Senator LA FOLLETTE. As to your earnings and capitalization and expenditures? I do not know just what detail is required, but in many States the detail is sometimes very extended. You have to file such a statement as that, do you not?

Mr. STONE. We do. Just what the statement is I am frank to say I do not know. Not being the treasurer, and the document not being before me that we have to file, I could not say positively what information it carries, sir.

I am thoroughly in sympathy with you, Senator La Follette. Let me say that. I believe that you gentlemen here are entitled to every bit of information that will enable you to come to an intelligent and correct solution of this question.

Senator LA FOLLETTE. I can understand perfectly well that one official of a company or one company would be very reluctant to have entered upon the record these facts with respect to their company unless similar facts are to be required as to all. I think they should be required as to all and that they should all come before the committee and frankly state all of these matters that go to the real basis of making a tariff that shall be amply protective but not excessively protective.

Senator WATSON. The whole question of the tariff, from the Republican standpoint, is the difference in the cost of production at home and abroad. I do not see how we are ever going to get at that difference unless we know all the facts.

Mr. STONE. Let me say this, Senators La Follette and Watson, that the company which I represent is ready to file with you the information which appears proper and which you gentlemen feel that you would require. Further, we will summarize this information for you, if you please, if you will indicate how this information should come to you.

We, Mr. Penrose, want to help you gentlemen.

Senator LA FOLLETTE. That is a very fine spirit, permit me to say.

Mr. STONE. The Atlantic Dyestuff Co. is going the limit to help you gentlemen to see that it is only an embargo, like Senator Watson has in mind, that will save us from being absolutely swallowed up.

Senator WATSON. A statement of that kind, of course, coming from you is valuable only as it is based on facts. We want to know the facts. You make these dyes and they are also manufactured in Germany. What is the difference in labor cost and in overhead expenses and in salaries in your company and the competing companies in Germany? How else are we to get at this? We must know the difference in the cost of production at home and abroad. That is the whole basis of tariff legislation.

Mr. STONE. I am in full sympathy with your statement.

Senator LA FOLLETTE. May I just say, Mr. Chairman, that I have started to work out—I have not completed it—a list of questions which I think the committee ought to require every party interested in this tariff measure to answer. I will have completed them, perhaps, by to-morrow's session, and I would like to submit them at this time for the committee's consideration. I have before me a list of questions, but I think the number of questions can be reduced. My idea would be to simplify it to the least number of questions that are essential to a right understanding of the problem before us.

Senator SIMMONS. Are those questions addressed only to the dye manufacturers?

Senator LA FOLLETTE. Oh, no; they are questions that ought to be asked, I think, of every party interested in this bill.

I will ask you to state, if you can, the various products that your company puts upon the market.

Mr. STONE. Let me state them rather as a group or groups, sir.

Senator LA FOLLETTE. How long a list would it be if you gave us the entire list, if you furnished us a list of your various manufactures?

Mr. STONE. Very short; four dozen, perhaps.

Senator SIMMONS. It is a quarter past 12 now, and some of us have to be over at the Capitol. We usually take a recess at noon. I suggest that we take a recess now and finish this when we come back.

Senator LA FOLLETTE. That is entirely satisfactory to me.

The CHAIRMAN. In view of the fact that most of the members of the committee desire to go to the floor of the Senate for a brief period, the committee will stand in recess until half-past 2 o'clock this afternoon. Meanwhile, the witnesses are excused until that time.

(Whereupon, at 12.15 o'clock p. m., the committee took a recess until 2.30 o'clock p. m.)

AFTER RECESS.

The committee reconvened at the expiration of the recess, Senator McCumber presiding.

Senator MCCUMBER. The committee will come to order.

Mr. CHOATE. Mr. Chairman, in the interest of time saving I should like to make a suggestion. The questions of Senators La Follette and Watson at the end of the morning session indicated a desire, which perhaps the committee will share, to be informed as to the capitalization and profits of substantially all of the companies in the business. Of course, the witnesses who are here are not specially prepared upon that subject in such manner as would enable them to give satisfactory information.

Again, many of these witnesses have left because of the chairman's suggestion that only one or two should be heard from each branch of the industry. Accordingly, it will be impossible to give that information in such way as the committee would like to have it, if they want it at this time, and I do not know of any way in which it can be done in the ordinary course of the hearing unless the committee should hold a new set of hearings later after a lapse of such time as would enable those companies to prepare this information.

They want to help the committee by furnishing all the information that can be given. They would request that any such information be withheld from their competitors, and above all, from their German rivals; but they stand ready to answer any questions that may be asked them, and if the committee desires such information and will formulate such questions as they desire to ask, a little questionnaire, or a big one, for that matter, I can say for the great majority of the companies in the business the committee will receive frank and complete answers, and that the companies will furnish witnesses to be cross-examined. That would save a great deal of time and would enable you to close up this branch of the hearing, with one exception, and would enable you to get at those facts thoroughly instead of partially and in piecemeal. I apologize for making a suggestion on a subject on which the committee is wiser than I, but I do it for what it is worth.

Senator McCUMBER. The committee will take it under consideration. The next witness is Dr. Edgar Fahs Smith.

Mr. CHOATE. Dr. Smith was obliged to go back to Philadelphia, Mr. Chairman, on account of the illness of his wife and one of his children who have appendicitis. I do not think it will be possible to get him to come back, in view of the fact that he was here once before and was a minute late and was told that he could not be heard, unless the committee asked him to return. He is a very important witness. He is president of the American Chemical Society and was acting provost of the University of Pennsylvania. I think he has something that you ought to hear; but I do not think it will be possible to get him except on the invitation of the committee.

He had to go back to Philadelphia. May I say that his return will be at the invitation of the committee?

Senator LA FOLLETTE. I think in view of his position in one of the strong companies——

Mr. CHOATE. It is not a company; he is president of the American Chemical Society. He is a scientist.

Senator LA FOLLETTE. I think the committee would like to hear him. I am sure I would.

Senator McCUMBER. I do not know whether it is the pleasure of the committee to sit to-morrow or not.

Senator SMOOT. We will have to sit to-morrow if we are going to get through.

Senator McCUMBER. I am perfectly willing, but I do not know whether the committee would be willing to do it. You had better have him here to-morrow, Mr. Choate.

Mr. CHOATE. He has sickness in his family, but I know he would come if the committee would ask him.

Senator McCUMBER. Very well; that matter will be held in abeyance. I believe, Mr. Stone, you had not completed your testimony when the committee took a recess.

Mr. STONE. Not quite, Mr. Chairman.

**STATEMENT OF CHARLES H. STONE, VICE PRESIDENT ATLANTIC DYESTUFF CO., BROOKLINE, MASS.—Resumed.**

Mr. STONE. At the time the recess was taken, Mr. Chairman, I had shown the committee, I hope, that two of the three functions of the American dyestuff industry as some of us conceive it have been reasonably well fulfilled during these past two or three years; that is, the supplying of dyestuffs to the American consumers in a reasonable quantity and at a reasonable price.

Senator SMOOT. Before you proceed further, in order that I may know what goods you are making, will you kindly tell me what you are manufacturing?

Mr. STONE. Chiefly in dyestuffs sulphur colors, Senator Smoot.

Senator SMOOT. Sulphur blacks and all the sulphur colors?

Mr. STONE. Black, blue, brown, yellow, etc.

Senator SMOOT. You say "chiefly." What else are you making?

Mr. STONE. A few of the azo or direct colors, two or three of the basic colors, one or two developed colors, an acid color or two, and we are still selling a chrome yellow which we made during the war for war purposes, the coloring for khaki, of which we have a

stock on hand. Whether we shall make that again depends upon the market.

Senator SMOOT. What is the amount of your manufactured product per year?

Mr. STONE. I think last year we produced—and I believe I can give this information without anyone taking exception to it or taking advantage of it—five or six or seven million pounds of dyestuffs, a substantial quantity.

Senator SMOOT. I thought you were one of the little ones.

Mr. STONE. Well, Senator, we are, but we happened to be making quantity products.

Senator LA FOLLETTE. Was not that approximately a quarter of the total production of the country, or a fifth?

Mr. STONE. Not quite. It was 7 or 8 or 9 per cent. The total production in pounds was 88,000,000.

Senator LA FOLLETTE. Well, in value. I understood that you were giving you the value of your products.

Mr. STONE. I was giving the tonnage. In value our production would run below that of the average manufacturer.

Senator SMOOT. But you make about one-ninth of the production?

Mr. STONE. Say, from one-ninth to one-twelfth in tonnage.

Senator SMOOT. You must excuse me for asking, because I thought from the opening statement you made that you were just a little manufacturer and appearing here for yourself and not for the great industry for whose salvation you are pleading.

Mr. STONE. I am appearing for the Atlantic specifically, Senator, but I feel that anyone coming before you should not ask to take up your time merely to speak for a unit that is no larger than could be held in your hand. I have some information that I feel you gentlemen could use to advantage, and as I have been in the dyestuff business for 18 or 20 years I feel that you should have the advantage of whatever information I can give you.

Senator LA FOLLETTE. Are you a member of the American Dyes Institute?

Mr. STONE. We are.

Senator LA FOLLETTE. Will you describe that association?

Mr. STONE. If you will indicate the angle at which you wish information, Senator, perhaps I can give it to you better.

Senator LA FOLLETTE. When was it formed?

Mr. STONE. My recollection is that it was formed early in 1918.

Senator LA FOLLETTE. Early in 1918?

Mr. STONE. Yes. I may be off a few months in that statement.

Senator LA FOLLETTE. For what purpose was it formed? Why did your company join it?

Mr. STONE. I guess the best broad answer is that the steel industry has the steel institute, the packing industry has an association of packers, and other industries have their associations which draw the men together and enable them to get acquainted and generally promote good feeling among the members of the industry. I was not a charter member and was not directly concerned in the formation of the American Dyes Institute. However, that is my conception of the reasons for which it was formed.

Senator LA FOLLETTE. On what terms did your company become a member of the association?

Mr. STONE. Again I shall have to give you a general answer, Senator, and I would say that we became members upon the terms that, if you please, are laid down in the by-laws of the association.

Senator LA FOLLETTE. Do you pay a membership fee for your connection with the association?

Mr. STONE. Just as you pay club dues if you belong to the Chevy Chase Club or to any club in your home town. I would say yes.

Senator LA FOLLETTE. Do you all pay the same amount, as you understand it?

Mr. STONE. I do not understand that we do.

Senator LA FOLLETTE. Is it based upon the amount of production—the assessment that is made for membership dues?

Mr. STONE. That is really a question for, and I must say also that the answer to your previous question should be answered by, one of the members of the board of governors of the Dye Institute. I am not a member of the board of governors and I should not take it upon myself to answer questions for them, because I am not so delegated.

Senator LA FOLLETTE. You can answer as to the terms of the connection of your own company?

Mr. STONE. In so far as I can I shall be glad to do so.

Senator LA FOLLETTE. What assessment is made against your company for dues?

Mr. STONE. I would have to go into our records and see, Senator.

Senator LA FOLLETTE. Do you not know?

Mr. STONE. I do not know.

Senator LA FOLLETTE. Have you never heard?

Mr. STONE. I would say yes. I am quite confident that we have had an assessment, but as to the amount I can not say, Senator.

Senator LA FOLLETTE. Was it as much as $25,000 a year?

Mr. STONE. I believe that some one published the financial report of the institute; perhaps in the Congressional Record. Am I right, Senator McCumber?

Senator MCCUMBER. I am not aware.

Mr. STONE. Maybe Senator Smoot can answer.

Senator SMOOT. Yes; I have it here.

Mr. STONE. If you have it there, perhaps that would indicate that the Atlantic would not be assessed $25,000.

Senator SMOOT. I do not know whether this is the one. Perhaps I had better read it and you can see if it is the one. This is an itemized statement, beginning with "Hotel bills, $7,670.28; tips, meals, hotel taxi cab, etc., $876.66; Evarts, Choate, Schurman, and Leon, fee, up to October 10, 1920, $25,000; Judge J. Harry Covington, $25,000; Evarts, Choate, Schurman, and Leon, Joseph H. Choate, jr., traveling expenses to Paris, $1,505.01; payment on account of Paris trip, Joseph H. Choate, jr., $3,494.90; Evarts, Choate, Schurman, and Leon, $1,020.96; various expenses incident to distribution of A. D. I. pamphlet (that is the one that they delivered to us last year), $872.93; expense incidental to distribution done by legislative committee, $497.12; article prepared and published, $301.29; Congressional Record, for printing, $328.91; supplying, addressing, and mailing postals, envelopes, in congressional dyestuff hearings, $559.82."

Is that the one to which you have reference?

Mr. STONE. That is the one to which I have reference, Senator Smoot.

Senator SMOOT. That, I will say, is in the record.

Mr. STONE. That total there is, perhaps, around $100,000, is it not, if it is totaled?

Senator SMOOT. It is $104,932.61. That is for the one year?

Mr. STONE. Yes. A deduction along these lines would indicate that the amount we were assessed would be comparatively small. We have 82 separate independent dyestuff manufacturers in America. We have about 115 separate independent intermediate manufacturers in America.

Senator SMOOT. You must pay in accordance with your production, because the little man would not pay as much as you do.

Mr. STONE. Perhaps that is true. Then we have a number of crude manufacturers and a number of these manufacturers, I believe, are members of the institute.

Mr. METZ. This paper gives the number and the proportionate amount.

Senator SMOOT. Then it is on an assessment basis?

Mr. STONE. It is on an assessment basis.

Mr. METZ. I am assessed there twice as much as Mr. Stone. I have all that information if you want it. I hope there is not any secret about it, so far as the institute is concerned. There should not be, The total amount is about $100,000, so you can figure the assessment for that year. Some of them have not paid and I guess they never will pay.

Senator SMOOT. Perhaps the Congressional Record is wrong as to that $104,000, but it does say "The high cost of lobbying for the establishment of a dye-licensing system is shown in the financial statement of the American Dye Institute for March 9, to the members of the institute." This does not show all the expense of the institute; this shows only the lobby that is going on for this embargo. Do you know, Mr. Stone, how much the total expense was for that year?

Mr. Stone. I do not know, Senator.

Senator LA FOLLETTE. Do you know how much your total contribution was for that year?

Mr. STONE. Our books would show that information, Senator, but I do not know what it was.

Senator SMOOT. It would be about one-ninth of the amount, whatever it was.

Mr. STONE. I hope that it is not that much because the money value of our production would not be one-ninth of the money value of all the production of colors, if you please.

Senator LA FOLLETTE. You were about to proceed when I interrupted you, Mr. Stone.

Mr. STONE. The quality of American dyes has been attacked. I have shown you the two other things, quantity and price, as being reasonable. We people who are making dyes in this country feel that the quality of them is on a parity with the quantity and the reasonableness of the price.

I would like to give you gentlemen first of all, if I am not making myself ridiculous for wearing old clothes in these days when every-

body is trying to economize, a tangible illustration of what I have in mind. The fabric in the suit that I have on was made by the American Woolen Co. in 1917, and it was dyed with dyestuffs made by the W. Beckers Aniline & Chemical Co. before that company became a part of the National Aniline Co. The suit has been worn, as you see. I call your attention to the color fastness. If the color on my shoulder after a number of years' service is as clear and bright as the color under the lapel, then there certainly must not be found any fault with the quality of the dyestuff, especially in view of the fact that there is no rubbing on my cuffs or no rubbing on my linen anywhere. In other words, the fastness of the color is perfect; it is perfect as to rubbing; it is as brilliant as you want. I believe Senator McCumber has on something nearly like it, perhaps dyed with American-made dyes. Blue colors for serges are important, because they constitute one of the large items of American dye requirements.

Let us go to another large item. Black, of course, is used in the largest quantity of any dyestuff that is made. We have the 1919 report of the Tariff Commission before us, and on page 10 we find this statement:

> Sulphur black, which is consumed in the United States in larger amounts than any other color, was produced to the extent of fourteen and a half million pounds by 13 manufacturers. Some of the American brands are superior in quality to the best products imported from Germany before the war. Another notable achievement was the production of indigo, etc.

Senator McCUMBER. You are reading from the report of the Tariff Commission?

Mr. STONE. Yes, sir.

Senator SMOOT. Nobody has claimed, as I have heard, during this discussion that sulphur blacks were not just as good made in America as anywhere else.

Mr. STONE. Sulphur black constitutes a very large percentage of our dysetuff consumption. We make a great many other colors that are equally satisfactory, perhaps, when they are intelligently and properly applied on the proper fiber. You have had evidence admitted that the American made dyes did not meet the requirements of the witness.

Senator SMOOT. That is, some dyes; not the staple dyes.

Mr. STONE. That is some dyes. We know that at the outbreak of the war there were a great many dyestuffs in America of German and other origin. We know that in the scramble for dyes—you, Senator Smoot, know what it was, because your superintendent had to scramble with the others—in the scramble for dyes everybody got as many dyes as he possibly could, regardless of quantity or price.

As a practical dyestuff man, I can easily understand how a hat manufacturer would buy, if you please, indigotine or some other exceedingly fugitive color for dyeing his hats which should not any more be used on hats than the essence of the green grass out there, and, as one of the gentlemen suggested the other day, he would have to turn it around in the window to have it the same color on either side.

Senator SMOOT. He did say, however, that his blacks were just as good in American dyes as the German dyes.

Senator MCLEAN. His complaint was with regard to brown and steel colors.

Mr. STONE. Indigotine was used perhaps for dyeing hats when it should not have been. Indigotine goes right through anything that you can put it on, Senator Smoot, regardless of how thick it is felted. It is so fugitive to light that it is out within a few hours. It is the misapplication of dyes, applying them to a use or to a fiber for which they were not manufactured.

Congo red was discussed here this morning. Some of our American textile manufacturers used Congo for a pink in 1916. Congo is so fugitive that if Mr. Choate were telling you about it he would tell you that it runs so fast that a man could not keep up with it. It is the misuse of the American dyes and not their poor fastness that has caused us the trouble.

Senator SMOOT. I can imagine a dyer dyeing 24 dozens at once and, finding it no good, not wanting to use it again.

Mr. STONE. I can appreciate his viewpoint, and as a manufacturer and distributor of dyes, having been connected with it all during the war, I have felt and I have told many of the customers of the American manufacturers that if they would frankly put their dyeing problems up to the American manufacturers the chances were 100 to 1 that there would be no misfits, if I may use that word, of dyes. No indigotine would go on hats and no direct black would go on hosiery.

I believe that a good deal of the opposition to the American dyestuff industry is based on the belief that there is, or is to be, a monopoly of dye manufacturers, or a dye manufacturer monopolizing the American market. I would like to direct your attention to these facts, which are proven by the records of the Tariff Commission, to controvert any thought or accusation of a dye monopoly. The Tariff Commission report for 1920 shows that there are about 24 producers of crude materials in the United States which are used in coal-tar dye making, and such important crudes as benzine, naththaline, anthracene, and a few others are made by from 5 to 13 different independent manufacturers.

Again, we find there are about 116 producers of intermediates used by the dye makers in the United States, and such important intermediates as aniline oil, anthraquinone, beta naphthol, benidine base, dimephylaniline, H. acid, monochloro benzol, nitrobenzol, R. acaid, refined naphthalene, salicylic acid, and xylidine are made by from 6 to 16 separate independent makers.

Again, we find there are 82 separate dyestuff manufacturers in the United States of finished coal-tar dyes, making in the year 1920 360 individual separate dyes. Such important dyes as alizarine yellow, fast red, chrome black, acid black, bismarck brown, benzo blue, direct black, magenta, methyl violet, methylene blue, nigrosine, and sulphur black are made by from 8 to 16 different independent concerns.

Further, there are three different independent manufacturers of synthetic indigo in America, and three others that I know of—the English dye trust, the Swiss dye trust, and the German dye trust.

In so far as I have been able to determine, there are no interlocking directors among the American dyestuff manufacturers.

Further, we may say that a number of the dyestuff companies are family owned affairs, and we could mention as instances the Du Pont Co., the Grasselli, and others. So far as I can determine, no com-

pany in the United States controls any single one of the materials which are used in making any one of the important dyes required by the American dyestuff consumers.

We also, in connection with the monopolies, should review what the American dyestuff manufacturer and the American public face in the other countries producing coal-tar dyestuffs.

We have just had the report of the English dyestuff commission, a commission from Parliament, which investigated the matter, and which Mr. Choate mentioned this morning, showing that the British dyestuff corporation, the stock of which is partially owned by the British Government, produces substantially 75 per cent of all the dyes made in Great Britain. Here we evidently have a pretty tight monopoly. If we go to France we find that the Prench Government has assisted—perhaps subsidized—the French dyestuff makers. We also find that the French Government has placed so high a tariff on dyes entering France that in some cases the tariff is much higher or amounts to much more than the present American valuation of the dyestuffs in question.

We could go on to Switzerland, which is an important coal-tar dyestuff producer. She has been making dyestuffs and colors in Basel since 1792, if my memory is good. We find that our Swiss friends, who are separated by the Rhine from Germany, have adopted many German customs, and among these they have formed themselves into a cartel patterned after the German cartel. Therefore we have in Switzerland a very good dye trust.

We know th ' Japan has not only subsidized her dye makers, but she has guaranteed a dividend on some of the stock of some of the leading dye-making companies. So, whether they have a trust in Japan or not, they have a subsidized industry.

It is very interesting to note that Italy, a country that has only a very small dye-making industry, the other day provided that no coal-tar dyestuffs or intermediates shall be admitted into Italy except under license.

In this respect we should come back to England and remind ourselves that England, in her desire to promote her dyestuff industry—for which the American Nation should certainly be thankful, because they were one of the big factors in winning the war in the manufacture of munitions—has placed a 10-year embargo on dyestuffs from other countries; and we in America feel it just the same as they do in Germany.

Then we come to Germany. It is hardly necessary for me to say, except that I do not want to leave them out of this summary, that there we find the greatest of all of the dye trusts. We find the German chemical cartel, in which all of the large manufacturers, according to the information that comes to us through our Department of Commerce here, are members. So we have there a very tight and complete monopoly.

This thought occurred to me the other day when one of the gentlemen was testifying here: Complaint was made of the delay in getting dyes from Germany; and it is not inconceivable to me that the head of the German dye cartel would see to it that orders placed with the cartel for dyes that American manufacturers need, or think they need, should not come to them with any degree of promptness.

therefore simply adding to the propaganda that we know is being put out by the German dyestuff kartel in this country.

I think I should also mention, speaking for our company and having to mention other facts regarding the industry, that we have an enormous investment in this country—enormous for the dye makers—of substantially a hundred million dollars; and it is the opinion of the dye makers here that if we are not given the proper protection, our investment, the investment of 8,000 to 10,000 American citizens, will practically, if not actually, be destroyed, junked, and abandoned. It is for that reason, gentlemen, that we feel we must come to you and ask you to give us such protection—Senator Watson's embargo bill, if you please—as to enable us to keep functioning in an orderly way, to continue as a reliable source of supply to the American textile and other dye users, and have our plants placed so that, as Gen. Fries told you yesterday, they may be called upon as a source of munitions in case of war, from the 15, 16, 18, or 20 concerns that have nitration plants. Gentlemen, I thank you.

Senator McCUMBER. I will now call Mr. W. Parker Jones.

Senator LA FOLLETTE. Mr. Jones lives here in the city, Mr. Chairman, and he says it is just as convenient for him to take to-morrow or even on Monday.

Senator McCUMBER. A request was made by one of the Senators that he be heard this afternoon.

Senator LA FOLLETTE. I have just spoken to him about it, and he says it will be entirely satisfactory to him to speak later.

Senator McCUMBER. Then we will have Mr. Metz close his testimony, if that is satisfactory.

Senator LA FOLLETTE. If Mr. MacFarland can go on now, he will take but a few moments.

Senator McCUMBER. Very well.

### STATEMENT OF GRENVILLE S. MacFARLAND, BOSTON, MASS., REPRESENTING THE AMOSKEAG MANUFACTURING CO.

Senator McCUMBER. Will you give your name and address and business, Mr. MacFarland?

Mr. MacFARLAND. Grenville S. MacFarland, Boston, Mass. I am a lawyer, and am here, as I was last year, to oppose this embargo plan, on behalf of the Amoskeag Mills, a cotton concern, which is the largest, I believe, in the country. My clients are just as much opposed to this scheme to-day as they were last year; if anything, their experience makes them more opposed to it than they were last year.

Senator LA FOLLETTE. Will you go into that briefly and state the reason why that is so?

Mr. MacFARLAND. Merely that their experience has confirmed their suspicion; but the reason deductively would be the result that the bill has had in the light of their general experience in the business.

Senator SMOOT. Have the Amoskeag people had any trouble in being compelled to order a 6-months' supply of any dye that they may want to import under a license system? Or has it ever happened with them that after ordering a 6-months' supply it has taken months and months for it to get here, and after it has arrived here perhaps the samples that they had sent out to sell the goods did not

sell them as they anticipated, and therefore they were compelled to carry over this dye that they had purchased for the purpose of making a certain line of goods and be unable to do anything with that?

Mr. MACFARLAND. I know of only one instance of it, Senator. The discussion that I have had with my clients on the subject has been general. In the last talk I had with the treasurer the thing that worried him most was the question of its effect on foreign trade and the uncertainty of its effect on domestic trade. For example, he said you prohibit the introduction of the raw material, the dye, which is the raw material of this business, and you let in the dye in the finished product to compete with him, a dye which he believes is superior to the dye that he can obtain under the embargo and license system. He contends that it is the very reversal of the protective policy. You prohibit the raw material and you let in on quite a reasonable tariff the finished product.

Senator LA FOLLETTE. Did you hear the testimony of Gen. Fries yesterday with reference to the importance of imposing an embargo here for preparedness purposes with regard to some future war?

Mr. MACFARLAND. Yes; and I heard the testimony of all the military experts this year and last year.

Senator LA FOLLETTE. I would like to have you make some comment on that as occurs to you desirable to make.

Mr. MACFARLAND. Well, Senator, I am not a military expert, and I am rather diffident about commenting on their testimony. But I have read their testimony very carefully, particularly the testimony of Maj. Gen. Seibert, and Admiral Earle, given before this committee last year, and I do not think it is immodest for me as a layman to say that the testimony, so far as it was testimony of military experts, was very much opposed to the dye embargo. The testimony which was relevant to the proposition which the proponents of the dye embargo are advancing was really testimony of laymen and not of military men at all. The testimony of these gentlemen as military men was opposed to the embargo for this reason: That it demonstrated that our American chemists and the general organization in industry and enterprise and initiative of our American people distinguished themselves and itself in the production of gases and explosives. We did better, actually, according to their testimony, in the production of gases and explosives than in the production of almost any other of the military equipment. That is an extraordinary thing to say in view of all this smoke screen and camouflage of testimony about the necessity of the dye industry as a military defense. The actual testimony of these military men as military experts and not as men who as laymen give you second-hand, hearsay testimony about the dye industry is this: That we not only at the time of the armistice were producing about six times the amount of war gases the Germans were producing but we were producing it in such superior quality that the Germans actually found themselves obliged to abandon their method of producing it and adopt our method. We not only met them on the mustard gas but we met them on a gas which they introduced toward the end of the war, which was effective but which the Germans did not apparently understand the use of. We immediately grasped the situation, took their gas,

learned its composition, and developed such a superiority over the Germans that we made it effective. That is the whole testimony of the military men as to the disadvantage under which this country labored with our inferior equipment of chemists, and I submit if that is an inferior equipment of chemists then I hope in the next war we shall have a still greater inferior equipment of chemists.

Senator McLEAN. If we could improve much faster than the foreign experts our different qualities and kinds of poisonous gases, the chances are we could do it with the dyes, could we not?

Mr. MacFARLAND. That leads me to an observation which I think may be helpful, if you have not examined their testimony as carefully as I have or asked some of the chemists about the matter, as I have. One of the reasons why these gentlemen apparently are getting away with this defense evidence is that they are interchanging the phrase dye industry or dye plant and chemical plant. While a dye plant is a chemical plant, yet a dye plant is not the whole chemical industry, and it is only in the case of the German chemical industry, a department, a unit, in the chemical industry, and it is not the department, it is not the unit which produced poison gases for the war. Poison gases are produced by those plants which produce the raw, crude chemicals like chlorine. Chlorine is the element from which nearly all the effective war gases are produced. I believe that the only other effective war gas that does not use chlorine is the tear gas, which uses bromine. Neither of these come from the coal-tar products. Neither of them are made except incidentally and in very insignificant quantities in the dye industry. Chlorine is nothing but the product of table salt in saturation and subjected to an electrical process. It is made for the purpose of bleaching and purifying water. We use it commercially in this country a great deal more than the Germans do. We are producing it in greater quantities, I believe, than the Germans. We had 23 large plants before the war producing chlorine. We exported to Germany more chemicals in value than the Germans exported to us before the war, and the chemicals that we exported to Germany were the chemicals which were used for poison gases. The Germans exported to us the refined chemicals taken from the crude ones, like the dyes and medicinal chemicals and other chemicals of that order. We have a very great advantage over the Germans in that respect, and if you are going to protect anything, protect the crude chemical plants. But you do not need to protect them by embargo.

Senator SMOOT. Let me ask you a question right there. I think it would be admitted that on the staple dyes 80 per cent of the production of all dyes can be produced in this country by a tariff duty instead of an embargo. Do you agree to that?

Mr. MacFARLAND. I should say so without the slightest hesitation, although, Senator Smoot, I do not pretend to be an expert on that part of the question. I can only say to you that my client, far from entertaining a hostile feeling toward the dye industry, as Mr. Stone intimated, wants to see the dye industry thrive, and he has authorized me to say that he is perfectly willing to accept any tariff that will protect the dye industry and make it thrive, but will not permit it to practice extortion.

Senator SMOOT. The Amoskeag Manufacturing Co. is one of the largest dye manufacturers in the United States, is it not?

Mr. MACFARLAND. Probably the largest.

Senator SMOOT. Have you gone into the subject carefully enough to express an opinion as to whether or not if we protected the 80 per cent of the dyes manufactured and used in this country, amply protected them so that no manufacturer could object to it, that industry could be established beyond a question of doubt so that in the case of a war there could be manufactured, within a reasonable time, any chemical required by our Government to make poison gases or anything else that they desired?

Mr. MACFARLAND. Absolutely. I do not believe, Senator Smoot, that we would need any protection at all in those plants which are really necessary to give us munitions, but I do not mean to suggest by that that we ought not to protect the dye industry. The dye industry is a great industry. It is a part of all our industries, and, as you remember, in the great controversy between protection and free trade it always has been an admission by the free traders that the argument in favor of protection that it diversifies industry and, therefore, equips us better for war is a sound argument and is the only one that they ever would concede. To the extent that the tariff will give us another industry and give us a greater general development of industry, it is important, but if you examine the testimony of these military experts critically you will see that all they mean is that the dye industry is useful as part of the general industry, and if you had had the benefit of a lawyer prepared to cross-examine those military men, I venture the statement that in ten minutes the whole testimony concerning munitions would have been exploded, because they would have admitted on the first few questions that what they meant was that the dye industry is as useful as any industry, and they would have admitted it as Admiral Earle did to Senator Simmons when he asked him if it was not just as good to have a merchant marine and he said, "of course." They would have admitted that the steel industry producing shells and guns and all the other products of iron was far more necessary; that the textile mills producing blankets for the soldiers and kahki uniforms and gas masks and all the things that cotton and wool are used in for war preparation was just as necessary, if not more so.

Three or four thousand mills and plants and machine shops, I believe, were converted in this country, to the production of military equipment, and every one of those, gentlemen, were just as necessary as a dye plant, and more so.

I believe you will find if you read Crowell's book on the history of the production of munitions, that at least 1,000 or 1,500 of the plants of this country having no relation whatever to dyes in their ordinary peace functioning are better equipped, are nearer the ability to be altered for the purpose of producing war equipment than the dyestuff industry.

One of the reasons that the Assistant Secretary of War said that the dyestuff industry was not able, was not willing, to produce the gases was that the alteration was necessarily so great that they could not be in use after the war. Another reason given by one of the military gentlemen and confirmed by Mr. Crowell was that the gases and the explosives were so dangerous to make in their last process—that is, the process which went beyond the step taken in the commercial development of dyes—that they were not willing to undertake

it. That is confirmed by Dr. Reese. Dr. Reese was, and, in fact, I think is now, the chief chemist of the Du Pont Co. The Du Pont Co., I think you know, is the chief actor in this dye embargo campaign. In a public address in 1918 Dr. Reese said that the idea that the German dye plants—mind you, dye plants; he did not use the words dye and chemical interchangeably—were the kingbolt of the German military enterprise was ridiculous. He said the German dye plants might have helped in a little war, but in a big war such as this they were utterly insignificant. It is a fact that a German dye plant, the biggest they have, could not produce gas enough to sustain one gas attack for a single day.

Dr. Hesse—I think I pronounce the name correctly—is or was the chief chemist of one of the largest chemical concerns in this country, the Allied Chemical & Dye Co. In 1919, and a year after Dr. Reese made his startling confession, as it must have been to the Du Pont Co., in a public address before the Franklin Institute, he said that it was all nonsense to talk about relying upon our dye industry to make explosives or gas; that they could not do it; that they were not equipped for it. It required Government experts to do the testing, that the commercial companies could not afford and would not do the testing, the refined investigations and experiments necessary to produce these gases and new gases; that it was all nonsense, and that the production of explosives must remain with explosive companies.

He said the world had none better than the Du Pont, the Hercules, and the Aetna, and that the gas production must go to the producers of crude chemicals and to Government experts whose duty it was to make the investigations. I think he said also that a subsidy, a special appropriation, for investigation was what was necessary.

Senator McCUMBER. Your position is that the influence of that part of chemistry which deals with these gases and deals with the dyes is but very little related; that the gases are manufactured for the most part from other chemicals.

Mr. MACFARLAND. Yes.

Senator McCUMBER. And that the dye manufacture has little relation to the manufacture of gases of any kind?

Mr. MACFARLAND. Yes. I say that the only argument the gentlemen on the other side have of the slightest validity is that the dye industry itself had a number of chemists in the country; that it does incite boys to choose chemistry for a profession, because it gives them larger fields for employment, and to that extent it multiplies or it adds to the chances of discovering new things.

But what is the price? You have to consider what price you are paying for it—the same thing we would have to say of the boot and shoe industry, of the steel industry, any of those industries, where with a little change of machinery and the use of new dies they could produce guns, shells, and any of the necessary equipment.

Another thing, gentlemen. The importance of gas has been very much exaggerated. That is perhaps an immodest thing for a layman to say, but I submit to you the facts will show to your lay minds, also, that I am not speaking in an exaggerated way.

Only 736 men were killed on our side out of the 70,000 who fell and died by gas; only 736. The gas mask is so perfect a defense

that Mr. Crowell in his book, and I think Gen. Sibert, also, said that death or even injury by gas is inexcusable if the men are properly trained and are careful in the habit of putting their gas masks on at the right time.

Senator McCUMBER. That requires a trained chemist there, does it not, to know the composition of a gas mask?

Mr. MACFARLAND. Our chemists were adequate to do that. Our chemists produced the best gas mask in the world, much better than the German gas mask.

Mr. COOKE. May I interrupt and remind Mr. MacFarland that Gen. Fries said the great percentage of casualties were not all deaths, but men who were put out of action.

Mr. MACFARLAND. Yes. There were 87,000 men, not put out of action necessarily because with mustard gas, the effect is not felt during the battle; they reported the effects afterwards. How serious a casuality, as it is called, is I don't know, but 87,000 were gassed and only 736 were killed. The testimony is not controverted that the gas mask is an adequate protection.

We would not lose any war if we did not have gas, I believe. Even as important as gas is it is greatly exaggerated, because it is a new thing it has appealed to our imagination. But we have the testimony of those gentlemen who had to do with gas, and, of course, in whose minds the matter was of the greatest importance——

Senator McLEAN. How many did I understand you to say were put out of action?

Mr. MACFARLAND. Eighty-seven thousand were injured by gas; 736 were killed.

Senator McLEAN. Putting them out of action is a pretty serious thing.

Senator LA FOLLETTE. They were reported as casualties.

Mr. MACFARLAND. As a matter of fact very much less than that were put out of action during the action. The effect of mustard gas is very much procrastinated.

Senator McLEAN. You said put out of action.

Senator LA FOLLETTE. That was not his language; that was used by the other gentleman.

Mr. MACFARLAND. No; that is not my expression.

Senator McLEAN. How many were put out of action by the use of gas?

Mr. MACFARLAND. I don't know.

Senator McLEAN. It would be important to know that.

Mr. MACFARLAND. I should not think so.

Senator McLEAN. I assume it is important to put the enemy out of action. I should, if I were managing a war.

Mr. MACFARLAND. At any rate, assume it was 87,000 put out of action and 736 were killed in a war in which we had 2,000,000 men on the front, in which the Germans lost 4,000,000 killed and 7,000,000 casualties and the English about the same number.

Senator McCUMBER. Is it not somewhat difficult to predicate what the casualties in a future war may be by reason of gases that may be discovered——

Mr. MACFARLAND. It really is.

Senator McCUMBER. By the casualties that happened when it was first initiated?

Mr. MacFarland. Yes. But here is something to carry in mind, that history repeats itself in the military art as it does in everything else. The age-long contest between the weapons of offense and the weapons of defense has gone along commensurately from the very beginning. Neither seems to have been able to outdo the other.

You remember the struggle between the big gun shell and armor plate. It is the same thing as to all the equipment for war. If you go down through history from ancient times to the present, you will find the casualties are about in the same proportion to the number of men engaged 2,000 years ago as is the case to-day; that is to say, about one-third of the number of men engaged in ordinary battle.

Senator McCumber. Of course, we get all kinds of statements of what is being done and what is possible in the use of gases, like publications to the effect that a few gas bombs dropped over New York might destroy the entire population of the city. Nobody can say it is true, but at the present time I think nobody can deny it is a possibility.

Mr. MacFarland. But we do know this, that we have been fighting wars for four or five thousand years, and we have never discovered any engine of destruction that has not been met effectively by an engine of defense. We were told before this war that there could never be a great war on account of the terrible destructiveness of the modern weapons. But we met those offensive weapons, terrible as they are, by defensive weapons adequate for defense.

Senator McCumber. But that means that the country that prepares the defensive weapons is capable by reason of its dollars, by reason of its experienced men, to meet it, does it not?

Mr. MacFarland. Yes.

Senator McCumber. If you were to start a gas war in South Africa to-day perhaps the population down there would not be able to meet our new instrumentalities of war. And when a gas war was started if we did not know how to make it we would not be in position to meet the offensive weapons with a new kind of defensive weapons.

Mr. MacFarland. Precisely.

Senator McCumber. That is the only question from a modern standpoint.

Mr. MacFarland. Absolutely.

Senator La Follette. But we have the chemists.

Senator McCumber. The question is fair.

Senator La Follette. And we would get them out of the dye industry.

Mr. MacFarland. We got them out of all kinds, dye as well as others.

Senator La Follette. That is what I mean.

Mr. MacFarland. If the worst predictions of evil which the gentleman on the other side make came true, we will be no worse off as to chemists than we were before the war began. We were able to meet the Germans on their own chosen ground and go them one better.

I thank you, gentlemen.

Senator McLean. One moment before you leave. My attention has been called to the testimony of Col. Fries given before this committee in the Sixty-sixth Congress, 1920, in which he said that the Germans put over a gas in 1917 and 1918 that went through our masks like water through a sieve.

Mr. MACFARLAND. Yes.

Senator LA FOLLETTE. It was not very fatal.

Senator MCLEAN. We had 87,000 of our men put out of action. If it put two or three million out of action that we sent over it would have been serious. One other question: You said in response to Senator Smoot's question that we make 80 per cent of the dyestuffs now—standard dyestuffs. You think there is no question but that we can produce the other?

Mr. MACFARLAND. No; I don't think we can. I think there are some of the more refined and expensive dyes that we will never produce; it won't pay.

Senator MCLEAN. I understood you to say that you thought that if we protected 80 per cent there was no question in your mind but what we would be able to develop and produce the other 20 per cent?

Mr. MACFARLAND. No; I did not say that.

Senator MCCUMBER. Why can't we produce the other 20 per cent?

Mr. MACFARLAND. We go into quantity production of cheap things—that is the American genius—the Ford car. The German mind refines things; he is patient and slow and careful.

Senator MCCUMBER. We have a population made up of the principal nationalities of the world. There are plenty of Germans in this country. If their mind is superior to the average American, there are plenty of them, plenty of every class of European people here.

Mr. MACFARLAND. I know.

Senator MCCUMBER. Why can't we make the same thing the Germans make?

Mr. MACFARLAND. We can, but we won't—or we don't.

Senator MCCUMBER. That is the point.

Mr. MACFARLAND. We have a certain composite population, and empirically we know one aptitude. We do just a certain thing; we have a certain peculiar genius in industry; that is, we go into quantity production with a standardized plan.

Senator MCCUMBER. If they could make money their genius would be developed along that line, would it not, along the line of the other 20 per cent?

Mr. MACFARLAND. If they could be satisfied that they could make money, yes.

Gentlemen, I thank you very much.

Senator MCLEAN. Do you think this peculiar genius should be applied to dye stuffs only, and not to poisonous gases?

Mr. MACFARLAND. There is no dye industry in the commercial world that experiments in poison gases.

Senator MCLEAN. I understand that, but my point is this: If the Germans are so superior to us in the production of this 20 per cent of dyes, might they not be superior to us in the development of poisonous gases?

Mr. MACFARLAND. I did not say they were superior to us. I say our genius, our disposition, leads us to make things in quantity, of standard production. When we apply our minds to it we show that we can meet and defeat the Germans in the chemical analysis of gases and their production.

Senator MCLEAN. Do the people you represent, the Amoskeag Co., consume large quantities of this 20 per cent of dyes that are not made in this country?

Mr. MACFARLAND. Not particularly large quantities. There are no very great amounts of these refined dyes used, but they are very important.

Senator MCLEAN. They are very important?

Mr. MACFARLAND. Yes.

Senator MCLEAN. You are interested in continuing the importation of those dyes?

Mr. MACFARLAND. We are interested in being able to get those dyes.

Senator MCLEAN. As I understand you your company has experienced delays in one shipment?

Mr. MACFARLAND. So I understoood. Generally my client talked as if his experience was delay and uncertainty all along the line, but I can not speak of any particular case because I talked with him generally.

Senator MCCUMBER. Thank you.

Mr. Gaston Du Bois has to go back to St. Louis. Therefore I am going to call him next, as he desires to be brief.

## STATEMENT OF GASTON DU BOIS, PRESIDENT MONSANTO CHEMICAL WORKS, ST. LOUIS, MO.

The CHAIRMAN. State your name and whom you represent to the reporter.

Mr. DU BOIS. Gaston Du Bois, president Monsanto Chemical Works, St. Louis.

Mr. Chairman and gentlemen of the committee, I do want to be brief. I came here with some figures because I did feel before getting here that we had at this time a necessity for figures which would actually show costs so that we can arrive at some basis of understanding as to what we need.

I might say, very briefly, that the company I represent, the Monsanto Chemical Works, of St. Louis, represents an investment of a little over $10,000,000. It started in 1901. Our experience, therefore, covers prewar times and we have competed very sharply, very bitterly, with Germany.

Prior to the war we were importing coal-tar intermediates, which we need in the manufacture of pharmaceutical products, medicinal products.

Mr. COOKE. Not dyes.

Mr. DU BOIS. We are not manufacturers of dyes.

Senator SMOOT. There is a reason for that. It was not because in 1909 we did not want to give them protection but none of you would have it. You were up here all together protesting against any kind of duty upon intermediates when we wanted to establish a dye industry in the United States.

Mr. DU BOIS. At that time we were purchasing our intermediates from Germany and at times from Switzerland, paying duty and competing with Germany on finished pharmaceutical products and fine chemicals.

The war started in 1914 and we were cut off of our supplies and were compelled to start manufacturing those intermediates. Through this manufacture of intermediates we became connected with the dye industry, because when we started manufacturing intermediates, such as phthalic anhydride and monochlorbenzol, we had to sell our by-

products which we could not use for making medicinal chemicals; we had to sell them to dye manufacturers, or see our costs increase very much by the waste of a by-product which in this case was very important.

During the war we acquired an acid plant in East St. Louis, Ill., across the river from our plant in St. Louis, where we manufactured pharmaceuticals and intermediates.

Right here I want to refer to the necessity in which we found ourselves to build a chlorine plant. The statement was made a little while ago by a gentleman that chlorine and a lot of poisonous gasses and so on are not produced from coal-tar products, or are not coal-tar products, or are not connected with coal-tar products. We installed the chlorine plant on account of the coal-tar products which we make. One of the purposes of the installation was to manufacture chlorbenzol, which we need in large quantities, and also to produce acetic anhydride, which is used in the manufacture of aspirin. Aspirin is a coal-tar product made from salicylic acid.

Prior to the war we were at one time compelled to give up the manufacture of chlorine products because we were compelled to purchase our chlorine in cylinders from Niagara Falls, at a time when there was no liquid chlorine produced in this country. One of the Niagara Falls manufacturers was induced to go to Germany and get the information necessary as to what compressor was necessary to liquify chlorine. He came back and began to manufacture it in Niagara Falls and I believe we were his first customers.

I said I came here to give figures. I have prepared these figures on a table which shows the cost of production, and copies of which I would like to distribute to the committee. I have in this table listed nine products.

In the first column I show the price in 1913 and 1914. All of these are medicinal products. Two of them are not coal-tar products; the balance are.

In the second column I show the price to-day. If you will compare the prices before the war and the prices to-day I think we have occasion to congratulate ourselves——

Senator SMOOT. What is the item?

Mr. DU BOIS. I have the articles numbered, and I will be glad to give the names of each article to the Senators, but I would not like to put the information in the record, which would give the costs of our articles.

Senator SMOOT. Of course, this will be of no use whatever to us in its present form.

Mr. DU BOIS. I will be glad to put the names of every one of those products, if I may, opposite every one of those numbers.

In the third column I have shown the recent quotations f. o. b. Hamburg for those same medicinal products, and in the fourth column I have shown our costs of manufacture.

I want to explain now about those costs of manufacture. During the last years the costs of manufacture fluctuated considerably, and it is to some extent difficult to arrive at the actual cost of manufacture because of the varying prices of raw materials and the varying prices of labor. These costs of manufacture which I have tabulated there are not an average of the last six months, because such manufacturing costs would be higher than these.

I have tried to be absolutely fair in the information I wanted to give and I have taken costs of manufacture which are below the averages of the last six months and based on a reduced labor cost as it exists to-day over that of last year and have shown the normal production, which has not been the case during the last six months.

Senator McLEAN. What percentage of your products do you sell to the dye men and what percentage is used for medicinal purposes?

Mr. DU BOIS. I would say 15 per cent was intermediates.

Senator McLEAN. Just what do you mean by that?

Mr. DU BOIS. Fifteen per cent to the dye men.

Senator McLEAN. Could you continue in business at a profit if you were deprived of the market furnished by the dye men?

Mr. DU BOIS. I would say it would increase the price of some of our products, say, by 20 per cent; increase the cost of some of our products by 20 or 30 per cent—about 25 per cent.

Senator McCUMBER. Will you explain the first line of your table there? You have the price in the United States, July, 1921, 33 cents.

Mr. DU BOIS. Yes.

Senator McCUMBER. Then you have the cost of manufacture in the United States at 37 cents.

Mr. DU BOIS. That is for the same time, in July.

Senator McCUMBER. Do you mean to say it is sold at a loss, for 33 cents, when the cost of manufacture is 37 cents?

Mr. DU BOIS. Yes. Four of these nine products we are selling to-day at a loss, and five we are selling at a profit.

The reason we are selling at a loss is that there are a few articles here, owing to the present depression in the United States, which are selling below cost, because a great many people are unloading stocks. That is forcing our selling prices down. I think that this is a perfectly natural condition under present circumstances.

Senator McCUMBER. All of these, then, practically you are selling in the United States to-day, all but the last four, at less than your cost of production?

Mr. DU BOIS. I beg your pardon. If I am not mistaken, four of them we are selling at a loss and five of them we are selling at a profit.

Senator McCUMBER. Take the first five items, price in July, 1921, 33 cents; cost of manufacture, 37 cents.

Mr. DU BOIS. Yes, sir.

Senator McCUMBER. Price in July, 26; cost of manufacture, 27 to 30 cents. Price in the United States, 75; cost of manufacture, 70. You are making a profit of 5 cents there. Price, 60; cost of manufacture, 65 to 70.

Mr. DU BOIS. We are losing there.

Senator McCUMBER. The sixth item; price, 80 cents; cost of manufacture, 85 cents.

Mr. DU BOIS. Yes, sir.

Senator McCUMBER. On four of them you are losing?

Mr. DU BOIS. On four we lose and on five we make a profit.

Senator SMOOT. Take this first item: How much of that do you manufacture? I do not know what it is and therefore I can not say.

Mr. DU BOIS. That is based on about 20,000 pounds monthly production.

Senator SMOOT. For a monthly production of 20,000 pounds?

Mr. DU BOIS. Yes. This price is based on that quantity of production.

Senator SMOOT. Take the last, No. 9; what amount of that do you produce?

Mr. DU BOIS. The maximum production, or capacity, is 8,000—the average has been about 6,000 pounds monthly.

Senator MCLEAN. You sell four-ninths of your products at a loss?

Mr. DU BOIS. I think we do now; yes.

Senator MCLEAN. What is the reason for that?

Mr. DU BOIS. Because there has been a very large surplus of stocks on the market in the United States, and a great many of the concerns holding these stocks have been anxious to realize on surplus stocks and have forced these goods out at a reduced price below the price for which they bought these goods from us, and sold them below our selling price; below the price at which they had purchased these goods from us.

This is not an unusual proposition. We have been through this with nearly every one of our products.

Senator SMOOT. That is much the same as in the case of the sugar manufacturers.

Senator MCLEAN. It is on the same principle that if Germany had a surplus she would sell to us at a loss.

Mr. DU BOIS. Germany does not need to sell at a loss to-day, but we have to if we want to sell at all.

Senator MCLEAN. If it was necessary she would do as you are doing?

Mr. DU BOIS. I think she would.

Senator MCLEAN. And it would be good business.

Mr. COOKE. They are all important medical chemicals?

Mr. DU BOIS. Yes. These recent German quotations are the prices f. o. b. Hamburg, it is stated, export prepaid, but I do not think there has been any export tax assessed on those German prices. Those prices are f. o. b. Hamburg. Those prices may or may not include a German profit: that I can not tell, because I have no idea what the German costs are to-day.

(The table referred to is as follows:)

| Product. | Price in United States 1913-14. | Price in United States July, 1921. | Recent German price f. o. b. Hamburg.[1] | Cost of manufacturing in United States. | Duty required to equalize German quotation with United States cost. |
|---|---|---|---|---|---|
| | | | *Cents.* | | *Per cent.* |
| 1 | $0.21 | $0.33 | 13.6 | $0.37 | 172 |
| 2 | .22 | .28 | 18 | $0.27-.30 | 66[2] |
| 3 | .38 | .75 | ..... | .70 | ..... |
| 4 | $0.50-4.80 | .60 | 35 | .65-.70 | 100 |
| 5 | .55 | .80 | 33 | .85 | 157 |
| 6 | 1.10 | 1.60 | 37 | 1.35 | 265 |
| 7 | .84 | 1.65 | 74 | 1.25 | 69 |
| 8 | 1.15 | 1.65 | $1.17 | 1.36 | ..... |
| 9 | 3.10 | 4.50 | 1.30 | 3.70-4.00 | 184 |

[1] Mark value calculated at 1.25 cents.

[2] England.

Mr. Du Bois. I want to come to the question of German costs a little later in another table, the last statement that I want to produce in order to show the relation of costs.

Senator Smoot. Was 1920 a fair year or a bad year for you?

Mr. Du Bois. 1920 was an abnormally good year up to September.

Senator Smoot. I mean for the whole year.

Mr. Du Bois. Over the whole year it was a good year.

Senator Smoot. Then your trade did not drop off until 1921?

Mr. Du Bois. No; our trade dropped in September, 1920.

Senator Smoot. But taking it as a whole it was a fairly good year?

Mr. Du Bois. As a whole it was a good year.

Senator Smoot. What profits did you make in 1920?

Mr. Du Bois. That information will be contained in there [handing paper to Senator Smoot].

I want to point out that the costs of manufacture I give there are most conservative and do not, for instance, include idle-plant loss. As you know, we are not always able to run our plant all the year round, and when the plant is shut down we have certain depreciations and interest on investment, which naturally we have to stand. But taking it over the whole year the average cost will be higher than these prices. I will explain that I got at these prices by taking a normal month.

I would like to point out now the influence of the labor cost on the cost of manufacture, what labor means in one of our products. If you will permit me for this purpose I will include salaries with labor, for the reason that I think salaries paid in Germany—I mean salaries of chemists and clerks—bear about the same relation to labor as they do in this country. I have come to that conclusion from a study of wages paid to workmen, which was prepared for the House of Representatives a month or two ago. From that I got the average cost of skilled labor in German chemical works, which was given as 4½ to 6½ marks per hour. We are paying 45 to 50 cents an hour, to what we call skilled operators.

Senator McCumber. Those are paper marks?

Mr. Du Bois. Yes; 4½ to 6½ marks, which is the average wage paid to skilled workers in the chemical factories in Germany. These figures are from the pamphlet prepared for the House of Representatives, which is my only source of information.

Mr. Metz. That is right. I know it is a fact.

Mr. Du Bois. In that same publication I see that the salaries paid to chemists are between $25 to $52 per month, and I conclude from those two figures that the relation of the salary of a chemist to the pay of workmen was about the same as the relation is in this country.

If we want to determine what is the influence of labor in the costs of our materials we must take also wages paid to labor. That is the way I prepared these figures. I would like to distribute this table.

(The table referred to is as follows:)

| Items. | Total expenditure. | Cost of labor. | Labor expressed in per cent of total cost. |
|---|---|---|---|
| Raw materials—60 per cent labor | $3,700,000 | $2,220,000 | 28.3 |
| Coal—70 per cent labor | 168,702 | 118,090 | 1.5 |
| Freight—60 per cent labor | 556,373 | 333,823 | 4.3 |
| Wages | 1,768,645 | 1,768,645 | 22.6 |
| Salaries | 792,275 | 792,275 | 10.1 |
| Overhead—50 per cent labor | 144,818 | 72,409 | .9 |
| Interest | 181,422 | | |
| Depreciation | 522,086 | | |
| Total | 7,836,321 | 5,306,422 | 67.7 |

Mr. Du Bois. I went to the Census Bureau here in Washington and asked what was the amount of labor in soft coal, which is one of the raw materials used. I was given a table showing the total cost of mining bituminous coal in Pennsylvania. I took that as a basis.

It shows, if I include the wages and salaries, that the cost of labor in coal is 70 per cent of the value of the coal at the mine.

I saw recently a statement prepared by the Pennsylvania Railroad which gave the percentage of money paid for wages, for labor, in the total income of the Pennsylvania Railroad, and the amount there given was 60 per cent. Freight is a very big item with us. We paid last year some $550,000 for freight, and I do not think it included expressage, but let us say it is a very big item, at any rate.

I made out a table here in order to determine what percentage of our total expenses of manufacture is labor. As you see there I took raw materials $3,700,000, and I claim that 60 per cent of that would be labor. I take it that if coal has 70 per cent labor, and if freight has 60 per cent labor, that a higher manufactured product must have at least 60 per cent, and I do not think I am overstating the case. This is, I must say, an estimate, and I think I am low. So you will see I took in raw material labor 60 per cent, coal labor at 70 per cent, 60 per cent labor in freight; I show wages and salaries, and I include 50 per cent labor in overhead. There is no labor, I take it, in depreciation, and at the end I show there that 67.7 per cent of our total expenditures go toward an item which I want to call labor and salaries.

I want now to compare this with the corresponding price of German labor. From the figures I gave we can conclude that if American labor costs us from 45 to 50 cents an hour, and in Germany from 4½ to 6½ marks is paid, that we are paying 5½ to 8 times more for labor. It would vary between those two figures. That means if 67 per cent, which is a very conservative figure, of our cost is labor, if we deduct the amount of German labor cost from this figure, we arrive at a difference of 60 per cent, the figure by which our cost will be above the cost of the German product to-day, owing to the difference in wages, which is probably caused by the exchange, but I am not talking of exchange. I am referring to the cost of labor, taking exchange into consideration in compiling my figures.

In the first table which I gave you I included a fifth column and in that fifth column I show the amount of duty which would be necessary to be assessed on the German product f. o. b. Hamburg in order

to equalize our cost. This German quotation may include a profit. I am referring as far as our figures are concerned to our cost.

Senator SMOOT. If you had an American valuation it would not figure that way.

Mr. DU BOIS. Of course not. I am just showing we would have to add 69 per cent to 265 per cent to just equalize our costs with their present selling prices on these examples I have given there. This shows such wide fluctuations that such a proposition can not be considered naturally. As far as the American valuation is concerned——

Senator SMOOT. I would rather consider it than an embargo.

Mr. DU BOIS. As far as the American valuation is concerned, if we take our present prices as American valuation and we add to them varying rates of duties, we will find that very considerable rates would be necessary in order to protect us.

Senator MCLEAN. Have you made any estimate?

Mr. COOKE. If you can, state what spread of rates on your products would be necessary to equalize your present costs with their present selling price, as you know it.

Mr. DU BOIS. In order to equalize these costs with their (German) present selling prices the rates of duty on the American valuation which would be required would be in the neighborhood of 70 or 75 per cent on these products here.

Senator MCCUMBER. On the American valuation?

Mr. DU BOIS. On the American valuation.

Senator MCCUMBER. What would be the German valuation?

Mr. DU BOIS. It would be 66 to 265 per cent.

The trouble is this, and I would like to point out the difficulty about this American valuation, which I have tried to figure out, because I was as anxious as anybody else to get away from the embargo proposition; but I find this, that these figures here were computed on the exchange of 1¼ cents for 1 mark. To-day, as I understand, the mark is lower; the mark was yesterday 1.22 cents per mark. At that rate as the mark drops these rates of 75 per cent on American valuation that I mentioned would not be sufficient to equalize our costs.

Therefore I do not see how the American valuation, unless we can determine what the exchange will be, is going to help us. While a year and a half ago I was opposed to the embargo, by trying to figure out these propositions I was gradually led to believe that I could not see my way clear without the embargo and I stand to-day as being in favor of the embargo.

It has been mentioned that the dye plants are amortized, and, of course, I suppose this meant that it might indicate that our plant is amortized. Our plant is not amortized. If we had been able to amortize our plant, we would have liked to do it; but to amortize our plant it would have been necessary to cut from our profits certain sums which we could not do because we had to pay the tax, like everybody else, on our profits, and we were not permitted to amortize anything we wanted.

Prior to the war we had not amortized our plants, either. We have, of course, on our books a reserve account of about a million and a half dollars, which I would say is equal to about one-quarter of the machinery investment, and this account covers only such equipment which we believe is obsolete and which we can justify

for tax payment purposes as being obsolete, with proper explanations.

I can not see how any manufacturer can during the last two years have amortized his plant when taxes were payable on profits, and have deducted that from his book values, unless he can justify it by considering his plant as junk, in which case he evidently does not intend manufacturing; but we have been in business now for 20 years, and we have always expected to continue. We came here with the facts, with our cards on the table, and we are willing to give any information that is desired.

Mr. METZ. Are you not financing now?

Mr. COOKE. I will answer that question. The Monsanto Co. had to borrow a considerable sum of money, but could not borrow it at the banks. Their plant is worth some $10,000,000. They raised something like a half million dollars by going to their friends and selling them stock. Those friends paid for that stock in order to assist the American chemical industry.

Mr. METZ. There is no question——

Mr. COOKE. That is the answer.

Mr. METZ. It is a good deal more than a half million dollars.

Mr. COOKE. They borrowed some money on their plant, the first time they ever borrowed.

Mr. METZ. We might as well have all the facts on the table.

Mr. COOKE. They did not make any eight or ten million dollars, as you did during the war.

Senator MCCUMBER. Gentlemen, we have one witness on the stand now; let us get through with him.

Mr. DU BOIS. I have given our profits in the table.

I would like to point out before closing one thing which explains our peculiar situation. Inasmuch as the tremendous difference between foreign prices of manufacture, German prices of manufacture, and our costs, are due to some great extent to the labor cost, I want to say that the difference in the cost being so great is due to the fact that all the raw materials to produce the products we are manufacturing are available in Germany—and I am referring always to German costs. That is our main competitor normally. Germany does not have to purchase with foreign currency goods from the outside in order to produce these products which I have listed.

I would also like to mention in referring to the remarks which were made by the gentleman who spoke here a little while ago, that this branch of the coal-tar industry is also a very essential branch in war on account of the medicinals which we manufacture. Who knows how many million Russians died as a consequence of the lack of those products which we manufactured here? We were in many lines the only manufacturers in this country when the war broke out and supplied the Government with large quantities of these medicinals and disinfectants.

Mr. COOKE. And you supplied England and France.

Mr. DU BOIS. And we also supplied England and France with a certain amount.

Senator SMOOT. Were you successful in selling your stock offered?

Mr. DU BOIS. Our stock?

Senator SMOOT. Yes.

Mr. Du Bois. We offered it just to friends of ours, and a few business men in St. Louis, who took the whole issue recently. We issued also $2,000,000 of bonds about two years ago, which were fully subscribed.

Senator Smoot. What made me ask the question was that I noticed here you say you only paid a dividend in 1920 on the capital invested of forty-one one-hundredths of 1 per cent.

Mr. Du Bois. Yes.

Senator Smoot. And in 1919 you paid 1.23 per cent.

Mr. Du Bois. Senator Smoot, I think you have touched one of the things which is characteristic of the Monsanto Co. Monsant· has not to this date distributed the money earned, but put it back into the business in order to build up the industry.

Senator Smoot. That is exactly what I knew happened; there was not any question about it, and that is the reason, you know, I thought it was not hardly fair to try to show it here that these were all the profits that were made and paid out in dividends.

Mr. Cooke. That simply shows the percentage of dividend distribution.

Senator La Follette. And does not mean anything.

Senator McCumber. Are you through?

Mr. Du Bois. Yes.

Senator McCumber. We will call on Mr. Metz to complete his testimony. Before going on with your testimony, Mr. Metz, you speak very rapidly.

Mr. Metz. Yes, sir; I am aware of it.

Senator McCumber. And with the use of these chemical terms it is very difficult for the stenographers to take your testimony. May I ask you, therefore, to speak a little more slowly and distinctly?

Mr. Metz. I will try and hold down a bit and give them a chance, because I saw the copy yesterday and I did not recognize it.

I was asked to return this morning. I went to New York, and I am sorry I was late in getting back. I am glad, however, that Mr. Choate had a chance to say something before I went back on the stand.

I would like to get away to-night if I could, but I am willing to be here Monday and Tuesday. There is a great deal of the testimony which has been given which I would like opportunity to answer. Much of that which has been given is mere generalities and we have not gotten down to facts.

Senator La Follette. I am inclined to believe the committee feels that way about it.

Mr. Metz. I have those facts. I have made notes as we went along.

Senator La Follette. Mr. Metz, would you prefer not to go on to-night, but to come back here on Monday?

Mr. Metz. If the committee is going on, I should much prefer it.

Senator La Follette. Because you could not complete your statement to-night?

Mr. Metz. No.

Senator La Follette. In the way you feel, you would like to complete it and provide information for the committee?

Mr. Metz. Yes. There are others here who may want to get away to-night, and whose statements would not be so long.

I want the privilege of refuting some of the things that have been said, and I am willing to stand corrected. I believe the Senators' idea of putting men under oath would be the proper thing. We have been getting a lot of hot air that don't mean anything. I have been a Member of the House and I know what we get in these committees.

Senator LA FOLLETTE. I suggest that Mr. Metz stand aside and return either Monday or Tuesday; Monday if it is agreeable.

Senator MCCUMBER. Very well; that procedure will be followed.

Mr. METZ. I would be obliged to you. I have that list here that you asked for regarding the amounts. I did not intend to bring these things up for the institute. I am a member, and I do not want to do anything which is discourteous to the institute. They have done lots of good things. I see that 75 per cent of the money contributed has been spent on Mr. Choate and Mr.—but that is immaterial. I would merely like to have those things in the record as a matter of interest.

### BRIEF OF GASTON DU BOIS, PRESIDENT MONSANTO CHEMICAL WORKS, ST. LOUIS, MO.

Senator Smoot asked me why in 1909 we refused duties on intermediates at a time when he and other legislators were willing to assist in establishing a dyestuff industry in this country.

At the time he put the question to me I understood him to say in 1919, and having no knowledge of our refusal to accept tariff protection on intermediates in 1919 I was unable to answer his question. In reading over the hearings I noticed that he referred to 1909, which of course throws a quite different light on the question. The point brought up by Senator Smoot is "basic" and in many ways of such importance that I would like to try to make our position clear, and in order to do this it will be necessary for me to explain our situation somewhat in detail.

In 1909 we were mainly interested in three intermediates—phthalic anhydride, used for the manufacture of phenolphthalein, a medicinal product; para phenetidin, used in the manufacture of phenacetin, a medicinal product; and orthotoluol sulphonamid, used in the manufacture of saccharin, a condiment.

I will explain the conditions surrounding the manufacture of these three intermediates.

*Para phenetidin.*—In 1909 we imported para phenetidin from Germany at a price of 51.6 cents per pound, duty paid, delivered St. Louis. Para phenetidin is produced by two methods mainly, which are shown below.

Synthesis No. 1: Phenol—para nitro phenol—para phenetol—para phenetidin ortho nitro phenol, a by-product.

Synthesis No. 2: Benzol—chlorbenzol—para nitro chlorbenzol—para nitro phenetol—ortho nitro chlorbenzol, a by-product.

If we examine synthesis No. 2 we find that in 1909 phenol had to be imported, as it was not produced in this country, and the same applies to para nitro phenol, and therefore if we had attempted to make para phenetidin by this process we would have had to import either phenol or para nitro phenol. If we had imported phenol, providing no duty was assessed on phenol, and nitrated this product to para nitro phenol, a substantial quantity of ortho nitro phenol would have been obtained as a by-product, which we would have had to dispose of in Europe to dye manufacturers, and we doubt whether this product could have been sold to advantage, resulting in the somewhat increased cost of para nitro phenol.

The conversion of para nitro phenol to para nitro phenetol and the further conversion of this product into para phenetidin is a very difficult operation, and while we had some general information on the subject we felt that we could not have competed successfully with Germany in producing para phenetidin for the following reasons: (1) We would be paying a profit to Germany on phenol. (2) We would be nitrating phenol in comparatively small quantity, and our conversion cost would, therefore, have been far greater than that in Germany. (3) We could not have disposed of the by-product, ortho nitro phenol, to advantage. (4) Our yields in the two last stages of the process would have been for the first few years considerably lower than the yields obtained in Germany. (5) The difficulty of handling these nitro compounds, including para phenetidin, owing to the poisonous nature of these compounds and

our lack of experience, was a matter of serious consideration, as we have since had an opportunity to find out.

The second synthesis would offer the same difficulties had we started from benzol, inasmuch as chlorbenzol was produced in enormous quantities in Germany, whereas our production would have been very limited, and also inasmuch as in the nitration of chlorbenzol ortho nitro chlorbenzol is obtained as a by-product, which also must be disposed of to dye manufacturers, and while we produced these compounds during the war we were unable to find a market for ortho nitro chlorbenzol until 1918.

When the war started in 1914 we undertook the manufacture of chlorbenzol and the various other products required for the manufacture of phenacetin, and we experienced very serious difficulties. First of all, in the handling of such poisonous products, owing to their poisonous nature, we required about four years before we were able to devise methods and apparatus which would permit the employment of trained men in the manufacture. Prior to this we were compelled by our physician to constantly change the men operating in these departments in order to prevent serious consequences due to poisoning. Secondly, our costs of production during the first three years were exceedingly high, owing to the fact that the yields obtained were far too low, and it required the undivided attention of three chemists, who worked for approximately three years on the problem in order to finally solve most of the difficulties. Our cost price of para phenetidin ranged for a couple of years between $2 and $4 per pound, whereas the same product was imported prior to the war and laod down in St. Louis at a cost of 51.6 cents.

From these figures it is evident that a 100 per cent duty on imported para phenetidin would not have enabled us to undertake the manufacture of this product in competition with Germany without the loss of somewhere between $100,000 and $200,000, in spite of the high duty on para phenetidin, and, as you may well imagine, we were not in position to undertake to develop the manufacture of para phenetidin at a cost which would have destroyed our business.

After five years' experience in the manufacture of para phenetidin we have been able to bring the cost down from approximately $4 per pound to about 80 cents per pound, as against a cost to us of the imported product in 1909 of 51.6 cents per pound.

Our plant has been closed down for the last six months, but we hope that as soon as the demand for phenacetin becomes again normal and the surplus stocks have been utilized that we will resume manufacture of para phenetidin and that, owing to considerable cuts in our overheads and other reductions in cost, we may be able to bring the cost of para phenetidin down to about 60 to 65 cents, providing of course we are able to dispose of our by-product to dye manufacturers in this country.

Should this not be the case and should we be compelled to consider the by-product as a loss, the cost of para phenetidin would be approximately 85 to 90 cents, although it is reasonable to expect that if the dye industry is even partially successful in this country that we shall be able to dispose of our by-products.

*Phthalic anhydride.*—In 1909 phthalic anhydride was manufactured in Germany in very large quantities, mainly by the Badische, and this product was the raw material for indigo. Possibly 10,000,000 pounds of phthalic anhydride were manufactured then in Germany, whereas the total quantity which we imported amounted then to not more than 50,000 pounds yearly, and the product cost us 46 cents per pound, duty paid, laid down in St. Louis.

Under such conditions we could not even consider undertaking the manufacture of phthalic anhydride in this country, as even if our yields had been equal to those of the German concerns our cost price would have been not less than twice the price we had to pay for the imported product.

The manufacture of phthalic anhydride was particularly a difficult one, the process being to treat naphthalene with concentrated sulphuric acid in presence of mercury sulphate. In order to make the process economically possible, it was necessary to convert the escaping sulphur dioxide gases back into sulphuric acid to be used over again, and in order to do this a sulphuric acid platinum contact plant was required, which, however, could not be operated on a small production such as was required for our manufacture.

Shortly after the European war started we undertook the manufacture of phthalic anhydride and spent about three years developing the above-mentioned process, and during that time our cost of phthalic anhydride ran up to $4, and as improvements were made came down to about $2 per pound, as against a prewar price of 46 cents, duty paid.

We recognized at that time that we would never be able to compete with Germany and could not consider manufacturing this intermediate after the termination of the war even though a 100 per cent duty on importations of phthalic anhydride were imposed. Fortunately for us the chemists of the color laboratory of the Department of

Agriculture were working on the same problem, and they were able to work out a new process for manufacturing phthalic anhydride by direct oxidation of naphthalene with air. The Government process was merely a laboratory process, and no production could be obtained on a large scale by this process without a considerable drop in yield. At that time (November, 1917) we were asked to cooperate with the Government in order to develop a technical process, and we worked for approximately two years on this problem and were finally successful after two years in obtaining satisfactory yields and reducing the cost of phthalic anhydride to approximately 40 cents per pound.

Unfortunately, however, the use of phthalic anhydride for the manufacture of indigo was discontinued, and indigo was produced during the war in this country and is produced to-day from aniline oil, so that the demand for phthalic anhydride dropped very considerably, and the quantities produced last year amounted to about 750,000 pounds, of which a large portion was produced in our plant.

Much of this production, however, was exported to England and Switzerland, so that the actual demand for phthalic anyhdride in this country was not over 400,000 pounds.

We spent approximately $400,000 developing the manufacture of phthalic anhydride, $150,000 of which was for developing the old German process, and this last expenditure is to-day valueless and has been written off our books owing to the discovery of the new air oxidation process, and our investment to-day in our new plant for manufacturing phthalic anhydride amounts to approximately $250,000.

In the meantime two other American manufacturers have started manufacturing phthalic anhydride, whereas in Germany but one plant is producing phthalic anhydride and in quantities probably ten times greater than that produced here to-day in all three plants. Under such conditions it is evident that we are yet far from being in position to compete with Germany, as, owing to the duplication of effort in this country, the cost of phthalic anhydride must necessarily increase, as the volume of production is a very important factor in decreasing cost.

From the above it appears to be quite clear that we could not in 1909 have undertaken the manufacture of these two intermediates, because five years and possibly more would have been required in order to enable us to manufacture the product with equal skill and equal yields as obtained in Germany, and during these years we would have operated at a very heavy loss, amounting to several hundred thousands dollars even though a 100 per cent duty had protected our intermediates, which naturally would have made it imperative to have an equalizing duty to protect our finished product. Even after a period of five years our production would have been too small as compared to the German production to have permitted competition without what would amount to a prohibitive duty.

The question naturally arises, assuming that all I have said is correct, what chances have we, then, in this country of developing the manufacture of intermediates and dyes and other coal-tar synthetic products? It should be stated here that examples stated above, phthalic anhydride and para phenetidin, are examples of comparatively difficult intermediates to manufacture, and while there are a great many other intermediates in the same class, still we are producing to-day intermediates in this country, such as aniline oil, beta naphthol, nitro benzol, which are comparatively simple and which can be produced here in very large quantities.

In these simple intermediates we probably have developed sufficient knowledge to compete on equal basis with Germany, and therefore the main difference in cost will be that due to the wages paid to American workmen as against wages paid in Germany, the exchange being taken into consideration of course.

As far as the development of a greater part of the intermediates required and the development of an independent dyestuff and related industry is concerned, we will require several years before we can equal Germany in skill and experience, and up to that time it will not be possible, generally speaking, for us to export these chemicals in competition with Germany, and therefore our output will be limited to the American market.

It is my idea that after a period of five years from now, followed by a gradual reduction in tariff duties on intermediates and dyes, we should be able to gradually reconquer part of the export market and establish our manufacture on a gradually increasing scale, so that we will finally be in practically as favorable a position as Germany, and the only difference then in our cost will necessarily be due to difference in wages paid to American workmen and German workmen.

We more than likely will be able in the meantime to develop new lines of dyes and other organic products, and by such new developments and patent protection in foreign countries obtain such advantages which will permit us to export and to enjoy

in this respect and in some lines the same advantages which Germany has to-day in practically all lines.

I regret that it has been necessary to go to such lengths in order to explain this situation, but as stated above the question raised is of such fundamental importance that I felt that we should at least make our position as clear as possible.

## STATEMENT OF W. PARKER JONES, REPRESENTING THE VICTOR CHEMICAL WORKS, CHICAGO, ILL.

The CHAIRMAN. Mr. Jones, state your name and representation to the reporter.

Mr. JONES. W. Parker Jones, Union Trust Building, Washington; I appear before the committee as attorney for the Victor Chemical Works, of Chicago, Ill.

The Victor Chemical Works are manufacturers of oxalic acid.

Senator SMOOT. Where are your plants located?

Mr. JONES. Our plant is located at Chicago Heights, Ill.

Senator SMOOT. You have only one plant?

Mr. JONES. Only one plant. That plant was erected during the war. The Victor Chemical Works first began to produce oxalic acid on a commercial scale in 1917. The company continued to produce oxalic acid up to October, 1920. At that time the production was at the rate of about 3,000,000 pounds per annum.

About that period oxalic acid began to be imported from Germany and was sold in our markets here at 15 cents a pound, which was about 9¼ cents below our cost of production, with the result that the Victor Chemical Works closed down its plant. It remained closed until the latter part of May of this year when, on account of the control exercised under the emergency tariff act, production was resumed and the company is now operating and producing at the rate of about 2,000,000 pounds per annum, and selling at a price of 16 to 18 cents a pound.

Senator SMOOT. How can you do that if it costs you 27 cents to make?

Mr. JONES. The figures which I gave you were the costs of October. Our October costs were a little over 24 cents a pound.

Senator SMOOT. What are they now?

Mr. JONES. Our present costs are approximately 17 cents a pound.

Senator SMOOT. And you are selling it from 16 to 18 cents?

Mr. JONES. Yes.

Senator SMOOT. Why should you sell it for less than cost?

Mr. JONES. We were selling it at less than cost because German oxalic acid was being offered here at a price below our cost of production.

Senator SMOOT. I do not mean that. I mean now. Why do you sell it at 16 cents when the German product is not coming in here when it costs you 17 cents to make it?

Mr. JONES. Because at the time oxalic acid became a controlled commodity there were considerable stocks of German oxalic acid in this country.

Senator SMOOT. And you were selling against that stock?

Mr. JONES. We were selling against the stock of foreign oxalic acid that was already on hand at that time.

Senator WATSON of Indiana. Wherein is the difference of cost of production between then and now?

Mr. JONES. The principal difference is in the reduction in labor cost and the cost of raw materials.

Senator WATSON of Indiana. You mean by that you have reduced your wages in your plant?

Mr. JONES. Yes, sir. In October, 1920, the lowest wage in our plant, where we have about 200 employees, for labor was 55 cents an hour. The lowest wage in October, 1920, was 55 cents. At the present time our lowest wage is 37½ cents an hour, and our average wage is 55 cents an hour.

The present manufacturing costs—and our figures are of June of this year—are made up of labor, 6.4 cents a pound; raw material, 7 cents per pound; factory operation, 1.1 cents per pound; administration, transportation, and sales expenses, 2.5 cents per pound; making a total of 17 cents per pound.

The price of oxalic acid in June, 1921, in Germany was 8¼ cents a pound. After paying 1½ cents a pound duty, which is the rate under the Underwood tariff law, less a quarter of a cent per pound for transportation, it would be possible for German oxalic acid to be laid down in this country at a cost of about 10 cents a pound, which is about 7 cents a pound less than our manufacturing cost.

Senator SMOOT. They can not ship oxalic acid at $5 a ton from Germany here, can they?

Mr. JONES. It can be shipped.

Senator SMOOT. I mean to say under the sea rates to-day—that is as low a rate as was ever made away back in the eighties.

Mr. JONES. I do not think the present rate is very much higher than a quarter of a cent. It may be higher than that, and, of course, to that extent it would raise the present German cost by a fraction of a cent a pound. According to the best statistics available to us, our present cost of labor is approximately ten times the cost of labor in Germany, taking account of existing rates of exchange.

We are principally concerned at the present time with what is going to happen on the 28th of August. We know there are now 500,000 pounds or more of German oxalic acid already landed in the customhouses of this country which, unless the existing form of control is continued beyond August 28, will be offered for sale in this country without any restriction other than the rate of duty under the Underwood tariff of 1½ cents a pound.

We know we can not compete with oxalic acid at the present German price with the addition of that low rate of duty.

The object of our coming before the committee at this time is to request this committee to extend the present system of control pending the enactment of the permanent tariff law.

Senator SMOOT. I am willing to do that. I do not know whether it will be done, of course, but I am perfectly willing.

Mr. JONES. If that can be done, then our request to this committee would be that a rate of duty be imposed on oxalic acid which would equalize the cost of production in this country and abroad. In other words, we desire to be put on a competitive basis. If a rate of duty, either an ad valorem duty or a specific duty or a combination of the two can be imposed which will place us on a competitive basis, we believe we can take care of the rest.

I know that Senator Smoot, and probably the other members of the committee, are familiar with the effect of German competition on the manufacture of oxalic acid in the past.

Senator SMOOT. We know the history of it.

Mr. JONES. That being so, I presume it would be entirely superfluous for me to recount it.

Senator SMOOT. I think you have covered the whole question in giving the cost to the committee. There is no need of saying anything more. The committee knows the situation just as it is.

Mr. JONES. That being so, I thank you for your consideration.

Senator MCLEAN. Would you care to file a copy of your brief, which I see you have in your hand, with the committee?

Mr. JONES. Yes; I would like that privilege.

Senator MCCUMBER. You may file it as a part of your statement.

BRIEF OF W. PARKER JONES, REPRESENTING THE VICTOR CHEMICAL WORKS, CHICAGO, ILL.

DYE AND CHEMICAL CONTROL—OXALIC ACID.

PRESENT LAW.

The Secretary of the Treasury having determined that oxalic acid is a synthetic organic chemical and is obtainable in the United States "in sufficient quantities and on reasonable terms as to quality, price, and delivery," imports of oxalic acid are now being refused admission into this country by virtue of the provisions of the emergency tariff act of May 27, 1921. By the terms of the act, dye and chemical control comes to an end on August 27, 1921. It is recommended that appropriate legislation be passed continuing this control until the enactment of the new permanent tariff law.

IMPORTANCE OF OXALIC ACID INDUSTRY.

Oxalic acid is used in laundries in a large way to neutralize the alkali and is the best acid rinse for that purpose, because, when properly used, it does not injuriously affect the fabric.

Oxalic acid further has an important use in the manufacture of dyes, especially malachite green, which prior to the war was all imported from abroad, but which is now manufactured on an extensive scale in this country.

Oxalic acid further is employed to a large extent in dyeing and printing textiles, especially dyeing wool on a chrome mordant.

Further, it finds employment in the bleaching of straw articles, especially hats, in the manufacture of cleaning compounds and metal polishes, in the bleaching of leathers, wood, cork, and shellac and in the manufacture of ink.

Salts of oxalic acid also find employment in the tanning and other industries.

Oxalic acid is of great importance to many manufacturers in this country who, prior to the war, had to depend on foreign manufacturers for their supplies.

AMOUNT OF OXALIC ACID CONSUMED WITHIN THE UNITED STATES.

Prior to the war there was but one manufacturer of oxalic acid in the United States, viz, The American Alkali & Acid Co., of Bradford, Pa. We estimate that their annual production was in the neighborhood of 2,000,000 pounds. At the same time, in the prewar years 1912, 1913, and 1914, there were imported into this country approximatly 8,000,000 pounds. [See Tariff Information, Series No 13, United States Tariff Commission.] The total consumption of oxalic acid in this country, therefore, in those years is estimated at about 10,000,000 pounds annually.

About 75 per cent of all the oxalic acid imported into this country was of German manufacture, about 12½ per cent was the product of Northern Norway, and 12½ per cent the product of the United Kingdom.

DEVELOPMENT OF THE INDUSTRY WITHIN THE UNITED STATES.

The American Alkali & Acid Co., of Bradford, Pa., manufactured oxalic acid from sawdust.

In 1916 and 1917, after several years of research work and the erection of a large plant, the Victor Chemical Works began the manufacture, on a commercial scale, of oxalic acid by the synthetic process, using carbon monoxide gas and caustic soda as its principal raw materials.

The investment to date of the Victor Chemical Works in its plant is in excess of $600,000. Its plant is designed to produce 5,000,000 pounds per year, which production can be increased by plant addition.

Until October, 1920, the Victor Chemical Works was producing at the rate of 3,000,000 pounds per year, but owing to the effect on the market of heavy importations offered to the consuming trade in this country at considerably below the cost of manufacture, the plant was closed down. Operations were resumed in May, 1921, as a result of the emergency tariff act.

Besides the two American manufacturers who are still in business, viz, the American Alkali & Acid Co. and the Victor Chemical Works, the following companies formerly manufactured oxalic acid in this country:

The North American Chemical Co., Milwaukee, Wis.; Essex Co., Lawrence, Mass.; Semmet-Solvay Co., Syracuse, N. Y.; United States Industrial Co., New York, N. Y.

These four manufacturers, however, finding themselves unable to compete, abandoned the business and dismantled their factories.

FUTURE PROSPECTS OF THE INDUSTRY.

There are now hundreds of thousands of pounds of oxalic acid of foreign manufacture landed at the customhouses of this country, awaiting the expiration of dye and chemical control on August 27, 1921. Unless this control be continued, pending the enactment of the new permanent tariff, these and other large quantities to arrive will be admitted subject only to duty under the Underwood Tariff Law of 1½ cents per pound. This influx of foreign oxalic acid, due to differences in manufacturing costs, will certainly bring disaster to the American oxalic acid industry and destroy the beneficial effect of whatever rates of duty may finally be imposed by the new permanent tariff law.

If the existing control be continued until the new permanent tariff law becomes a law and that bill carries a sufficient rate of duty to put the domestic manufacturers of oxalic acid on a competitive basis, the present manufacturing facilities of the country would be ample to supply all the domestic requirements, and it is safe also to predict that any increase in the demand would be quickly met by the extension of existing plan facilities or by new companies entering the field.

NUMBER OF EMPLOYEES AFFECTED.

The production of 10,000,000 pounds of oxalic acid per year requires about 1,000 men in the direct manufacture. To these should be added about 300 more men, who are employed in the production of raw materials used in the manufacture of oxalic acid, which, in the case of the Victor Chemical Works, are caustic soda, sulphuric acid, lime, coal, and coke, so that the number of individuals who find employment in the oxalic acid industry and because of it may be conservatively stated as 1,300 men.

DOMESTIC PRODUCTION COSTS, WAGES, AND INFORMATION REGARDING COSTS IN FOREIGN COUNTRIES.

The actual cost of producing a pound of oxalic acid during June, 1921, taken from the books of the company, and the last figures of continuous operation available show a manufacturing cost of 17 cents per pound of oxalic acid. This cost is made up as follows:

| | | Cents. |
|---|---|---|
| Labor | per pound | 6.4 |
| Raw materials | do | 7.0 |
| Factory | do | 1.1 |
| Administration, transportation, and sales | do | 2.5 |
| Total | | 17.0 |

Inasmuch as 75 per cent of all the oxalic acid imported into this country in prewar years came from Germany, and it is the German product which will enter our market again, a comparison, therefore, with the cost in Germany is pertinent.

The German wholesale price of oxalic acid in June, 1921, was 8¼ cents per pound (chemical markets). After paying 1½ cents per pound duty under the present tariff law and one-fourth cent per pound for transportation the cost of German oxalic acid laid down in this country would be 10 cents per pound, or about 7 cents per pound less than our present manufacturing cost.

Our cost sheet shows that we use raw materials to the value of 7 cents per pound. At least 30 per cent of the cost of this material is represented by labor, or about 2.1 cents per pound. Adding the cost of direct labor at 0.4 cents per pound the total labor costs entering into 1 pound of domestic oxalic acid approximates 8½ cents per pound. According to the latest figures available this is ten times greater than in Germany. In brief, we are paying over 7 cents more per pound for labor than our German competitors.

METHODS OF FOREIGN COMPETITION.

German oxalic acid was sold in this country during the last few months of 1920 at prices ranging from 15 to 19 cents per pound, which was so far below our cost of production that it was impossible for us to meet such price, and it became necessary, therefore, to discharge our men and to suspend factory operations. While prices as low as 15 cents per pound were quoted, our advices from the United Kingdom and from Germany were that oxalic acid was being sold in those countries at the same time at a price equal to 30 cents per pound. It is quite evident, therefore, that these goods were dumped on the United States market, probably to get rid of surplus stocks, and also to put the American manufacturer out of business.

Not having been in the business prior to 1914 we did not come in contact with such unfair and destructive business methods until lately, but we refer to hearing on H. R. 4870 June 10, 11, 1919, where the representative of the American Alkali & Acid Co. testified that during the years 1909 to 1914 they had lost on an average of $100,000 per year because of the market conditions created by importation of oxalic acid of German origin.

We also quote from an article of A. Mitchell Palmer, former Alien Property Custodian, written in the Saturday Evening Post of July 19, 1919, which refers to oxalic acid, as follows:

"In 1901, when there was none of it produced in this country, it was sold by the Germans at about 16 cents. Two years later, when the American Alkali & Acid Co. began producing, the price was at once dropped to 4.7 cents, at about which point it remained for four years, when the American company shut down. Thereupon, the Germans jumped the price to 9 cents. When the factory reopened the price was lowered again, and in 1908 the American company failed."

The record is quite complete as to the destructive effect of this foreign competition on American manufacturers.

THE PRESENT RATE OF DUTY OF 1½ CENTS PER POUND AFFORDS ONLY ONE-THIRD OF THE PROTECTION NOW THAT IT DID IN 1913, WHEN IT WAS ENACTED, AND IT WAS INADEQUATE THEN.

The United States Tariff Commission, in "Tariff Information, Series No. 13," gives the approximate value of oxalic acid during the prewar years—1911, 1912, 1913, and 1914—at approximately 5 cents per pound, so that a duty of 1½ cents at that time was equivalent to an ad valorem duty of 30 per cent. To day our actual cost of manufacture is approximately 17 cents per pound, and the lowest price at which the product was dumped during the months preceding May, 1921, on the American market was 15 cents per pound, and the duty thereon of 1½ cents per pound, therefore, represented an ad valorem duty of only 10 per cent, instead of 30 per cent, the duty fixed by the act of 1913.

This rate of duty afforded inadequate protection at the time it was imposed, and it affords less protection now.

Nothing less than continuance of the existing license control, pending the enactment of the new permanent tariff law, can prevent the renewal of German domination of the American market for oxalic acid, and the destruction of the oxalic acid industry in this country.

The CHAIRMAN. The next gentleman to be heard is Mr. S. Isermann, of Springfield, N. J., representing the Chemical Co. of America and other manufacturers.

**STATEMENT OF S. ISERMANN, SPRINGFIELD, N. J., REPRESENTING THE CHEMICAL CO. OF AMERICA AND OTHER MANUFACTURERS.**

The CHAIRMAN. Are you in the chemical business, Mr. Isermann?

Mr. ISERMANN. Yes, sir; I am.

The CHAIRMAN. What chemicals does your concern manufacture?

Mr. ISERMANN. I represent here the Chemical Co. of America, manufacturing dyestuffs and intermediates.

The CHAIRMAN. Will you submit your views briefly to the committee?

Mr. ISERMANN. In the first place, Mr. Chairman, I want to state that I have a letter here signed by 65 manufacturers, which I would like to read to you. I did not think I was going to be called this afternoon, Mr. Chairman——

The CHAIRMAN. All right; if it is not convenient at this time——

Mr. ISERMANN. Yes; it is convenient. I did not know I was going to be called at this time, and for that reason I am not quite ready; but I will proceed.

The letter to which I refer is as follows:

THE CHEMICAL CO. OF AMERICA (INC.),
*New York, August 3, 1921.*

Senator BOIES PENROSE,
*Chairman Senate Finance Committee, Washington, D. C.*

DEAR SIR: In connection with the consideration of the chemical schedule of the pending tariff bill, it has been persistently alleged in the press and by speakers that there is danger of creating a dye and chemical monopoly in this country through the aid of the selective-embargo provisions of the bill.

Nothing, in fact, can be further from the truth.

As a smaller American manufacturer of dyestuff intermediates, dyestuffs, drugs, and coal-tar aromatics, I declare that the only monopoly to fear in the coal-tar chemical industry is the great German kartel, the largest chemical combine in the world, the members of which have contracted the pooling of profits for a period extending to the year 2000, or for 79 years from date.

This monopoly is a threat and menace to our organic chemical industry because of the long-developed skill and abnormally low costs of production due to cheap raw material and labor. It must not be forgotten that the raw materials required by that industry in Germany are all or practically all obtainable within the German borders, and on account of the small wages and a depreciated currency no tariff rates which would serve to protect other American industries will adequately protect the coal-tar industry for several years to come from the destructive competition of the combined forces of the German chemical manufacturers.

Since the war deprived Germany of control of the American market, we have been and are still manufacturing dyestuffs and other coal-tar chemicals, and smaller and larger manufacturers together have been instrumental in building up a self-contained coal-tar chemical industry in the United States since and during the war. We have no fear that the two or three larger American concerns can or will destroy our business.

The report of the United States Tariff Commission, released to the press July 11 last, completely disproves the existence of a monopoly in the coal-tar chemical industry in the United States. It says:

"The total number of firms engaged in the production of coal-tar products in 1920 was 213, while those companies engaged in the manufacture of dyes alone numbered 82."

The signatures hereto attached of the independent and competing concerns is self-supporting evidence of the statement made by the Tariff Commission.

These concerns whose signatures are affixed are wholly independent and to so large an extent competitors that the accusation that there is a chemical monopoly is utterly absurd. This accusation is made mostly by importers for the purpose of misleading and confusing the issue.

As a representative smaller manufacturer, I state emphatically that unless we are entirely safeguarded from the German monopoly by an embargo provision for a limited number of years against foreign coal-tar chemicals that we are successfully making here, we will be forced to close our doors and abandon production.

The Tariff Commission reports that Germany has already regained the competitive markets of the world. Our exports for April and May, 1921, as against those of the corresponding months of 1920, have dropped by more than 80 per cent, and if the American market becomes only temporarily competitive Germany will absorb it completely and a foreign monopoly will be our only source of coal-tar chemicals.

Great Britain, France, and Italy have already closed their markets to foreign dyes and coal-tar chemicals by similar methods to those which are sought in the interests of the American industry. Great Britain, France, and Italy have closed their markets to our coal-tar dyes and other organic chemicals except by special permit. Why, then, should we by failure to adopt similar methods destroy that which it has taken us several years to build up?

Attached hereto is a list of coal-tar chemical manufacturers independent of the two or three larger concerns. These manufacturers, after two years of serious thought and consideration, have come to the conclusion that only adequate protective measures of the type suggested will keep the industry in the United States; therefore it is up to Congress to decide whether it wants the industry to continue here or not.

Yours, very truly,

S. ISERMANN, *President.*

I want to say this, Mr. Chairman, that we have 65 signatures to this letter. I do not suppose you want me to take up the time to read that list of names. They come from every State and they are exactly what is stated in the letter—manufacturers of all sorts of coal-tar chemicals in addition to dyes.

Senator MCCUMBER. They may be inserted in the record.

(The list of names referred to is as follows:)

Beaver Chemical Co., Walter Reinicke, manufacturers of dyestuffs and intermediates, 106 Wall Street, New York City. (Factory, Damascus, Va.)

Texdel Chemical Co., S. Daniel Fisher, manufacturers of dyestuffs, 168 Water Street, New York City. (Factory, Jersey City.)

Commonwealth Chemical Corporation, A. H. Mayland, manufacturers of perfumery materials, flavors, drugs, and camphor substitute, 15 Park Row, New York City. (Factory, Newark, N. Y.)

Reliance Aniline & Chemical Co., Herbert J. Fessler, manufacturers of dyestuffs, 15 William Street, New York City. (Factory, Poughkeepsie, N. Y.

Atlas Color Works, Philip W. Zobel; E. B. Landolt, secretary, manufacturers of dyestuffs, 417 Hamilton Avenue, Brooklyn, N. Y.

Debrook Co., David Brooks, jr., manufacturers of dyestuffs and intermediates, 1105 Metropolitan Avenue, Brooklyn, N. Y.

Dicks-David Co., C. Christian, manufacturers of dyestuffs, 19–21 North Moore Street, New York City. (Factory, Chicago Heights, Ill.)

Tower Manufacturing Co., D. H. Jonas, manufacturers of dyestuffs, intermediates, and drugs, 552 Pearl Street, New York City. (Factory, Newark, N. J.)

Grasselli Chemical Co., Roger Wallach, manufacturers of dyestuffs and intermediates, 117 Hudson Street, New York City. (Factories, New York and New Jersey.)

Rhodia Chemical Co., A. C. Robertson, manufacturers of photographic materials, drugs, chemicals, and flavorings, 89 Fulton Street, New York City. (Factory, New Brunswick, N. J.)

Sherwin-Williams Co., A. W. Steudel, manufacturers of dyestuffs and paints, 115 Broadway, New York City. (Factories, Cleveland and Chicago.)

Butterworth-Judson Corporation, F. E. Signer, manufacturers intermediates and dyes, 61 Broadway, New York City. (Factory, Newark, N. J.)

Hooker Electro Chemical Co., S. A. Ward, manufacturers intermediates and dyes, 25 Pine Street, New York City. (Factory, Echota, N. Y.)

Zinsser & Co. (Inc.), F. Z. Zinsser, manufacturers of photographic chemicals, dyestuffs, and intermediates, Hastings-on-Hudson, N. Y.

Condensite Co. of America, K. Brown, manufacturers of synthetic resins, Bloomfield, N. J. (Factory, Wyandotte, Mich.)

Gaskill Chemical Corporation, Robert Merrihew, manufacturers of fur dyes and intermediates, 157 Spencer Street, Brooklyn, N. Y.

American Nitration Co., A. Weeks, manufacturers of intermediates, River Road, Nutley, N. J.

The Wilbur White Chemical Co., W. E. Bridgeman, manufacturers of intermediates and fur dyes, Oswego, N. Y.

Atlantic Dyestuff Co., Albert C. Burrage, manufacturers of intermediates and dyestuffs, 88 Ames Building, Boston, Mass. (Factories, Burrage, Mass., and Portsmouth, N. H.)

United States Color & Chemical Co., John O'Day, manufacturers of dyestuffs and intermediates, 93 Broad Street, Boston, Mass. (Factory, Ashland, Mass.)

Independent Coal Tar Co., N. M. Caton, manufacturers of dyestuffs and intermediates, 26 Broad Street, Boston, Mass. (Factory, Taunton, Mass.)

Essex Aniline Works (Inc.), N. W. Hyde, manufacturers of dyestuffs and intermediates, 88 Broad Street, Boston, Mass. (Factory, South Middleton, Mass.)

Hub Dyes Stuff & Chemical Co., Richard Baybutt, manufacturers of dyestuffs, 595 East Seventh Street, South Boston, Mass.

Newport Chemical Works (Inc.), J. F. Blackie, manufacturers of dyestuffs and intermediates, First Wisconsin National Bank. (Factory, Milwaukee, Wis., Passaic, N. J.).

Transatlantic Chemical Corporation, E. B. Clary, manufacturers of intermediates, Linden, N. J.

Trico Chemical Co., R. J. Watters, manufacturers of dyes, 502 Iroquois Building, Buffalo, N. Y.

Connecticut Metal & Manufacturers of Dye Chemical Co., William T. Rowland, president, manufacturers of dyestuffs and intermediates, New Britain, Conn. (Factory, East Berlin, Conn.)

Standard Chemical Co., M. Szamatolski, president, manufacturers of synthetic chemicals and drugs. (Factory, Bayonne, N. J.)

Antoine Chir's Co., B. T. Bush, president, manufacturers of synthetic, aromatic chemical, drugs, and solvents. (Factory, Delawanna, N. J.)

McKesson & Robbins (Inc.), Donald McKesson, secretary, manufacturers of drugs. (Factory, New York City.)

Rediant Dye & Color Works, John Michel, manufacturers of dyes and intermediates, Brooklyn, N. Y.

Peerless Color Co., R. W. Cornelison, manufacturers of dyes and intermediates, Bound Brook, N. J.

American Vat Color Co., M. LaPorte, president, manufacturers of vat colors, Chicago, Ill.

Beaver Manufacturing Co., Phillip R. French, treasurer, manufacturers of dyestuffs, Bellard Vale, Mass.

Raritan Aniline Works, A. B. Hamby, manager, manufacturers of intermediates, New Brunswick, N. J.

Noll Chemical & Color Works, Frederick E. Grant, vice president, manufacturers of dyestuffs, New York City.

International Consolidated Chemical Corporation, E. L. Kincaid, manufacturers of drugs and intermediates, 11 East Thirty-sixth Street, New York City. (Factory, Long Island City, N. Y.)

John Campbell & Co., George H. Whaley, manufastrers of dyestuffs and intermediates, 75 Hudson Street, New York City. (Factory, Newark, N. J.)

Amalgamated Dyestuff & Chemical Works (Inc.), George H. Whaley, manufacturers of dyestuffs and intermediates, 75 Hudson Street, New York City. (Factory, Newark, N. J.)

The Republic Color & Chemical Works, George H. Whaley, manufacturers of intermediates, 75 Hudson Street, New York City. (Factory, Reading, Pa.)

British American Chemical Corporation of New Jersey, E. R. Wolfner, manufacturers of drugs, flavoring, and intermediates, 109 Beekman Street, New York City. (Factory, Ridgefield Park, N. J.)

Van Dyk & Co., M. Isermann, manufacturers of perfume material, flavoring, and drugs, 4 Platt Street, New York City. (Factory, Jersey City, N. J.)

Ultro Chemical Corporation, E. A. Staber, manufacturers of intermediates and lakes, 41 Union Square, New York City. (Factory, Brooklyn, N. Y.)
Heller & Merz, William Robertson, manufacturers of dyestuffs, intermediates, and lakes, 338 Wilson Avenue, Newark, N. J. (Factory, Newark, N. J.)
Elizabeth Dye & Chemical Corporation, James W. Roper, manufacturers of dyestuffs, Elizabeth, N. J.
Dye Products & Chemical Co. (Inc.), Clarence K. Simon, manufacturers of dyestuffs and intermediates, 200 Fifth Avenue, New York City. (Factory, Newark, N. J.)
The Seydel Manufacturing Co., H. Seydel, manufacturers of dyes, flavoring, and perfume material, 78–100 Forest Street, Jersey City, N. J.
May Chemical Works, Dr. O. B. May, manufacturers of dyestuffs, 204 Niagara Street, Newark, N. J.
Althouse Chemical Co., Scott Althouse, manufacturers of dyestuffs, 540 Pear Street, Reading, Pa.
Holland Aniline Co., M. Mape, manufacturers of dyestuffs, Holland, Mich.
Marietta Refining Co., G. E. Hayward, manufacturers of dyestuffs and intermediates, Marietta, Ohio.
Arlsfa Chemical Co. (Inc.), E. Tucker, manufacturers of dyestuffs, 305 Broadway, New York City. (Factory, Brooklyn, N. Y.)
Croton Color & Chemical Co. (Inc.), Edward C. Vollmer, manufacturers of dyestuffs and intermediates, 293 Broadway, New York City. (Factory, Croton-on-Hudson, N. Y.)
Pharma Chemical Corporation, Albert J. Farmer, manufacturers of dyestuffs and intermediates, 223 Broadway, New York City. (Factory, Bayonne, N. J.)
Florasynth Laboratories (Inc.), Charles Senior, president, manufacturers of synthetic, aromatic, chemicals, drugs, and solvents, New York City.
Synthetical Laboratories, Nicholas D. Cheronis, manufacturers of synthetic organic chemicals, Chicago, Ill.
Agawam Chemical Works, Fred T. Campbell, president, manufacturers of dyestuffs and intermediates, Providence, R. I.
Interstate Products Corporation, Herbert E. Stone, president, manufacturers of intermediates, Bristol, Tenn.
T., M. & G. Chemical Co., William B. Whitmore, president, manufacturers of intermediates, and dyes, Belleville, N. J.
American Aniline Products (Inc), manufacturers of dyestuffs and intermediates, Lockhaven, Pa.
Nitro Products Corporation, R. S. Bicknell, manufacturers of intermediates, Nitro, W. Va.
Southern Dyestuffs Co., C. L. Masters, manufacturers of dyestuffs and intermediates, Nitro, W. Va.
Uniform Chemical Co., dyes and intermediates, New York.
Calem Chemical Co., dyes, intermediates, and drugs, Bound Brook, N. J.
Coopers Creek Chemical Co., intermediates and crudes, Conshohocken, Pa.

Senator McLEAN. What percentage of them are dye manufacturers?

Mr. ISERMANN. We manufacture dyestuffs.

Senator McLEAN. I thought you were a chemist.

Mr. ISERMANN. I am a chemist.

Senator McLEAN. I thought you were a manufacturer of chemical products for medicinal purposes.

Mr. ISERMANN. Yes. I want to say to you, Senator, that I was, before the war, manufacturing a line of perfume materials, synthetic aromatic chemicals, and used to import my intermediates from Germany. To establish a connection between that line and the dyestuffs, I will say that all coal-tar chemicals are closely connected, and the same raw materials which are used for the manufacture of dyes are used in the manufacture of these other things. All products that are used for the manufacture of coal-tar perfume materials are used for dyes, medicines, photographic chemicals, tanning materials, and so on. As a matter of fact, I heard a gentleman say a few minutes ago here that poisonous gases are not connected with coal-tar chemicals.

I want to establish a connection even with perfumes, if you please. Benzyl chloride, for instance, was not made in this country before the war, and when we got into the war my company was the only company in existence that was able to supply to the War Department benzyl chloride for training the boys in the camps. My benzyl chloride was shipped abroad even—imagine out of a perfume plant, if you please, where it was made in small bottles. You take benzyl chloride and make benzyl cyanide; and from that is made a tear gas, and from that same product we make a perfume of roses and other plant products. It shows you that there is a connection even between perfume chemistry and poison gas. How anyone could get up here and state that the coal-tar chemical industry is not connected with poison gas I can not understand. I have a little statement that I would like to read and explain as I go on.

Senator WATSON. Where is your plant?

Mr. ISERMANN. Springfield, N. J.

Senator WATSON. You have but one plant?

Mr. ISERMANN. I will tell you that before the war I manufactured synthetic perfume materials, a few made from coal tar; that is, I manufactured perfume materials and used to buy my intermediates from Germany. During the war we had to build a plant to manufacture intermediates, but that was before we got into the war. The plant is in Jersey City.

Senator WATSON. Did you make your own intermediates?

Mr. ISERMANN. I make my intermediates there now.

Senator LA FOLLETTE. What did you manufacture in that plant?

Mr. ISERMANN. In Jersey City?

Senator LA FOLLETTE. Yes.

Mr. ISERMANN. You mean, during the war?

Senator LA FOLLETTE. Yes.

Mr. ISERMANN. We made, for instance, a product known as benzyl-benzoate, which is a perfume solvent. During the war it developed that that product was the best solvent or high-boiling compound in the waterproofing and fireproofing of aeroplane wings. We were the only manufacturers at that time. Mind you, a perfume plant, a plant making perfume materials, was the only plant in the United States that was able to supply that material, benzyl-benzoate and benzyl-acetate—and both are perfume materials and used for aeroplane manufacture.

During the war Dr. Macht, of Johns Hopkins University, found that benzyl-benzoate was a wonderful nonpoisonous substitute for opium, and this drug to-day is one of the most important drugs that is being used in the United States.

Senator WATSON. For what?

Mr. ISERMANN. In place of morphia and in place of opium; and it is being used to a much greater extent than any drug that ever came over from Germany.

I would like to make a statement, if you gentlemen will allow me for just a few minutes. I thought that I did not want to take up your time by saying too much on dyestuffs, although, if you want me to tell you the kind that I manufacture I am ready to tell you all about it.

Senator WATSON. I think the Senator asked you that question.

Mr. ISERMANN. We specialize in acid colors; that is, the Chemical Co. of America, in Springfield, N. J. We make a line of acid colors, the finer type of colors used for dying wool and silk.

Senator LA FOLLETTE. When did you establish that business?

Mr. ISERMANN. In 1915 we started in to make picric acid for the French Government; that is, around the middle of 1915. We used a process that was not used in this country. We used the aniline process for making picric acid, and we were the only plant that used that process. In that way we got into the aniline dye business. In the manufacture of dyestuff intermediates we made a most varied line, although we were a very small concern.

Senator LA FOLLETTE. How many plants did you have prior to the beginning of the European war in 1914?

Mr. ISERMANN. I only manufactured, as I stated, these perfume materials.

Senator LA FOLLETTE. How many did you have at the time the war closed on November 11, 1918? How many additional plants did you have?

Mr. ISERMANN. Two plants.

Senator LA FOLLETTE. Two additional plants?

Mr. ISERMANN. Only one additional plant; one manufacturing perfume material and the other plant making dyes, two separate companies. I am running both of them. I am the chemist for the plants. I am president of one and the secretary and treasurer for the other company. One company is a very small company, because the perfume business is not a very large business but it is important. It is a highly specialized business, and it is possibly the most intricate chemical business in the world.

Senator LA FOLLETTE. You are speaking of your original plant?

Mr. ISERMANN. Yes, sir.

Senator LA FOLLETTE. The plant that you developed during the war was much more important?

Mr. ISERMANN. It is a larger plant.

Senator LA FOLLETTE. Larger in what sense?

Mr. ISERMANN. Larger and of greater importance to the welfare of the Nation, if that is what you are trying to get at, Senator; but the industry must be considered as a whole.

I want to say that the witnesses called by your committee up to now have discussed the question of a coal-tar chemical industry principally from the viewpoint of the manufacturer of dyestuffs. It seems to me that very important items belonging to the coal-tar group have not been seriously enough considered by your committee. In view of this I feel that I will take up a few moments of your time to discuss with you most intimately the matters of other coal-tar chemicals which are not directly connected with the dyestuff line.

The Tariff Commission in its 1920 report, on page 11, in describing the coal-tar industry, speaks of dyes and other finished products. In explaining it says that the term of "other finished products" includes colored lakes, photographic chemicals, medicinals, flavors, perfume materials, synthetic resins, and synthetic tannning materials. This list includes practically all of the coal-tar products which might be called finished materials which are now being successfully manufactured in the United States.

It strikes me that the manufacturers of medicinals, who have made such wonderful strides in the United States since the war, would be placed in a most serious situation unless adequate protection is given to that industry, and I would call it almost a calamity to the country if this most important branch of the organic chemical industry is destroyed.

I want to emphasize here that the gentleman who spoke before me—that is, Dr. Du Bois, of the Monsanto Co.—represents the only company in the United States making medicinal products before the war. They were assemblers of German raw materials, just the same as we were assemblers of German materials in the line of synthetic perfumes.

Senator SMOOT. You all took the same position before the war. You did not want any manufacturer of intermediates here.

Mr. ISERMANN. I do not believe we could have, then.

Senator SMOOT. You would not let us try.

Senator WATSON. Try what?

Senator SMOOT. Try to manufacture intermediates and dyes in this country. We put it in the Senate, but the House would not stand for it. There was not a manufacturer in the United States but what was upon our backs and would not stand for it at all. They wanted free intermediates, so as to get the intermediates and mix the dyes and have nothing to do with it except to mix them.

Mr. ISERMANN. I was not in the business then, Senator.

Senator LA FOLLETTE. If you had been you would have been here, probably.

Mr. ISERMANN. I suppose I would, Senator.

Senator WATSON. I have no doubt about it.

Mr. ISERMANN. I, for one, feel that the production of synthetic drugs is of much greater importance than the production of dyestuffs or the production of any other coal-tar chemical previously mentioned, because on the development of the coal-tar drugs depends the health of our Nation, and if it were not for the manufacturers of drugs the health of the Nation during the war would have been most seriously impaired. It must be understood, however, that in considering any part of the coal-tar chemical industry due consideration must be given to the dyestuff industry, for the reason that unless there is a complete dyestuff industry in this country none of the other mentioned industries would have a chance or an excuse for existence, because without a fully developed dyestuff industry none of the other industries could exist.

Senator WATSON. Did you make any synthetic chemicals at all during the war?

Mr. ISERMANN. I made certain perfume materials. The Monsanto Co.—I do not want to speak for that company, but I know pretty nearly everything that is going on in that line; I am a jack-of-all-trades—they used to make intermediates——

Senator WATSON. Were there no synthetic drugs made before the war in the United States?

Mr. ISERMANN. Phenolphthalein was made, and saccharin, which is more of a flavor than a drug; but it is also a drug used for diabetes; also acetphenetidine was made here. They did not need much of a plant. They bought out a match factory. I do not want to be

discussing other people's business, but they bought out a match factory in St. Louis. It was the cheapest place they could get.

Senator WATSON. The synthetic drugs that are now being made in the United States grew out of the dye industry?

Mr. ISERMANN. Yes, sir; absolutely; because without the dye industry these industries could not exist in this country, because they would have to import the intermediates from Germany or from some other foreign country that would make them.

The crudes and intermediate products used for one industry are part and parcel of the other industries; the so-called dye intermediates are just as useful and necessary for the production of medicinals, flavors, and photographic chemicals, and so on, as they are for the actual creation and production of the different colors or dyes.

Gentlemen, I want to say a few words regarding that. I have been listening here for quite a few days, and there seems to be an impression created that Germany sold things awfully cheap and that the Americans charged big prices. I want to say a word regarding that impression.

The question of difference in cost of production and prices charged previous to the war and now on some of the coal-tar chemicals brings to my mind the fact as to whether your committee feels that the American prices charged now are rather high and that the foreign prices or German prices were always low or reasonable. In view of this discussion I want to point out to you that the opposite was usually the case; that the German manufacturer when he had a chance always took advantage of charging the foreign consumer high prices. This is especially true in the case of drugs.

The drug phenacetine, which was first introduced during the influenza epidemic of 1891 by Bayer & Co., large dyestuff manufacturers, was sold at wholesale to druggists at $1 per ounce or $16 per pound in the United States of America. The price was kept up for approximately 17 years, which is the life of the patent. During the same time the price in Germany by the original makers (Bayer & Co.) was less than $2 per pound and $4 per pound in Great Britain and Canada. As a matter of fact, the customhouse entries at New York would show phenacetine was entered at about $1.92 per pound and sold at wholesale at $16 per pound. Imagine, then, a product made by the selfsame manufacturer sold at $2 a pound or thereabouts in Germany and $4 a pound in England and Canada and $16 a pound in the United States of America. If this can be called selling at reasonable prices I would like to know what one would call profiteering.

A personal touch to the story might lend additional color. On or about 1898 I got an idea that I would import phenacetine from Germany, which I did. The product was bought through a brokerage firm from the original makers and was brought into this country, but no sooner was it landed here when I was promptly stopped from disposing of it by the Bayer Co. The reason given was that I had no right to sell this product in the United States because the name was registered here and only the original makers or their agents had a right to handle the product. My argument that I had bought the product from the original makers was of no avail and I promptly had to give up the idea of handling or disposing of the phenacetine.

As a matter of fact, I lost money on it because I sold it to the original makers.

I next tried to import the same German Bayer phenacetine from Canada, for which I paid $4 per pound. My experience in this case was the same as when I got it from Germany direct, with the one exception that the German agents here, through their attorneys, accused me of smuggling the product from Canada, and upon showing customhouse receipts that I had bought it and paid the duty on my purchase price, which was $4 per pound, I was promptly served with an injunction which prevented me from disposing of the product to anyone but the original owners here.

I believe that this will give you some idea of the methods used by the German manufacturers of coal-tar chemicals previous to the war, and you must bear in mind that most of the medicinal products were created, produced, and sold by the dyestuff manufacturers of Germany.

Senator WATSON. They actually got out an injunction against you?

Mr. ISERMANN. Yes, sir.

Senator SMOOT. I have heard this story in connection with every tariff bill we have had up since I have been in the Senate. Is there any other article with reference to which Germany has treated the American purchaser in the same way?

Mr. ISERMANN. Every drug, Senator Smoot, that the German manufacturers turned out in Germany previous to the war, the average price was always between $16 and $25 a pound, excepting aspirin, which was the cheapest thing they produced.

Senator SMOOT. No; I mean as to selling in Canada and England less than in America. I would like to have another drug mentioned for a change. We have had this one up here ever since I have been in the Senate.

Mr. ISERMANN. You did not have me before you on this matter, and I have had personal experience in it.

They did the same thing with respect to several other drugs, as. for instance, trional, sulfonal, veronal, etc. If you want any more I think I can pick them out for you. That was the usual way of doing business.

Senator SMOOT. Were you enjoined on any others?

Mr. ISERMANN. I did not try any more. Being accused of smuggling was strong enough for me.

Senator SMOOT. Do you know anybody else that was enjoined?

Mr. ISERMANN. Yes; I do. At that time the business of enjoining was very frequently done. The agents used to enjoin anybody.

Senator MCCUMBER. Did they charge greater prices for the United States trade than for England and Canada on these other products?

Mr. ISERMANN. They usually did, Senator, because they had better patent protection here than they do in England. Aside from the patent protection, they had a selling agency protection—a name protection—and, due to that, they could charge higher prices.

Senator SMOOT. Was it not on account of a working requirement on an English patent, and they were compelled to make those in England?

Mr. ISERMANN. I think you are right, Senator. I guess that is correct.

To show, however, that the coal-tar chemicals were not their only field where they got their large profits, my experience has taught me otherwise.

This is a pretty bad one, and you might feel that it is more than highway robbery.

Around 1905 I entered into the manufacture of a violet perfume material which was then known as ionone. This was not a coal tar but a synthetic organic chemical. The product was patented in this country and sold at $110 per pound for a 10 per cent solution or $1,100 for 100 per cent. The purchasers of this product used to value it so much that when bought it was safely locked in safe-deposit vaults.

A great deal of controversy had arisen on the question of the patented process, and it was claimed by a great many chemists and manufacturers that the patented process was not the real process used for the production of this chemical body. We tried and eventually produced this body by using an entirely different process than was described in the patent and succeeded in producing a product at a cost of $40 per pound.

Senator LA FOLLETTE. What did you sell it for?

Mr. ISERMANN. $75.

Senator SMOOT. Was it as good as the German product?

Mr. ISERMANN. It was. Now you are touching upon my pride. I at that time said it was better.

Senator LA FOLLETTE. You got the German habit of taking a pretty good profit.

Mr. ISERMANN. I do not think that $35 is very great.

Senator LA FOLLETTE. $14 a pound?

Mr. ISERMANN. No; I said $40 a pound and sold at $75 a pound. As a matter of fact, the cost of doing business in that line is very, very high. You have got traveling expenses to pay. One purchaser might be in New York and the next may be in Rochester, and another fellow may be in Chicago. You have no business between those cities. It is very costly to do business, and in those days everybody was fighting the chemist or chemistry. People were afraid of anything connected with chemistry. It was awfully hard to sell chemicals, especially those made in America, and I was the first one, or practically the first, in the United States to start that.

Senator MCCUMBER. Do you know what it cost the Germans to produce the product which they sold for $1,100 a pound?

Mr. ISERMANN. I believe they know as much about their business as I did, and evidently it never cost them more than $40 a pound. That is all it cost me.

Senator LA FOLLETTE. You made it by an entirely different process,

Mr. ISERMANN. I used the same raw materials, Senator.

Senator LA FOLLETTE. But a different process of manufacture?

Mr. ISERMANN. I will explain if you would like to know.

Senator WATSON. You made it from a different formula?

Mr. ISERMANN. I had a different formula; yes, sir.

Senator SMOOT. After you made the article what did Germany sell it for?

Mr. ISERMANN. I am coming to that.

Senator MCLEAN. Let the witness state it.

Mr. ISERMANN. Our sales price adopted was $75 per pound. After a short while we were enjoined by the German patentees and ac-

cused of using their patented process. We then proved to the contrary, and therefore the suit was temporarily won, but the foreign manufacturer later on brought a new suit where they claimed that we used another patented process of theirs, which was wrong, but nevertheless the suit was decided in their favor. However, the result was that we succeeded in breaking the patent, and the original patentees immediately reduced their price even below our cost.

Senator McCUMBER. Reduced it to what?

Mr. ISERMANN. They started in selling it at $35.

Senator McCUMBER. From $1,100 per pound?

Mr. ISERMANN. Yes; to $35 per pound. And for your information I will say that the product is to-day being sold at $10 a pound, a very good product, a much better product than the one they sold at $1,100.

Senator LA FOLLETTE. Do you manufacture it more cheaply than you did?

Mr. ISERMANN. Yes; because we have learned more about it. We used to get 25 per cent yield. To-day we are getting 75 per cent yield. That is the whole trick in chemistry, and that is the reason we can not compete with the Germans to-day. It will take us a long time, several years, before we will be able to compete with them in the manufacture of certain chemicals.

Senator LA FOLLETTE. What does the product that you sell at $10 a pound cost you to produce?

Mr. ISERMANN. About $8. The drug has increased in consumption considerably, and in that way you can afford to sell it at a smaller profit.

Senator LA FOLLETTE. Your production is larger?

Mr. ISERMANN. Yes. But, on the other hand, we have possibly six or eight manufacturers in this country making practically the same thing. It is used producing certain odors. There is quite a variety of this type product.

I am sure, had we not started in this country to make a similar body, no one knows for how long the American public would have been held up to that price, and to-day, unless we make sure and give the American organic and coal-tar chemical industry the kind of protection which it needs and deserves the same methods are going to be tried and successfully used on the American people.

While these two illustrations ought to suffice I would like to state to the committee that, as a matter of fact, there were but few products especially in the drug field, introduced into this country by the German manufacturers which were sold at reasonable prices. To name them, we will say phenacetin, which was mentioned above, sold by the patentees at $16 per pound; less than $2 in Germany; $4 per pound in Great Britain and Canada, and now being manufactured in the United States and sold by American producers at $1.65 per pound.

I want to say that I do not manufacture phenacetin. I know how to make it, but I am not making it.

I would like to quote from page 527 of the dyestuff hearings held by the Senate Committee on Finance in 1920——

Mr. CHOATE. It is the Switzer report made by Switzer, an American chemist in chief for the Bayer Co.

Mr. ISERMANN. He was their specialist. I knew Dr. Switzer. He was a specialist in the drug line, and he held all the Bayer patents

together here so that no one could break them with a gun. He was the expert in America for holding German patents, and he certainly knew how.

Senator LA FOLLETTE. What became of them?

Mr. ISERMANN. The Bayer patents were sold to and bought by the Grasselli Co., or, rather, the Bayer Co., of the United States.

Senator WATSON. Were not those part of the patents taken over by the Alien Property Custodian?

Mr. ISERMANN. Yes, sir.

Senator WATSON. And restored to the Grasselli people?

Mr. ISERMANN. I think the Grasselli people divided it up.

Senator WATSON. Was it not decided that they had only a nuisance value?

Mr. ISERMANN. The Grasselli Co. still have a few patents, especially in the dyestuffs line.

Senator WATSON. In most cases they left out some of the formula, so that when they came to produce them in accordance with the formula they found they could not because certain steps in the formula had been omitted?

Mr. ISERMANN. That is right. As a matter of fact, if you want to follow a patent, a German patent, or, for that matter, I believe some of the other foreign countries use the same method—if you are trying to make something in accordance with the patent you will find the drug or other product will cost you $5 a pound and the patentee will sell it at 50 cents. It might take you five years to reach the point where you can sell it at 50 cents, because something of great importance is left out.

Senator SMOOT. Do you mean to say that the German patents got from out Patent Office were not complete?

Senator WATSON. I mean that the patents taken over by the Alien Property Custodian were not complete. Some of the steps were gone. Then the chemist had to go to the laboratory and work for a great length of time in order to discover the missing steps.

Senator SMOOT. The patent never would hold then.

Senator WATSON. It had only a nuisance value. That is the point, exactly. As to many of them, all in the world that they were good for was to be held so that no action could be brought for infringement of the patent.

Senator LA FOLLETTE. I do not see how they could sustain the action, then.

Senator MCLEAN. It would make the stuff, as I understand it, but it would make it in such small quantities that the Americans could not work it. Is that your point?

Mr. ISERMANN. If you will allow me I will explain that.

To illustrate, you start in to manufacture a drug A, and in the drug A you use five materials, we will say; it does not make any difference what the product may be. You put them all together, and the process states that you should boil it at 60 degrees for 24 hours. You do that and you get the product, but you get 5 per cent instead of 75 per cent. By the addition of a wire nail, a little piece of iron, your yield will rise from 5 per cent to 25 per cent; and if you happen to find that nickel will be a better thing, you add a little nickel, and

that might bring you another 25 per cent. But it takes you years to find it out, and that is the reason that those patents are practically worthless. They give you an idea, but that is all.

Senator LA FOLLETTE. Do you mean to say that an American manufacturer working out a complete formula which would give him, say, 60 per cent or 75 per cent, could be enjoined and the injunction maintained on a suit based upon another formula?

Mr. ISERMANN. No; it is not another formula. It is the same formula, because the basic patent is theirs. Some time the patent is on the product. On the basic patent everything hangs.

Senator WATSON. The patent is on the product; not on the quantity, but on the product itself.

Senator SMOOT. It is on the process.

Mr. ISERMANN. And on the product, both.

Senator LA FOLLETTE. If you make it by a different process I do not believe you can be enjoined from making it.

Senator WATSON. If you had the formula, and the patent is on the formula, then they could not sue you for using it——

Senator SMOOT. If you made it under another process you could not be enjoined from making it.

Senator MCCUMBER. But you would have to find the other process.

Mr. CHOATE. The patent covers the process, whatever the product produced. A number of these patents cover products; more cover processes. These particular patents were product patents, and the process was purposely made imperfect in some cases.

Mr. ISERMANN. They had both, Senator. They had product patents and process patents.

Mr. CHOATE. We are the only country that has product patents.

Mr. ISERMANN. That is correct, and that is why they had such an easy matter to charge us high prices when they wanted to.

I would like to read a few lines of this report, if you do not mind, gentlemen. This is by Dr. Switzer, who represented Bayer in 1916. That was during the time when the tariff bill was discussed here, I believe:

> The manufacture of the derivatives offers much greater difficulties for an industry still in the process of development, for the reason that such an incredibly large variety of products is necessary. In a well-developed industry like that of the Germans a technical use is found in the end for all these processes. In a less well-developed industry, in an industry which is only in the process of development, great hindrances stand in the way of utilization of these derivatives. Many can not be used at all, and those become waste products. The price of these derivatives which can be utilized is therefore increased to an incredible degree.

That confirms the statement that Dr. Du Bois made for the Monsanto Co.

Antipyrin is another useful and important product or drug which was sold for 15 to 20 years at around $20 per pound.

Senator WATSON. How long is it going to take you to finish, Mr. Isermann?

Mr. ISERMANN. About five minutes, Senator. I will gladly go on to-morrow if you want me to, but I can finish in about five minutes unless you have a lot of questions to ask me.

Senator MCCUMBER. You may go on and finish.

Mr. ISERMANN. To-day it is being offered in this country at about $3 per pound. The same can be said of a dozen or more drugs, and

if the committee would like to have further proof, I will be only too glad to furnish it. The cheapest, or practically the cheapest, drug ever introduced was aspirin. It sold between eight and ten dollars per pound for many, many years. To-day the same product is being sold in the American market, made by several American manufacturers, at 80 cents per pound.

Thus it will be seen that the sick and suffering American public paid the freight for the foreign successes, and in that way the vast profits made by the Germans permitted them to further experiment and expand in the making of new products, which in turn was introduced here and realized tremendous profits. Surely it was not by selling cheaply that the Germans built up the great cartel which to-day controls the entire chemical industry in Germany, and if it is given a chance will control the chemical industry in America and in the world. Let us remember that due to the war, which has cost us billions of dollars and thousands upon thousands of lives, we have succeeded in developing a real coal-tar chemical industry here, and all we ask is the same chance as is offered to the countries of our associated powers in war, England, France, and Italy. They have shut their doors to our products as well as to the German products, and we at least in self-defense must do likewise. Therefore, it is up to the members of this committee and to the Congress of the United States whether it is going to uphold and help to further develop the chemical industry in America, which has progressed to a much greater extent than possibly any other country in the past five years, excepting Germany.

Veronal is an important drug which sold around sixteen to eighteen dollars per pound previous to the war by the Germans before it was made in this country. To-day, as I understand, it is being offered by the Germans as low as $4 per pound. As a matter of fact, up to the time that the emergency tariff went into effect, the foreigners were threatening the manufacturers of veronal in this country.

A great deal has been said about the exports of dyes and other coal-tar chemicals to other countries. During the year of 1919 and 1920 the United States exported considerable amounts of dyes. As a matter of fact, its export business was very large and no doubt profitable. This, however, was during the time when Germany was not able to ship goods to other countries, due to lack of shipping facilities.

This situation has changed. As a matter of fact, the Tariff Commission, in its report on dyes for 1919, discussing the subject on page 14, says that—

> In estimating the significance of this achievement of the domestic industry in the exportation of dyes it should be remembered that domestic manufacturers during 1919 and 1920 have met little competition in foreign markets from German dyes. It should also be pointed out that any deductions as to the competitive strength of the domestic industry which are based on exports of dyes do not take into consideration the fact that the domestic industry is still deficient in the important group of vat and alizarin dyes. The significance of this statement is borne out by the rapid decrease in the exports of dyes during the first four months of 1921 as outlined above.

The comparative exports are as follows: January, 1920, $917,574; January, 1921, $943,395; February, 1920, $1,850,662; February, 1921, $379,123; March, 1920, $2,649,000; March, 1921, $575,000; April,

1920, $1,829,771; April, 1921, $305,000; May, 1920, $2,180,606; May, 1921, $278,331.

By this it will be seen that as far as the manufacture and sale of dyestuffs and other coal-tar chemicals is concerned, the export business is bound to dwindle down to next to nothing, and then the American industry will have to depend entirely upon its own country for the upkeep of the industry.

Naturally the smaller the production the higher the cost.

I want to say a few words regarding monopoly. I think I can talk very well on that, because I am one of the smaller manufacturers—not the smallest and not the largest?

Senator WATSON. How many men do you employ?

Mr. ISERMANN. About 30. We employed when we were running full about 150 men.

Senator LA FOLLETTE. What is the total value of your output in a year?

Mr. ISERMANN. Our output? We have facilities for making about a hundred thousand dollars' worth of dyestuffs per month. A little over a million dollars, about one and a quarter millions per year.

Senator WATSON. How much in your perfume plant?

Mr. ISERMANN. It turned out last year a little bit less than $300,000.

Senator LA FOLLETTE. In giving the number of your employees did you include those in the perfume plant?

Mr. ISERMANN. I did not, Senator.

Senator LA FOLLETTE. That is separate?

Mr. ISERMANN. Yes, sir. It is a different company. I am managing both. The perfume plant employs about 30 men when it is running full. We have been practically shut down in both plants for about eight months.

Senator WATSON. Do you employ men altogether, or women?

Mr. ISERMANN. Men altogether, excepting in the office, which is in New York.

Senator MCLEAN. What do you mean by "practically shut down"?

Mr. ISERMANN. We let most of the men go; that is, ordinary laborers, but we have kept our staff to hold the organization together until business starts.

Senator WATSON. Have you any skilled chemists?

Mr. ISERMANN. We employ about 12 chemists.

Senator WATSON. Do they devote their entire time to studying the formula, the chemistry of the processes, or what do they do?

Mr. ISERMANN. They devote their entire time to research work, or the best part of their time. We have plant men, and others are what we call process men, and then we have what we call research men.

Senator WATSON. What do they do?

Mr. ISERMANN. They do research work, investigating new processes and new products and improving the old processes.

Senator WATSON. Do they discover new processes?

Mr. ISERMANN. I believe we have discovered one real new one. Whether it is a new one as far as Germany is concerned I do not know; but it is a new one as far as we are concerned. That is, I feel there is no one in the United States using it.

Senator WATSON. Which plant was that in?

Mr. ISERMANN. It is in the dye plant. In the other plant we have dozens of new processes that we develop, but they are of no great financial value, for the reason that the output is usually pretty small. That is, we have things that we sell in ounces and four ounces and pounds. Therefore, even if you do find something entirely new it is really more of a plaything for the chemist than it is from the point of view of making money.

Senator WATSON. Are these chemists mostly employed in your dye works or the other plant?

Mr. ISERMANN. I have five or six chemists in the other works.

Senator WATSON. What do you pay them a year.

Mr. ISERMANN. The chemists run from three to six thousand dollars a year; and then we run on a kind of a royalty basis. That is, we pay the men who have invented the process or have improved the process a royalty of so much a pound on what is turned out in the plant.

Senator WATSON. Has each plant a chemical laboratory in connection with it?

Mr. ISERMANN. Yes, sir.

Senator WATSON. In which these chemists are constantly at work?

Mr. ISERMANN. Yes, sir. And I will say something about myself. I have lived near the plant the best part of the last six years. I spend my evenings and my Sundays in the plant, and I keep in touch with all the research work continually.

Senator LA FOLLETTE. What is the amount of your pay roll per month?

Mr. ISERMANN. Now, or when we are running full?

Senator LA FOLLETTE. When you are running full, with your 30 men, as you have said, in both plants, stating them separately.

Mr. ISERMANN. Our pay roll used to run, when we were running full, about $4,500 to $5,000 a week. I believe is was $4,500 in one plant.

Senator LA FOLLETTE. In which plant?

Mr. ISERMANN. In the dye plant. In the perfume plant.

I believe the highest it ran was about $1,500. Now, as far as the chemists are concerned, they are on the so-called monthly pay roll, and that is kept separate. I might not be absolutely correct on the figures, because I do not pay attention to all of the details, but if you want the figures I would be very glad to supply them.

So much has been said about an American dye and chemical monopoly I feel that I want to make a short statement to your committee. When one speaks of a huge chemical monopoly, really one would think that the business runs into hundreds of millions. By the figures, as above analyzed under "Exports," it will be seen that the future of the coal-tax chemicals business is bound to get down to a basis of $50,000,000 or under, because we are bound to lose the exports, and all we could gain is possibly 20 per cent of the new business, which was talked about, of products that we are now getting from Germany. Then, on the other hand, it must also be considered that prices are gradually being reduced, and that would bring down the amount, of course. As the prices are being reduced, it may go down to possibly $40,000,000 per annum. Taking these figures into consideration I can not see how anyone can consider a great, dangerous monopoly in a total business which does not amount to more than, say, $40,000,000 per year, and how such a business can

be compared with all the so-called combines in the United States. Aside from that, the manufacturers of coal-tar chemicals in the United States, while they want every possible protection from the foreign producer, are willing to be regulated and controlled by any Government agency that will suit Congress, and in view of this how is it possible to actually create a dangerous monopoly?

In other words, what we are after is that we want to build up this industry here, and do not care what kind of restrictions you gentlemen put on us, we will live up to it, because we have our money in it; we have our life in it, and we want to make good.

Senator LA FOLLETTE. Would it be satisfactory to you to have this embargo qualified with the provision that your profits shall be limited?

Mr. ISERMANN. Positively. I would like to be able to set a certain sum aside for research.

Senator LA FOLLETTE. You mean you would like to be able to say what the profits would be?

Mr. ISERMANN. I certainly would; that is, what is called "reasonable profit." I do not know what "reasonable profit" means.

Senator LA FOLLETTE. What would you consider a reasonable profit in your business—what per cent on the investment?

Mr. ISERMANN. On the investment or on the turnover?

Senator LA FOLLETTE. On the actual investment.

Mr. ISERMANN. One point regarding the investment is this: Unless you make a fair profit, you can not continue to develop the business. The research work ought to come out of the profits.

Senator LA FOLLETTE. Yes.

Mr. ISERMANN. And all that takes up the best part or all of the profits, and, as a matter of fact, I feel that the most of the small concerns have eaten up, or, in fact, all the concerns have eaten up all of their profits and then some in doing research work.

Senator LA FOLLETTE. What would be considered a fair percentage of profit on the investment?

Mr. ISERMANN. I would rather you would say on the turnover. I would like to set aside a certain amount of money for research work, and I would like to think it over, if that was put up to me as a proposition—I understand that a speciality and intricate business like this possibly ought to have at least 15 per cent.

Senator LA FOLLETTE. That is 15 per cent on the turnover?

Mr. ISERMANN. Yes; and over that 15 per cent set something aside for research work.

Senator LA FOLLETTE. Considering the nature of this business, what per cent would that average on the actual investment?

Mr. ISERMANN. Well, the investment in the chemical business, if you are going into the manufacture of fine dyes or other coal-tar chemicals is considerable. You take, for instance, in our own case last year we actually developed a new dye, patent blue, and we are rather proud of it, and I believe we spent $40,000 last year on that one item, and now we are about ready to put it on the market. Of course, there is no market just now, or much of a market, anyway. So the investment is considerable.

And another thing is that the equipment becomes obsolete or worthless in a very short time.

Senator LA FOLLETTE. But, taking all those things into account, what would you consider it should be a fair profit on the investment?

Mr. ISERMANN. On the investment?

Senator LA FOLLETTE. Fifteen per cent of the investment would be fair?

Mr. ISERMANN. I believe 15 per cent on the investment would be fair.

Senator LA FOLLETTE. What is the amount of your investment?

Mr. ISERMANN. In the plant?

Senator LA FOLLETTE. In the dye plant.

Mr. ISERMANN. About $600,000.

Senator LA FOLLETTE. And what is the amount of the investment in your perfumery plant?

Mr. ISERMANN. About $85,000 or $90,000.

Before closing I just want to bring one more thought home to you and that is this: That unless the industry gets the proper kind of protection, that while it is possible that one or two of the larger manufacturers might be able to exist, surely all the small manufacturers assembled here are bound to go to the wall, and the few large ones left who possibly could afford, if they wanted to, to lose the millions which they have invested, might be forced at the last moment, if nothing else can be done, to even combine with the Germans in order to save their capital.

I don't say that the large manufacturers intend to do it; I don't say that the large manufacturers want to do it, because, as a matter of fact, I feel that the large manufacturers on the whole have been fair, but once our doors are open to German competition no one knows what the large manufacturer might do or might be forced to do, whether they want to or not, or be bound eventually to go out of business.

Senator LA FOLLETTE. Have you computed on the various products an ad valorem protective rate that would make you feel safe in meeting the competition?

Mr. ISERMANN. Senator, we have been trying to figure out for a long time—as a matter of fact, for the past two years—to see if we could not get some kind of figures, and the figures would sound so unreasonable if you applied them to any other industry that really I do not get anywhere, because if all these factors—the question of yield, the question of the time it takes to get into the manufacture, and all that has to be taken into consideration——

Senator LA FOLLETTE (interposing). Oh, yes.

Mr. ISERMANN (continuing). And the foreigners have had 40 years' experience, and we only have had about five, though I am rather proud of what we did in the five years, as I rather think we did more in 5 years than they did in 15. But, at the same time, it would be pretty hard to compile figures to absolutely insure the existence of the industry. We want the little fellow to exist; it is the little fellow who built the business, not the big man.

Senator LA FOLLETTE. If the committee should conclude to substitute a protective rate on the different products of this schedule for the embargo that was proposed it would be helpful to it if you would submit, in so far as your production is concerned, what you would regard as an adequately protective rate on the different prod-

ucts, and I would suggest that you do that and add it to your statement if you will.

Mr. ISERMANN. If I am called upon to do so by the committee, I will be only too glad to do that.

Senator McCUMBER (presiding). You might base it upon the foreign price and also upon the American valuation, and that would give us two standards to apply. The committee has not decided yet whether it will take the American valuation or the foreign valuation.

Senator LA FOLLETTE. I think he can take my suggestion as the expression of the committee and furnish it to us.

Senator McCUMBER. Yes; if you will do that.

Mr. ISERMANN. I would like to say this, and that is that the foreign valuation is pretty hard to estimate. They have all sorts of prices. I have heard one price and then another. They are supposed to have export taxes, but on coal-tar chemicals they take it off. And the 26 per cent tax which is to go to the reparation commission has also been taken off by them or returned by the Government. It is pretty hard to figure, because they are past masters in that industry, and we can not afford to and we do not know how to play with them. We are perfectly willing to take up and produce goods satisfactorily from every point of view, but when it comes to playing a game with the Germans—and it is a game—we are not in it.

Senator LA FOLLETTE. You could make the computation on American valuation?

Mr. ISERMANN. I believe I could do it better on that.

Senator LA FOLLETTE. I was just going to add that if the committee should conclude, after consideration, to reject the embargo and establish what would be considered a protective rate, I think it would be worth while for you gentlemen who are interested to have in your testimony something that would be an expression of what you regard as needful to that end.

Senator McCUMBER. Mr. Isermann, can you not put in the balance of your statement? Your five minutes has drawn out to 20 minutes.

Mr. ISERMANN. I thank you for calling my attention to it.

Senator LA FOLLETTE. He might come on in the morning and conclude. I presume we will have another meeting tomorrow.

Mr. ISERMANN. There is only one more thing I want to say, if you will allow me.

Senator LA FOLLETTE. Would you not prefer to finish in the morning and not be so restricted?

Senator McCUMBER. If it will only take a minute or two, we had better get through this evening.

Senator LA FOLLETTE. He is a very frank witness, and so far as I am concerned I want him to be fully heard.

Mr. ISERMANN. I want to say in regard to putting on any valuation, that that is the one thing that is very difficult, unless there is some regulation connected with the valuation I do not believe we can get anywhere; for instance, I make a product called acid green. I only make one of the group of acid greens which is satisfactory; the Germans have made 10 of them and one will take the place of the other. If you put a duty on nine, they will ship in another one. How are you going to control that? They are supposed to have shipped in here before the war about 900 dyes. As a matter of

fact, they can make several thousands of them. They can substitute very often wood alcohol for grain alcohol, even buytyl aclohol, and they have developed all of those things, and they have all of those things that they did not have before the war, and it is pretty hard unless we have some regulation where they would not be able to substitute one for the other; and that brings us to the point that the industry is to be regulated in some way, and then you might as well have the embargo. Then you know you are going to regulate it and no one is going to take advantage. That is about the point. For instance, one of the witnesses said the Germans used to make a lot of chemicals and they imported two things from us. But they do not have to do it to-day. They make acetic acid and wood alcohol, and as one German said when he bought the things here. "The Americans want to burn up their forests; let them do it." They do not make acetic acid from wood to-day, but make it synthetically. We have no synthetic acetic acid plant in this country. They had one in Canada during the war, but not here.

I want to bring out one point regarding the small manufacturer. Now, as to the question whether the smaller manufacturer can successfully compete with the large manufacturers in the United States, providing that we have adequate protection, I will say this: That up to now, speaking as a whole, the smaller manufacturer, without taking a great deal of credit myself, I will say that the smaller manufacturer deserves a great deal of credit; that as a matter of fact, on the whole he has done more than his share in the helping of the development of the chemical and dyestuff industry here. The small manufacturer pays a great deal of personal attention to his business and in that way saves a great deal of overhead and other expenses and while it is true that the large manufacturer can get into large productions of items which are sold in great quantities the field is open to the smaller manufacturer to make specialties on which a profit can be made which is satisfactory.

I also want to call your attention to the fact that so much has been said regarding the big profits accumulated by chemical manufacturers during the war, especially the coal-tar dye manufacturers. I believe you can count them on one hand, and if the truth were known there has been more money lost in this business than in any other business since 1915—that is, speaking of the organic coal-tar chemical industry—than was profited during the whole period.

Having given you my version of the actual conditions I feel that I speak for all the signers of my letter when I say that the most of the coal-tar dye and chemical manufacturers to-day are in a most precarious financial condition and while up to now the foreign competition due to the present mode of protection has not been seriously felt the lack of financial support has been most seriously felt.

The reason is that bankers and other financiers have been afraid to invest their capital in a business that has no chance to succeed unless it gets special and extraordinary protection. As a matter of fact, a banker told me a few months ago that he sees no reason why money should be invested in bricks and mortar which are of no value unless the industry receives the special and extraordinary consideration from Congress which it must have.

Now, as to the tariff bill as passed by the Senate Finance Committee last year, I, for one, can not see why it should be called an

embargo bill at all, because it is simply a tariff which regulates imports and protects the American coal-tar chemical industry.

Thank you, gentlemen.

Senator McCUMBER. The committee will now stand adjourned until 10.30 o'clock to-morrow morning.

(Thereupon, at 5.34 o'clock p. m. the committee adjourned to meet to-morrow, Saturday, August 6, 1921, at 10.30 o'clock a. m.)

## Saturday, August 6, 1921.

The committee met, pursuant to adjournment, in room 312, Senate Office Building, at 10.30 o'clock a. m., Hon. Boies Penrose presiding.

Present: Senators Penrose (chairman), Smoot, La Follette, Dillingham, McLean, Curtis, and Simmons.

The CHAIRMAN. The committee will come to order. The committee will hear first this morning Mr. Edwy B. Reid.

### STATEMENT OF EDWY B. REID, WASHINGTON, D. C., REPRESENTING THE AMERICAN FARM BUREAU FEDERATION.

The CHAIRMAN. Will you please state your full name for the record Mr. Reid?

Mr. REID. E. B. Reid.

The CHAIRMAN. Whom do you represent?

Mr. REID. The American Farm Bureau Federation.

The CHAIRMAN. Where do you reside, Mr. Reid?

Mr. REID. Washington, D. C.

The CHAIRMAN. What is your business?

Mr. REID. Assistant Washington representative of the American Farm Bureau Federation.

The CHAIRMAN. That is all you do?

Mr. REID. Yes, sir.

Senator SMOOT. Who is the director of it?

Mr. REID. Mr. Grey Silver. He ordinarily appears before the committees, but could not be here to-day.

Senator MOSES. What constitutes the membership of that organization, Mr. Reid?

Mr. REID. It is built around county farm bureaus. Those are affiliated into State Farm Bureau Federations and they in turn into the American Farm Bureau Federation.

Senator MOSES. How is it supported?

Mr. REID. It is supported through membership fees paid to the county farm bureaus.

The CHAIRMAN. How many members have you?

Mr. REID. Over a million.

The CHAIRMAN. That is a very sweeping statement. Do you have a record of the names and addresses of all of them?

Mr. REID. Yes, sir.

The CHAIRMAN. Over a million?

Mr. REID. Yes, sir.

The CHAIRMAN. Can you produce such a record for the committee?

Mr. REID. Yes, sir; it has been produced recently before another committee here in Congress. I can not tell you which committee that is.

The CHAIRMAN. Does it contain a million names?

Mr. REID. No; it does not contain the names, but it contains the membership in each State.

Senator MOSES. The way that is done, Mr. Reid, is that your membership is made up of the county bureaus located in each State?

Mr. REID. Yes, sir.

Senator MOSES. And the county agent reports to you the number of members in his county bureau?

Mr. REID. He reports to the State and the State reports to us.

*American Farm Bureau Federation membership chart, July 15, 1921.*

| State. | Number of directors to A.F.B.F. | County dues. | State dues. | Number of members. | State. | Number of directors to A.F.B.F. | County dues. | State dues. | Number of members. |
|---|---|---|---|---|---|---|---|---|---|
| Alabama | 1 | $5-10 | $5.00 | 2,700 | New Hampshire | 1 | $10 | $2.50 | 7,800 |
| Arizona | 1 | 10 | 5.00 | 3,100 | New Jersey | 2 | 5 | 2.50 | 12,000 |
| Arkansas | 2 | 5-10 | 2.50 | 11,000 | New Mexico | 1 | 1-10 | 2.50 | 5,200 |
| California | 2 | 1- 5 | 2.50 | 21,000 | New York | 4 | 2- 5 | .50+ | 67,618 |
| Colorado | 1 | 5 | 1.00 | 4,500 | Nevada | 1 | 1-10 | 1.50 | 2,200 |
| Connecticut | 1 | 1-10 | 2.50 | 6,180 | North Carolina | 1 | 5-10 | 2.50 | 3,000 |
| Delaware | 1 | 5 | 3.00 | 2,200 | North Dakota | 1 | 5 | 2.50 | 26,000 |
| Florida | 1 | 1-10 | (1) | 3,500 | Ohio | 6 | 10 | 5.00 | 100,000 |
| Georgia | 2 | 5 | 2.00 | 15,000 | Oklahoma | 1 | 1- 5 | (1) | 3,000 |
| Idaho | 2 | 2.50-10 | 1.00 | 14,000 | Oregon | 2 | 5-10 | 1.00 | 14,170 |
| Illinois | 6 | 10-15 | 5.00 | 110,000 | Pennsylvania | | 1-10 | (2) | 3,400 |
| Indiana | 5 | 5 | 2.00 | 81,000 | Rhode Island | 1 | 5 | 1.00 | 1,200 |
| Iowa | 7 | 5 | 1.00 | 118,388 | South Carolina | | | | |
| Kansas | 3 | 10 | 5.00 | 38,000 | South Dakota | 5 | 10 | 5.00 | 38,000 |
| Kentucky | 1 | 2.50-12 | 1-5 | 5,017 | Tennessee | | 2.50-10 | (2) | 3,800 |
| Louisiana | | 5-10 | (2) | 1,100 | Texas | 4 | 10 | 5.00 | 64,000 |
| Maine | | 1 | (1) | 8,066 | Utah | 1 | 1- 5 | 1.00 | 6,715 |
| Maryland | 1 | 1 | (1) | 3,000 | Vermont | 1 | 5-10 | 2.50 | 6,700 |
| Massachusetts | 1 | 5 | 5.00 | 5,500 | Virginia | 1 | 5-10 | 2.50 | 3,600 |
| Michigan | 5 | 10 | 5.00 | 97,000 | Washington | 1 | 2.50-10 | 1.50 | 6,784 |
| Minnesota | 5 | 5 | 1.00 | 71,000 | West Virginia | 2 | 1- 5 | (1) | 15,010 |
| Mississippi | 4 | 5 | (2) | 3,100 | Wisconsin | 2 | 10 | 2.50 | 14,000 |
| Missouri | 4 | 5 | 1.00 | 55,000 | Wyoming | 1 | 1-10 | 1- 5 | 1,634 |
| Montana | 1 | 1-10 | (1) | 2,500 | | | | | |
| Nebraska | 2 | 10 | 5.00 | 29,000 | Total | 63 | | | 1,122,682 |

[1] Assessment. [2] No State organization.

The CHAIRMAN. When did you have your last meeting of your organization?

Mr. REID. We had an executive meeting here in April. The annual meeting was held in Indianapolis last November.

The CHAIRMAN. Who are the members of the executive committee?

Mr. REID. Mr. Jamieson of Colorado, Mr. Bradfoot of Ohio; Mr. Howard of Iowa, Mr. Cunningham of Iowa, Mr. Leonard of Illinois, Mr. Striving of New York, Mr. Gore of West Virginia, and I can not remember offhand the rest of them. There are 17 or 18 of them.

The CHAIRMAN. Were they all present at this meeting?

Mr. REID. Yes, sir.

Senator MOSES. These county bureaus pay something toward the support of the Federated Bureau?

Mr. REID. Yes, sir.

Senator MOSES. How much do they pay?

Mr. REID. I can not tell you offhand what it is. I can get that information for you.

Senator MOSES. Is it a uniform sum for each?

Mr. REID. No, sir; it is a small sum per person. Most of it goes to the State work.

The CHAIRMAN. You may go on in your own way and state your views, Mr. Reid.

Mr. REID. We have received from one of the women members of the Farm Bureau Federation an exhibit of dyed stuff. The membership of the Farm Bureau Federation is composed not only of men but of women. You will recall that during the war the public had to buy much material which was not dyed with fast dye.

Senator SMOOT. You mean before the war?

Mr. REID. Here is the exhibit. We can not ascertain whether this was made before the war, during the war, or since the war. One section of this shirt is dyed with a fast dye. Here is another section that was dyed the same color but with a dye that has faded out so that you can only see it here on the hem.

Senator MOSES. Where was that shirt bought?

Mr. REID. I can not tell you. I only offer it as an exhibit of something that the consumer does not want to have continue.

Senator MOSES. But you received that from some person somewhere?

Mr. REID. Yes; but I can not tell you the name of the woman that sent it in.

Senator MOSES. Nor the place from which it was sent?

Mr. REID. No, sir; not offhand.

Senator MOSES. Was there a letter accompanying it?

Mr. REID. Yes, sir.

Senator MOSES. Have you that letter with you?

Mr. REID. No, sir; I have not it with me, but I will file it.

Senator MOSES. Do you remember what was in it?

Mr. REID. It was protesting against the use of dyes that fade.

The CHAIRMAN. Well, proceed.

Senator SMOOT. This piece of goods has been kept in storage for quite a while, apparently.

Mr. REID. The consumer must have dyes that are fast, that will hold their colors when used, and the consumers, the farmers, representing from 40 to 60 per cent of the buying power of the Nation, are much interested in this proposed bill. They object to an embargo. They think it is un-American, that it is applied only in times of war, and that there is no need for it under present conditions.

Senator MOSES. Mr. Reid, you say they object to an embargo. Has your organization taken any formal action with reference to this? Has it passed any resolution?

Mr. REID. Not a definite resolution on this particular item, but they do not wish to see a duty placed upon commodities which they consume which is not commensurate with the duty on agricultural products, and there is no embargo on any agricultural product that we know of, and we as farmers have not asked for any.

Senator CURTIS. What organization do you represent?

Mr. REID. The American Farm Bureau Federation.

Senator CURTIS. I wanted to ask that question, because the head of the Grange wrote our committee at the last session protesting against an embargo.

The CHAIRMAN. The witness has been quite thoroughly questioned on that point.

Senator CURTIS. I wanted to know whether he represented this same organization, because they have written protesting against an embargo.

Senator MCLEAN. Did not your organization at one time favor an embargo on wool, Mr. Reid?

Mr. REID. Not that I know of. I do not think there is anything on record favoring an embargo on wool.

I have a statement here, Mr. Chairman, that I would like to file, or I can read it.

Senator MOSES. Did you say that no action had ever been taken by the federation on this subject? Just how do you happen to be here presenting this case this morning?

Mr. REID. There was a general resolution passed on the tariff, and that states that we are not in favor of duties being placed upon other commodities that are not commensurate with the duties placed upon agricultural products.

Senator MOSES. In other words, your organization is an organization of all-around protectionists?

Mr. REID. Not exactly. We are not asking for any further protection than the manufacturers obtain, but we do wish to have justice and have the same protection that the manufactured commodities have.

Senator CURTIS. You want sufficient protection to protect, do you not? The farmers of my country do.

Mr. REID. Yes, sir. The embargo is the instrument which we object to. We believe you can formulate duties on the dyestuffs that are the most high-priced; that is, those that contain the most brilliant colors and are the most expensive, and obtain adequate results. The farmers are interested in indigo, for instance. They probably are the greatest consumers of overalls and denims and calicoes, and an embargo on indigo undoubtedly would result in a greatly increased value of the product, that is of the dyed product.

Senator MOSES. Do you know whether any resolutions have been passed by your county or State organizations in connection with this matter?

Mr. REID. Not in connection with the embargo.

Senator MOSES. Have the resolutions adopted by all of your organizations been of the same general character as this of which you have spoken?

Mr. REID. Yes, sir.

Senator MOSES. Was this adopted at the annual meeting at Indianapolis?

Mr. REID. It was adopted at the meeting here in April. I can not recall whether it was also adopted at the annual meeting in Indianapolis. I shall be glad to file a statement of those resolutions affecting the tariff.

(The resolutions referred to are as follows:)

We insist that agriculture be given equal consideration with other industries in all tariff legislation.—March 4, 1920 (Chicago conference).

We request of Congress the enactment of a tariff law at once which will give to the farmers of America that measure of protection which may be necessary to equalize the difference between the costs of production of farm products in this country and the cost in competing nations, where land is cheap and living conditions far below the standards which prevail in the United States.—December 8, 1920 (annual meeting).

The task of preparing exact schedules covering the various commodities of agricultural commerce is left to a committee which shall carefully investigate all the representations made in the tariff hearings already held, supplemented by such additional information as may be obtained from our specialized vocations and the wide experience of farmers in all parts of our country.

We ask no tariff wall of exclusion but such a measure of protection as will equalize the opportunity of the American farmer with the low costs of production in lands whose living conditions and rates of wages are inferior to our own. We request that regard be had to the new economic burdens being imposed upon agriculture by high domestic transportation costs, high cost of money, and the competition of ocean rates and foreign exchanges.

We indorse as a temporary relief such a measure as H. R. 2435, now pending in Congress, known as an "emergency tariff," and recommend its immediate passage.

We disapprove of any plans to make agriculture the burden bearer in the rehabilitation of our commerce on the seas, by which selling abroad the products of mill, mine, or factory our merchant marine may seek to load back to our shores the food products of other lands which come in direct competition with our own.

We disapprove as untenable the specious argument that if foreign countries, Europe in particular, pay us the loan we have made that we must buy their goods in volume. We cite the fact that foreign travel prior to the war left on the Continent $150,000,000 annually and the free gifts of aliens and citizens in the United States to friends and relatives in Europe exceeds $450,000,000 per year, as shown by bank clearings, all without cost to the European countries involved.

We demand the right to feed our own people at such prices as are just both to producer and consumer, always having in mind the perpetuity of our fundamental industry, the production of food. In this connection we regard as economically unsound any theory that proper protection of the American farmer means higher living costs, as food can and always should be more cheaply provided at home.

We recognize the dangerous competition from the foreign producer, who in many cases can market his product duty free at a price so low as to be destructive to the American farmers but when translated into money of his own country gives him a good profit. Against such competition there must be some protection.—April 11, 1921 (Washington conference).

The CHAIRMAN. The brief statement that you have in your hand will be printed in the record as a part of your remarks.

Senator MCLEAN. Just one question. You want fast dyes?

Mr. REID. We certainly do.

Senator MCLEAN. I understand that you do not know anything about dyes yourself?

Mr. REID. No, sir; I am not a dye specialist.

Senator MCLEAN. Do you know anything about the production of indigo dyes in this country?

Mr. REID. No; I can not tell you anything about that.

(The brief referred to is as follows:)

**BRIEF OF E. B. REID, REPRESENTING THE AMERICAN FARM BUREAU FEDERATION.**

Reasons why an embargo upon coal-tar products would be harmful to the farmer and to agricultural interests in general:

1. The embargo is an unique and extraordinary method of protecting an industry, business or trade, only to be adopted in war times, or times of national peril of national emergency, and then only very reluctantly, and is never justifiable in normal and peace times.

2. An embargo is ethically wrong and unsound, inasmuch as by its very nature it must favor and upbuild the class industry, trade and business, and the set of men therein concerned. It protects at the expense of all other classes, businesses, and groups of men.

3. The farmer has been discriminated against in favor of manufacturing interests enough as it is, without resorting to this most unusual and extraordinary method of protection, which can only add to his burden.

4. The embargo would greatly injure the farmer by hurting the market for his goods and products, inasmuch as the great bulk of industry and those employed therein would be discriminated against and injured by the embargo, which would benefit only a comparatively small and select class. This small class, thus benefited,

only consumes a small portion of the farmer's products, while the larger class injured by the embargo would thus have a part, at least, of their buying power taken from them.

5. The embargo injures the farmer directly by increasing the costs of the goods which the farmer, his family, and his helpers use. The embargo will most greatly affect the cost and selling price of the cheaper grades of cloths and textiles, such as denims and calicos, extensively used by the farmer and on the farm, which are dyed by indigo. Indigo should be one of the cheapest of the dyes and comparatively is; but the cheaper the dye—that is, the lower the price, the more it costs and the higher the price, if an embargo is placed upon any competition. Synthetic indigo before the war sold in this country at from 13 to 16 cents a pound. Up to a short time ago it could not be purchased for less than 70 cents, and was even 75 cents. Even now it is 50 cents, probably brought about by the agitation against the bill. It takes 10 pounds of indigo to dye 100 pounds of cotton goods. At 50 cents a pound for indigo, this makes 5 cents a pound. When cotton was selling at 40 cents a pound this did not make such a difference; but with cotton at 10 to 12 cents a pound, the price of indigo 50 to 60 or 70 cents a pound makes a very material difference in the selling price of cotton goods. During the war synthetic indigo was put to $1.25 a pound.

6. Finally, if anybody in this country is entitled to am embargo who can show a better cause, or who is entitled to precedence over the farmer? Who is up against harder conditions or greater competition?

## STATEMENT OF B. T. BUSH, NEW YORK CITY, REPRESENTING THE ANTOINE CHIRIS CO.

The CHAIRMAN. Mr. Bush, will you state for the record your full name?

Mr. BUSH. B. T. Bush.

The CHAIRMAN. Where do you reside?

Mr. BUSH. My business is in New York City.

The CHAIRMAN. What is your business, Mr. Bush?

Mr. BUSH. The essential oil and aromatic chemical business.

The CHAIRMAN. Are you in business yourself or do you represent some company?

Mr. BUSH. I am the president of the Antoine Chiris Co.

The CHAIRMAN. Where is that company located?

Mr. BUSH. The factory is located at Delawanna, N. J.

The CHAIRMAN. Will you state briefly to the committee your views on this matter?

Mr. BUSH. Gentlemen, I appear here in the interest of our business and not to associate it with other business, but to try and show you how closely we are associated with other manufacturers of chemicals. In our particular line we manufacture aromatic chemicals. They are embraced in paragraphs 25 and 26 particularly. These chemicals are manufactured from coal-tar chemicals. We are forced to purchase our coal-tar chemicals from the manufacturers in this country.

First, I would like to ask your permission to contradict the evidence which has been submitted to you relative to the quality of American aromatic chemicals. This statement is not based on facts. For example, a short time ago—I believe it was on June 30—a statement was made before your hearings that all the aromatic chemicals in paragraph 26 manufactured in this country were not of a suitable quality for their consumption. Now, such a statement is absolutely wrong. All of those products have been manufactured in this country and have been manufactured successfully and of a quality that conforms to standards set forth in our business heretofore. At the same time a statement was made that no artificial musk is being made here. Artificial musk, as you know, is manufactured here, but only in small quantities, and I admit not of a

sufficient quantity for the American requirements. But it is only a matter of a few months. Just as soon as our company can be assured that we will receive ample protection to manufacture that product and put more money in it, we will manufacture artificial musk successfully. It is manufactured in America, and it can be manufactured at a price that the American consumer can afford to pay for it.

Senator SMOOT. A protective tariff, if we give you a sufficient rate, will allow you to manufacture the article, will it not?

Mr. BUSH. I beg your pardon, Senator.

Senator SMOOT. If we give you a sufficient protective rate in this bill, it will allow you to manufacture that article, will it not?

Mr. BUSH. Certainly, if you will give us a sufficient rate it will allow us to manufacture that particular article.

Senator MCLEAN. What would be a sufficient rate?

Mr. BUSH. It is difficult to say at the present time because we do not know what eventually our yields will be. We are dependent entirely upon the raw materials and we can not tell now what the prices of those will be.

Senator SMOOT. With the American valuation and a fair rate of interest you will not be alarmed?

Mr. BUSH. On that particular article with a fair rate of duty it will be sufficient to protect us. I need to refer you only back to the time when the patents on that article were controlled abroad——

Senator MCLEAN. You say a fair rate of duty and an American valuation would protect you?

Mr. BUSH. Yes, sir.

Senator MCLEAN. You also say that at this time it is impossible to tell what that rate would be?

Mr. BUSH. Yes.

Senator MCLEAN. Owing to the cost of manufacture?

Mr. BUSH. Yes.

Senator MCLEAN. I would assume, then, that something in the nature of an embargo would be necessary if you are to continue to manufacture musk.

Mr. BUSH. It would be better for us, of course, but I answer your question as a definite point.

Regarding this question of artificial musk, in the year about 1899, artificial musk was sold in this country at $1,600 a pound. It was then controlled by a German patent, you understand. A few years later they reduced it to $800 a pound. Then after the patent had expired it was reduced to $20 a pound and to-day the American consumers can buy that product at $5 a pound.

Senator MOSES. How much are you making?

Mr. BUSH. I am not making a sufficient quantity to supply the trade as yet.

Senator SMOOT. How much is required to supply the American market?

Mr. BUSH. I can not tell you in exact figures at the present time.

Senator SMOOT. How much do you make?

Mr. BUSH. We only manufacture about 15 pounds a month at the present time.

Senator SMOOT. That is 180 pounds a year.

Mr. BUSH. Yes. Only in a semicommercial way.

Senator SMOOT. What are you selling it at?

Mr. BUSH. $4.85 to $5 a pound.

Senator SMOOT. Is Germany underselling you?

Mr. BUSH. Not at the present time. We are not getting it in. It can be gotten in under license, of course.

Senator SMOOT. Do you know what Germany is selling it to England for?

Mr. BUSH. I do not, but they are selling it to France for the equivalent in our money of about $3.12 a pound.

Senator SMOOT. If you are protected on that basis you would feel perfectly safe, would you not?

Mr. BUSH. It depends entirely on whether Germany can manufacture at a lower price than we can. Their prices for the various countries are so different that it is quite impossible to tell what they can sell it for.

Senator SMOOT. Do you think they can manufacture it at a price that would enable them to sell it at less than $3 a pound?

Mr. BUSH. I presume that they can. As to the question of their raw materials, I have made arrangements and will get for you, if you so wish, a list of the raw materials and prices affecting our products that can be purchased in Germany at the present time.

Senator SMOOT. Is anybody else making it in the United States?

Mr. BUSH. Yes; I believe one or two, but only in a small way.

Senator MOSES. Have they gone beyond the laboratory stage with it?

Mr. BUSH. I doubt if they have on account of the lack of a sufficient quantity to offer.

Senator SMOOT. You have some idea of the amount that is manufactured in the United States, have you not?

Mr. BUSH. I have some idea about it. I believe that 1,000 pounds per month would cover the requirements of the United States.

Senator SMOOT. Have you any difficulty in securing your raw materials in the United States?

Mr. BUSH. At the present time?

Senator SMOOT. Yes.

Mr. BUSH. For the musk it has been a question of finding a purified product. The raw material affecting musk is isobutyl toluol or xylol. It is a question of getting a pure product here, and it is a question of getting a sufficient quantity. There, again, we have to go to the coal-tar chemical industry.

Senator MCLEAN. Well, it can be had in this country?

Mr. BUSH. It can be had in this country, yes; but they probably, like ourselves, are waiting for the time when they are assured of a reasonable protection, so they can put their money in the business and deliver and proceed to produce.

Senator MOSES. Have they not had an absolute embargo for seven years?

Mr. BUSH. The only embargo that they have had—and you know how indefinite it has been heretofore—expires August 28, and, of course, you gentlemen can decide the future of that now.

Senator MOSES. Since the 1st of August, 1914, up to August, 1921, they have had a free hand in the market, have they not?

Mr. BUSH. As you look back at it now. But you know any business man at that time did not know when the war was going to cease, and they were engaged particularly, as we were, in what we call more of the necessities. Our factory was started since the war, and a great deal of our time was given up to the manufacture of drugs in this country.

Senator MOSES. When did you first begin making artificial musk?

Mr. BUSH. About six months ago.

Senator SMOOT. You do not think the question of artificial musk is of sufficient importance to the United States to place an embargo upon the manufacture of two hundred-odd million pounds of dyestuffs and chemicals and drugs, do you?

Mr. BUSH. Senator, I do not know about the dyestuff business. I have quite enough to do to learn something of my own, but I can not see how they can exist unless they can get the benefit of all of these chemical industries just the same as Germany and other countries have. It is our industry that is a part of them and an important part of them.

Senator MOSES. You do not take the position that it is impossible to frame a tariff protection that will afford you relief, do you?

Mr. BUSH. No, sir; but I take the position that it would be seemingly unfair to the consumers of this country if you could give us at the present time sufficient tariff protection—what you would call direct tariff protection—because——

Senator SIMMONS. What difference do you make between seemingly unjust and actually unjust? If that would be seemingly unjust, what you are asking would be actually unjust.

Mr. BUSH. That depends upon which way you look at it.

Senator SMOOT. You are a manufacturer of artificial musk. If we put a specific duty on artificial musk of $2 a pound, American valuation, it would not be very hard to protect your industry, would it?

Mr. BUSH. No; but, on the other hand, just as soon as we are able to find, as other countries have found, how to utilize the young men and to better our processes—now, mind you, you are speaking of artificial musk; we manufacture 42 different products along the same line—it would be an injustice to the American consumer to have that protection; a smaller protection at that time would do, but how long before we can get along with a smaller protection is a question. With the proper protection it is only a matter of a short time before we can utilize our efforts and be able to produce these products equal to the strength and cost of other countries, compared, of course, with the labor and the exchange and the various conditions under which we have to work.

Senator MOSES. Can you estimate what that period would be?

Mr. BUSH. It is fair to assume that three to four years' protection would help us. To show you our business with a little keener insight I will take, for example, the factory with which we became associated about a year ago in Bayonne, N. J. They were manufacturing an article there called diphenyloxide. The same chemist that manufactured it there successfully came to Delawanna to manufacture it in our factory. We took the same stills and the same apparatus and the same chemist, and when he arrived in our factory it was four months before he could produce it. We found that it was a question of a minute particle of water getting into it or some leak in a condenser

or something that went wrong. It is constantly a question of yields, but gradually we are utilizing time and expense for the benefit of our yields.

Senator SIMMONS. Does not every industry in this country, starting from the very bottom, have to deal with difficulties of the character that you have mentioned?

Mr. BUSH. Not only industries, Senator, but we ourselves. We all have to deal with difficulties.

Senator SIMMONS. You ought not to tax the American people because of the difficulties in the manufacture of any product or the production of any product. The difficulties that you are complaining about and advancing here as a reason that you should have an embargo and a high tariff are difficulties that are common to all the industries of this country and all the activities of mankind here and everywhere.

Mr. BUSH. But what does it amount to with those using our goods? It amounts to very little.

Senator SIMMONS. You have no more right to pass onto the people of this country a small gratuity for yourself than you have a big gratuity for yourself.

Mr. BUSH. No; neither do I say that the other consuming industries of the country have a right to pass it on to us.

Senator SIMMONS. This matter of a dye in a coat is very insignificant, and, therefore, coat wearers of this country ought not to object a burden being put on. It does not appeal to me at all.

Senator MCLEAN. You are taking $400,000,000 out of the Treasury now for the purpose of maintaining the price of cotton.

Senator SIMMONS. We are not doing anything of the kind. We are loaning the farmers, the producers of the product, and you propose to loan the railroad, the distributors of the product, several times that.

Senator MCLEAN. That is because it is a debt.

Senator SIMMONS. It is a debt in both cases. The Government is not contributing any money to the farmer any more than it is to the railroads.

Senator MCLEAN. We will argue that somewhere else.

Senator SIMMONS. We have argued it on the floor of the Senate and we will argue it again.

Senator MCLEAN. But when the gentleman is opposed to the protection and frankly says when he drew the Underwood Act that it eliminated the cost of production abroad and that the cost of production abroad was repudiated in framing the act, it does not seem to me that his argument at this time is very appealing.

Senator SIMMONS. I did not catch the first part of that statement. I will ask the Senator to repeat the first part of the question.

Senator MCLEAN. I say the gentleman who is responsible for framing the Simmons-Underwood Act frankly stated on the floor of the Senate that the theory of equalizing the cost of production in this country and abroad was repudiated in framing that tariff. I say that his argument here does not appeal to me.

Senator SIMMONS. I do not know to whom you refer.

The CHAIRMAN. Would it not be well to hear the witness?

Mr. BUSH. Senator, coming back to your point again, we are an industry, you must admit, a legitimate industry. We have tried,

and the records prove it, to give to the people the best quality of goods we could and at the best price. We have employed in our plant 21 chemists, American boys, no foreign people being employed in our plant. Not one of those chemists knew our industry when he came to us.

Senator SIMMONS. I have great sympathy with the dyestuffs industry.

Mr. BUSH. I am not in the dyestuff industry, Senator.

Senator SIMMONS. If you will ask something reasonable upon the theory even of the Republican protective system, I shall help you.

Mr. BUSH. I realize that. The perfumery industry and every industry consuming chemicals come to you and state that they want this aromatic chemical business protected because they know we have given them the proper qualities; that we have given them the proper prices during the war, and that they have all been prosperous under the American manufacture of aromatic chemicals. But they now say, "We want them protected in our way." They do not know our industry; they are not working day and night as we are in it; we are in a small industry here, and I think you recognize, that while we are a small industry we are a very important part of the chemical industry of this country as a whole. I am not in the dyestuff industry, as I stated before. You were not here, Senator Simmons, when I mentioned the line of my business. We manufacture aromatic chemicals, but we manufacture products where we can consume the chemicals that are by-products. Take benzyl chloride. We use that in ton lots. I made a list of 12 or 13 of our products that are dependent on benzyl-chloride. We can not produce those articles without benzyl-chloride, and yet if you force us to go to Europe to buy that benzyl-chloride they can not ship it here.

Senator SMOOT. Benzyl chloride can be taken care of beyond any question of a doubt by a rate of duty, and it will be taken care of. So what is the use of arguing that question?

Mr. BUSH. That is quite true, Senator; but I want to bring forward one point here, and that is that we can not import it. It can only be shipped here in glass. Can we import it in pound bottles, in glass, and use it in our manufacture and give the people the quality and the price they want to pay without the people feeling that we are robbing them?

Senator SIMMONS. I think I recognize as well as you do, who are connected with the dye industry, the immense imprtance of this industry to this country, and I want to see it developed. I think it has been very largely developed. I want to see it developed more, and I am willing to do for that industry what I would probably not be willing to do for any other industry in this country.

Mr. BUSH. I appreciate that, Senator.

Senator SIMMONS. When the matter of the emergency tariff was up I made a speech upon the floor of the Senate advocating the extension of that embargo for six months. We afterwards reduced it to three months. I did it because I wanted to protect you until we could have an opportunity to frame a tariff bill and give that protection through the ordinary methods of imposing upon the products such duties as, after investigation, were found to be necessary to help this

infant industry—for I think it is an infant industry. It is about four or five years old, practically.

Mr. BUSH. It is, Senator.

Senator SIMMONS. But you are coming here now and asking that that embargo should be made permanent, and I say that that is an unreasonable proposition. You do not ask that it be made permanent, but extended for four or five years, when we can have an opportunity to deal with it in the usual way. I think it ought to be dealt with in the usual way. You have not, to my mind, shown any reason why you can not deal with it in the usual way.

Senator MCLEAN. England, which has been a free-trade country for nearly a century, has found it necessary to deal with it by an embargo.

Senator SIMMONS. I do not think we are compelled to do over here everything that England does. England has never had a protective tariff, as we have over here and as you are preparing to further install.

Mr. BUSH. Even the protective tariff that we are supposed to have did not save the chemical industry until the war gave us an embargo.

Senator SIMMONS. I do not know so much about that.

The CHAIRMAN. They got pretty nearly all they asked for.

Senator SIMMONS. I do know that before we placed an embargo upon it during the war you came to Congress through your representatives and asked the Democratic Party—known not to be a protection party—to increase the duties imposed in the Underwood tariff bill, and you said if we would do that—that was before we had these acute war conditions—it would take care of you, and you could get along, you could compete; and we made that increase for you.

Senator MOSES. You are referring to the Hill bill in 1916?

Senator SIMMONS. The bill that passed then. I do not think it was the Hill bill. We did increase the duties.

Senator MOSES. Was not that the Hill bill that originated in the House?

Senator SIMMONS. I do not remember; but we increased the duties as requested. Then the war came along, and you said you needed an embargo. The war gave you an embargo for a while. Then, when the war closed, you said you needed an extension of the embargo which you had enjoyed as the result of the war, and we passed the embargo bill. The Democratic Party passed that. That was a Democratic measure. It was done to deal with a temporary situation.

The CHAIRMAN. Did you get no Republican votes for it?

Senator SIMMONS. Certainly we did.

The CHAIRMAN. I did not know whether we were permitted to vote on those things.

Senator SIMMONS. You did, and in most war measures I will say, to the honor of the Republican Party, that you cooperated with us loyally.

The CHAIRMAN. Much obliged to you.

Mr. BUSH. If it was good then for the community or for the people of the United States as a whole, then is it not the proper thing for them to-day?

Senator SIMMONS. It was purely a temporary device. It was expected to be temporary. I certainly have had that expectation, and so voiced it in the speech that I made immediately after the passage of the emergency tariff bill. I could not get an opportunity

to make the speech before, because we had been reduced to the 10-minute rule and I could not get recognition. I said that I was perfectly willing to continue this embargo until a tariff bill could be passed. We thought then, all of us, that it could be passed in six months. After it came into conference it was said it could be passed in three months.

Senator SMOOT. The House conferees would agree to only three months.

Mr. BUSH. It has taken Germany 50 years to build that industry. If we ask for protection for three or four years further, my heavens, could not that be considered temporary? Can we come before the American people any time there is a change of administration——

Senator SIMMONS. Are you asking for a tariff protection, or are you asking for a tariff wall? Protection has never meant a wall, as I understand it, even from the Republican standpoint.

Mr. BUSH. We are asking protection of our industry.

Senator SIMMONS. You are asking for a wall.

Mr. BUSH. We are asking for protection. You may consider it a wall if you wish; but if we can not manufacture goods in sufficient quantity and in sufficient quality under a licensing system which we can appeal to and get those goods here, would not it be a great deal better than putting an extremely high tariff on and making them pay double what they think they should pay?

Senator SIMMONS. I think I understand your position and I think you understand mine.

Mr. BUSH. There is just one more point that I wish to talk to you about, and it will take only a moment. We are a small industry, comparatively——

Senator MCLEAN. Is not the industrial emergency created by the war now at its zenith? Is not the necessity for protection now greater than it was?

Mr. BUSH. That is my opinion.

Senator MCLEAN. Or as great as it has been at any time?

Mr. BUSH. It is. That is my opinion.

The CHAIRMAN. Is that all, Mr. Bush?

Mr. BUSH. There is one more point that I would like to bring up, Mr. Chairman, and that is this: As I told you before, we have employed American chemists in an American factory. We want to hold those chemists, and we want to hold that plant. We look forward to going (as we have since the beginning of the war) to the organic chemical laboratories of the universities and asking them to send us young men. It has been impossible to get the trained men. Since the beginning of the war the professors of organic chemistry of a number of universities have advised me that they are constantly aware that more young men desire to fit themselves for the organic chemical industry. We are sending young men to England to-day equipped as oil chemists. We are sending young men to France to-day who know a lot about the steel industry. Heaven knows that no country is asking us for organic chemists to-day. If you will grant our business ample protection for a reasonable length of time we will build up an American chemical industry by American chemists in a few years that has taken 50 years for any other nation in the world to accomplish. I believe in American genius and I believe in the American chemists.

The CHAIRMAN. Especially with an embargo.

Mr. BUSH. Especially with an embargo; yes, sir.

The CHAIRMAN. The committee will now hear Mr. P. A. Sletteland, if he is present.

Mr. Sletteland does not respond. Is Mr. Brehm here? [No response.] If not, Mr. Choate will resume.

STATEMENT OF JOSEPH H. CHOATE, REPRESENTING THE AMERICAN DYES INSTITUTE, NEW YORK, N. Y.—Resumed.

Mr. CHOATE. I had nothing to add, Mr. Chairman, except in answer to questions. Of course, there are many things that I should like to say, but I do not want to take the time of the committee to say them except in answer to questions.

Senator MCLEAN. I thought Mr. Metz was to go on this morning.

Senator SMOOT. Not until Monday. He had to go home.

The CHAIRMAN. Do any members of the committee desire to address any further inquiries to Mr. Choate? He stayed over here, at considerable inconvenience to himself, to answer any questions.

Senator LA FOLLETTE. Mr. Choate, you have evidenced a very broad general knowledge of this subject, and you perhaps can, better than anybody else that I have heard, furnish me a little information with respect to some of these various organizations which are very active in promoting this embargo.

You dwelt at considerable length upon the financial strength of the control of the German trust which, as I remember you said, had a capitalization of something like two billion marks—was it?

Mr. CHOATE. The actual capitalization of seven of the largest companies, as stated in the reports of the British Parliamentary Commission of May, 1921, is twelve hundred and twenty-one and six-tenths million marks, outside of the air nitrogen company, which has a capital of five hundred million marks.

Senator LA FOLLETTE. Why do you include that in the combination?

Mr. CHOATE. Because it is controlled by and managed by the combination, the I. G.

Senator LA FOLLETTE. That would make an aggregate of——

Mr. CHOATE. Seventeen hundred million marks.

I may state that this compilation does not include the capitalization of one of the original Big Six—Kalle & Co.; so that the figure is understated.

Senator LA FOLLETTE. What is the capitalization of the company, if you know?

Mr. CHOATE. I can not give it to you at present. It was originally one of the smaller of the Big Six, but a very large concern. I can easily furnish it to you if you desire.

Senator LA FOLLETTE. Would you apply the present depreciation of the mark to a depreciation of the capital value of these various companies that make this combination, the same as you do in dealing with the question of labor and cost of production?

Mr. CHOATE. No, not altogether, for the reason that——

Senator LA FOLLETTE. To what extent?

Mr. CHOATE. The extent would be very difficult to determine, and could only be determined by taking the various capital increases at

the time they were made and figuring on the basis of the then exchange value of the mark.

Senator LA FOLLETTE. When were these various capitalizations made?

Mr. CHOATE. The capitalization of these seven companies, not including Kalle & Co., in 1917, before the depreciation of the mark had gone far—in fact, I think while it was still approximately at par—was three hundred and eighty-three and four-tenths million marks, nominal capitalization. But at that time the stocks of the component companies were selling on the Berlin Stock Exchange and had been for some time at an average of above 400.

Senator LA FOLLETTE. In estimating or stating the capitalization at this large figure of seventeen hundred million marks, do you take the value of the mark and limit it to the value that the mark had at the time of the capitalization?

Mr. CHOATE. I make no statement of any kind, Senator, with reference to the value of the mark. I give the present capitalization in marks, which I suppose is paper marks, and I also give you the nominal capitalization amounting to $90,000,000, approximately, in 1917, before the depreciation of the mark, which, judging by the Stock Exchange quotations, showed an asset value of approaching four hundred million gold dollars then, to which has been added approximately eight hundred and forty million marks for the chemical companies alone, and five hundred million marks for the air nitrogen companies alone, since, in real cash.

Senator LA FOLLETTE. You do not know how much that stock has been depreciated by the result of the war?

Mr. CHOATE. I do not. I understand, however, that the stocks of these companies are still selling far above nominal value. I can furnish perhaps stock exchange quotations for what they are worth; but the point is that the four hundred million of real assets shown by the 1917 figures have been increased by the sale of this eight hundred and forty million marks' worth of stock.

Senator LA FOLLETTE. Have you any recent quotations of these companies?

Mr. CHOATE. I have not with me. I think I can procure them if you wish.

Senator LA FOLLETTE. I have seen some of them and I think they are very greatly depreciated.

Mr. CHOATE. I may state, however, that the dividends of the chemical companies have not averaged less than 16 per cent in Germany since the armistice.

Senator LA FOLLETTE. On what do you base that statement?

Mr. CHOATE. On statements from the advertisements of the companies at various times in various newspaper publications from Germany that I have seen.

Senator LA FOLLETTE. Could you produce them here?

Mr. CHOATE. I think I can.

Senator LA FOLLETTE. I will ask you to do so.

Senator SMOOT. Is that on the depreciated mark?

Mr. CHOATE. That is on the capitalization as stated.

Senator SMOOT. But payable in the depreciated mark?

Mr. CHOATE. Certainly; in Germany payable on the depreciated mark.

Senator SMOOT. That would be less than 1 per cent, then.

Mr. CHOATE. On the nominal capitalization; but that would be 1 per cent on 1,700,000,000 marks in gold, which I think would be pretty fair.

Senator LA FOLLETTE. What are the total assets of the Allied Chemical Co.?

Mr. CHOATE. I have no exact information. I have been informed——

Senator LA FOLLETTE. You have more exact information with respect to the German companies than you have with respect to the companies in this country?

Mr. CHOATE. Certainly; because exact information as to those companies is available to you from other sources and it has not been necessary for me to charge my mind with it. I understand that the capitalization of that company is in the neighborhood of $280,000,000.

Senator LA FOLLETTE. You have just as accurate information with respect to that as you have with respect to the German companies, have you not?

Mr. CHOATE. I have given you the source of my information.

Senator LA FOLLETTE. You can answer my question.

Mr. CHOATE. But I think the source of my information as to the German companies is probably more accurate than my hearsay knowledge with respect to the American companies.

Senator LA FOLLETTE. What are the total assets of the Chemical Foundation, if you know?

Mr. CHOATE. The total assets of the Chemical Foundation consist—I have a balance sheet here which I will put in evidence, which is a balance sheet prepared by certified public accountants as of June 30, 1921.

Senator LA FOLLETTE. Just answer my question.

Mr. CHOATE. The total assets in this statement are given as $364,595.21.

Senator LA FOLLETTE. What do those assets consist of?

Mr. CHOATE. Patents, trade-marks and formulas, $271,850; furniture and fixtures, New York and Washington, less reserve for depreciation, $21,100.83; cash in four accounts, $59,510.53. Initial license fees accrued, $500; deferred charges, prepaid insurance, $59.01; organization expenses, $11,574.84.

Senator LA FOLLETTE. Who are the officers of that company?

Mr. CHOATE. Who are?

Senator LA FOLLETTE. Yes.

Mr. CHOATE. Mr. Francis P. Garvan is its president. Mr. George J. Corbett is its vice president.

Senator LA FOLLETTE. Has it any other officers?

Mr. CHOATE. Wait a minute. He is secretary and treasurer. There is no vice president at the moment. There is a vacancy. There are no other officers of the corporation.

Senator LA FOLLETTE. Who are on the board of directors?

Mr. CHOATE. Mr. Garvan and Mr. Palmer—wait a moment. I should have said Mr. Garvan and Mr. Corbett are the only members of the board of directors at the moment. There is a vacancy caused by the resignation of Col. Douglas McKay.

Senator LA FOLLETTE. Who were the original incorporators?

Mr. CHOATE. I do not know. You mean the apparent incorporators?

Senator LA FOLLETTE. Yes.

Mr. CHOATE. They were three dummies in the office of the Corporation Trust Co. of Delaware.

The CHAIRMAN. You mentioned Mr. Palmer. What did he have to do with it?

Mr. CHOATE. Nothing whatever. I mentioned him by a slip of the tongue.

The CHAIRMAN. It looks as if his ghost haunted the transaction. I did not know whether it did or not.

Mr. CHOATE. I will tell you the reason why I did that, Mr. Chairman. It was because I had here a list of the trustees of which Mr. Bradley Palmer is one. His name caught my eye.

Senator LA FOLLETTE. Please give me again, will you, a description of the chief assets of this company?

Mr. CHOATE. The chief assets of the company are patents and cash.

Senator LA FOLLETTE. What patents are those to which you refer?

Mr. CHOATE. Those are the patents purchased from the Alien Property Custodian, former German patents taken over by the Alien Property Custodian.

Senator LA FOLLETTE. What number are they?

Mr. CHOATE. Four thousand nine hundred and four, originally. Some have expired; 466 have expired up to July 1 of this year. I should state that of these only 4,393 are still in the hands of the foundation, the small balance having been reassigned to persons who were found to be really entitled to the patents by reason of transactions which had taken place before the war and which were not known at the time the patents were seized by the Alien Property Custodian and sold to the foundation.

Senator SMOOT. Who proved to be American citizens?

Mr. CHOATE. Yes.

Senator SMOOT. When a patent of that character was transferred to an American citizen, was the foundation paid back by the Government the amount that they originally paid for that patent?

Mr. CHOATE. I think not. I do not recall, but I do not think any payment was made.

Senator SMOOT. Then the foundation paid them a lump sum?

Mr. CHOATE. Paid them a lump sum. It was impossible to allocate to any patent a particular value.

Senator SMOOT. They were virtually given to them for a nominal figure?

Mr. CHOATE. I do not think it was a nominal figure, Senator. I would be very glad to go into that if you wish.

Senator LA FOLLETTE. Who were the officers of the foundation at the time the deal was made with the Alien Property Custodian for the transfer of these patents?

Mr. CHOATE. I think they were the same as at present, except that Col. McKay was the vice president.

Senator LA FOLLETTE. Garvan was the president of the foundation at that time?

Mr. CHOATE. He was.

Senator LA FOLLETTE. What was the date of the organization of the foundation?

Mr. CHOATE. February 19, 1919, was the date of the certificate of incorporation.

Senator LA FOLLETTE. What had been Mr. Garvan's business immediately before that?

Mr. CHOATE. He had been and still was in charge of the Bureau of Investigation of the Alien Property Custodian.

Senator LA FOLLETTE. Did he occupy offices with the Alien Property Custodian?

Mr. CHOATE. He did.

Senator LA FOLLETTE. How long had he been connected with the organization of the Alien Property Custodian in that capacity?

Mr. CHOATE. I am not able to state precisely, but I think it was from the time when the Alien Property Custodian's organization became complete in the first instance.

Senator LA FOLLETTE. What is your connection with the foundation?

Mr. CHOATE. I am its general counsel.

Senator LA FOLLETTE. Are you a stockholder in it?

Mr. CHOATE. No.

Senator LA FOLLETTE. Have you been at any time?

Mr. CHOATE. At no time.

Senator MOSES. Were you in the Alien Property Custodian's office at the time the foundation was established?

Mr. CHOATE. I was, as a voluntary assistant to Mr. Garvan.

Senator SMOOT. A dollar-a-year man?

Mr. CHOATE. Not even a dollar-a-year man. I had no official connection whatever, but I was, as a practical matter, in charge of that portion of the bureau of investigation which dealt with the German interests in the chemical industry in the United States.

Senator LA FOLLETTE. How long had you been in that relation to the Alien Property Custodian?

Mr. CHOATE. I went in there in the early part of 1918, the very early spring of 1918.

Senator LA FOLLETTE. When did you first hear this scheme of organizing the foundation and acquiring these patents from the Alien Property Custodian discussed?

Mr. CHOATE. I can not give you the exact date, but I can give you, very briefly, the history of it, which will show how the thing came into being and, I think, will answer your question as well as I can.

Senator LA FOLLETTE. Just give me the date approximately if you can.

Mr. CHOATE. I can not give you the date, because I do not know when the scheme was conceived.

Senator LA FOLLETTE. About what time; what month, what year?

Mr. CHOATE. The scheme was not conceived as a whole until very shortly before the actual organization.

Senator LA FOLLETTE. When was it first discussed, according to your best recollection?

Mr. CHOATE. That I can not give you, because it was a plan which developed itself very gradually. I think, however, that no con-

ception of the thing had arisen in anybody's mind much before November, 1918.

Senator LA FOLLETTE. Do you happen to know how many other patents, outside of those sold to the foundation by the Alien Property Custodian, were in the custody of the Alien Property Custodian?

Mr. CHOATE. I do not.

Senator MOSES. May I ask a question, Senator La Follette?

Senator LA FOLLETTE. Certainly.

Senator MOSES. The charter was obtained in Delaware, was it not, Mr. Choate?

Mr. CHOATE. Yes, sir.

Senator MOSES. Do you remember who drew it?

Mr. CHOATE. I do not.

Senator MOSES. Do you remember the attorney who conducted the business in procuring the charter in Delaware?

Mr. CHOATE. The business of the actual procurement of the charter was conducted by the Corporation Trust Co. of Delaware, which is a company which we in New York constantly use for the incorporation of Delaware corporations.

Senator MOSES. Do you remember the name of the attorney who was actually in charge?

Mr. CHOATE. No, sir.

Senator MOSES. Did you ever have any conversation with him?

Mr. CHOATE. I may have; but it was purely mechanical legal work in which I took no particular interest.

Senator MOSES. Were you ever present at a meeting held in Mr. Garvan's office in connection with the Alien Property Custodian's office in New York where the charter was discussed?

Mr. CHOATE. I think I must have been several times.

Senator MOSES. Do you remember the general terms of the charter?

Mr. CHOATE. I do. The actual text of the charter was of course discussed very carefully by everybody interested in the matter before it was adopted.

Senator MOSES. Do you recall a conversation, when this attorney who procured the charter was questioned as to certain of the high-sounding patriotic phrases which the charter contains, and who said that the "sob stuff" had to be put in to put it over?

Mr. CHOATE. I do not. On the contrary, I recall that no such conversation ever took place.

Senator MOSES. In your presence?

Mr. CHOATE. Nor at any of the meetings, at all of which I was present.

Senator MOSES. Were you at every meeting?

Mr. CHOATE. I understand so. If they had any other meeting they had it at some very extraordinary place under very extraordinary circumstances that I know nothing about.

Senator MOSES. You are quite sure that no meeting ever took place in Mr. Garvan's room in New York?

Mr. CHOATE. I should think it extremely improbable that any meeting ever took place in his office in New York at which I was not present and at which this subject was discussed.

Senator LA FOLLETTE. Will you please file with this committee a copy of the articles of incorporation?

Mr. CHOATE. They are already a part of the record of the last Senate hearings, and also the House hearings, but if you wish I will file another copy here. I can turn to it here in a moment.

Senator LA FOLLETTE. It can be taken for the record if it is in the other record.

The CHAIRMAN. At the request of Senator La Follette the articles of incorporation will be put into this record, transcribed from the previous hearings.

Mr. CHOATE. You will find it in connection with my testimony on page 117 of the Senate hearings referred to.

(The paper referred to is as follows:)

CERTIFICATE OF INCORPORATION OF THE CHEMICAL FOUNDATION (INC.), DELAWARE.

1. The name of the corporation is "The Chemical Foundation (Inc.)."

2. The principal office of the corporation is to be located at the offices of the Corporation Trust Co. of America, No. 1007 Market Street, in the city of Wilmington, in the county of New Castle, in the State of Delaware. The name of its resident agent is Corporation Trust Co. of America, whose address is No. 1007 Market Street, Wilmington, Del.

3. The nature of the business of the corporation and the objects and purposes proposed to be transacted, promoted, or carried on by it are as follows, to wit:

(a) To acquire by purchase from the Alien Property Custodian, under the provisions of an act of Congress of the United States, known as the trading with the enemy act (Oct. 6, 1917, as amended by act of Mar. 28, 1918, and further amended by act of Nov. 4, 1918), patents, and applications therefor, trade-marks, choses in action, and rights and claims of every character and description, owning or belonging to or held for, by or on account of, or on behalf of, or for the benefit of, an enemy or ally of enemy, as defined by said act, which the Alien Property Custodian is authorized by said act, and amendments thereto, to require and seize, and to sell and convey, and also to acquire from any person, firm, or corporation any and all letters patent, and applications therefor, trade-marks, and similar rights, granted by the United States, or any other country or government, licenses and the like, or any other interest therein, or any inventions which may seem capable of being used for or in connection with any of the objects or purposes of said corporation, and to hold any such property and rights, so acquired, in a fiduciary capacity for the Americanization of industries, as may be affected thereby, for the exclusion or elimination of alien interests hostile or detrimental to the said industries, and for the advancement of chemical and allied science and industry in the United States.

(b) In furtherance of the above objects and purposes the corporation may grant nonexclusive licenses only, to make, use, and sell the inventions covered by any patents owned or controlled by it to the United States of America, upon such terms as the board of directors may determine, and also upon reasonable and equal terms and without advantage, as between licensees, to the following:

(1) Natural persons, citizens of the United States.

(2) Copartnerships, all the members of which are citizens of the United States; and

(3) Corporations organized under the laws of the United States, or of any State, Territory, or dependency of the United States, of which not less than three-fourths of the capital stock, and the beneficial interest therein, is owned by stockholders who are citizens of the United States, and who were not, prior to the "end of the war," as used in the trading-with-the-enemy act, enemies, or allies of enemies, as defined by said act, and the amendments thereto.

The board of directors may refuse to issue any license or may revoke any license granted by the corporation and may prescribe the terms and conditions of said licenses. It shall be the duty of the corporation to defend and enforce the rights acquired by it, and to protect the rights of its licensees under any licenses granted by it.

(c) To purchase, or otherwise acquire, such personal property of every kind and description within and without the State of Delaware, and in any part of the world, suitable, necessary, useful, or advisable in connection with any or all of the objects hereinbefore set forth.

(d) To do each and everything necessary, suitable, useful, or advisable for the accomplishment of any one or more of said objects, or which shall at any time appear to be conducive to or expedient for the benefit of such corporation in connection therewith.

(e) In general, but in connection with the foregoing, said corporation shall have and exercise all the powers conferred by the laws of the State of Delaware upon business corporations, it being hereby expressly provided that the foregoing enumeration of specific powers shall not be held to limit or restrict in any manner such general powers.

(f) To each and all things above set forth to the same extent, and as fully as a natural person might do or could do in the State of Delaware, or in any other State, country, or place.

4. The total authorized capital stock of the corporation is $500,000, divided into 5,000 shares of the par value of $100 each.

Of said authorized capital stock 4,000 shares, amounting to $400,000, shall be non-voting preferred stock (except for amendment of the charter, as hereinafter provided) and 1,000 shares, amounting to $100,000, shall be common stock.

The preferred stock shall entitle the holders thereof to receive, when and as declared, out of the surplus or net earnings of the corporation, a fixed cumulative dividend at the rate of, but never exceeding, 6 per cent per annum, payable quarterly on such dates as the directors may determine, which dividend shall run from the date of issue of said preferred stock, and shall be paid or set apart before any dividend shall be set apart or paid on the common stock.

The common stock shall entitle the holders thereof to receive, when and as declared, out of the surplus or net earnings of the corporation, a dividend at the rate of, but never exceeding, 6 per cent per annum, but no such dividends shall be payable on the common stock until all cumulative dividends on the preferred stock at the above rate, up to the date of the declaration of such common-stock dividend, shall have been paid or set apart.

In the event of any liquidation or dissolution or winding up of the corporation, whether voluntary, or involuntary, the preferred stock shall entitle the holders thereof to be paid in full the par amount of their shares, with all unpaid accumulated dividends thereon to the date of such payment, before any amount shall be paid to the holders of the common stock.

The preferred stock shall be subject to redemption as a whole at $100 per share, and accumulated dividends thereon, on the 1st day of January, 1921, or on the 1st day of January in any year thereafter, in such manner as the board of directors shall determine: *Provided*, That whenever the accumulated surplus of the corporation amounts to 100 per cent of the total issued and outstanding preferred and common stock of the corporation, the board of directors shall redeem all the issued and outstanding preferred stock. After the full redemption of the preferred stock the net earnings of the corporation, over and above such amounts as may be necessary for the purpose of working capital, shall be used and devoted to the development and advancement of chemistry and allied sciences, in the useful arts and manufactures in the United States, in such manner as the board of directors may determine.

The holders of the common stock shall have the sole right to vote at all meetings of the stockholders, and the holders of the preferred stock shall have no voting power, except for the purpose of the amendment of the charter. None of the owners or holders of the preferred or common stock of this corporation shall sell, assign, or transfer any such stock except with the approval of the board of directors.

From time to time the common and preferred stock may be increased according to law.

The amount of the capital stock with which the corporation will commence business is $1,500.

5. The names and places of residence of each of the original subscribers to the capital stock and the number of shares subscribed for by each are as follows:

| | |
|---|---|
| M. M. Clancy, Wilmington, Del | 13 |
| P. B. Drew, Wilmington, Del | 1 |
| H. E. Knox, Wilmington, Del | 1 |

6. The corporation is to have perpetual existence.

7. The private property of the stockholders shall not be subject to the payment of corporate debts to any extent whatever.

8. The number of directors of the corporation shall be fixed from time to time by the by-laws, and the number may be increased or decreased as therein provided.

In case of any increase in the number of directors, the additional directors shall be elected as provided by the by-laws, or by the stockholders, at an annual or special meeting.

In case of any vacancy in the board of directors for any cause, the stockholders may elect a successor to hold office for the unexpired term of the director whose place is vacant and until the election of his successor.

The board of directors shall, from time to time, fix and determine the uniform license fee or royalty that shall be paid by the persons, firms, or corporations mentioned in paragraph (*b*) of article 3 of this certificate, and the license fee or royalty so fixed shall be binding and conclusive on the corporation and on all of its licensees.

In furtherance, but not in limitation of the powers conferred by law, the board of directors are expressly authorized:

(*a*) To hold their meetings outside of the State of Delaware at such places as from time to time may be designated by the by-laws or by resolution of the board. The by-laws may prescribe the number of directors necessary to constitute a quorum of the board of directors, which number may be less than a majority of the whole board of directors.

(*b*) To appoint the regular officers of the corporation and such other officers as they may deem necessary for the proper conduct of the business of the corporation.

(*c*) To remove at any time any officer elected or appointed by the board of directors, but only by the affirmative vote of a majority of the whole board of directors.

(*d*) To remove any other officer or employee of the corporation, or to confer such power on any committee or superior officer of the corporation, unless such removal is otherwise regulated by the by-laws.

(*e*) To issue the stock of every class in such amounts and proportions as they may determine, up to the total amount of the authorized capital stock, or any increase thereof, subject, however, to the provisions of this certificate.

9. The charter may be amended form time to time by a vote of three-fourths in number and amount of the preferred and common stockholders at any annual or special meeting of the stockholders.

10. The board of directors shall have no power to make, alter, or amend by-laws.

We, the undersigned, being each of the original subscribers to the capital stock, hereinbefore named, for the purpose of forming a corporation to do business both within and without the State of Delaware, under and pursuant to the provisions of the Legislature of the State of Delaware entitled "An act providing a general corporation law" (approved Mar. 10, 1899), and the acts amendatory thereof and supplemental thereto, do make and file this certificate and declare the facts herein stated as true, and we have accordingly hereunder set our respective hands and seals this 19th day of February, A. D. 1919.

M. M. CLANCY. [SEAL.]
P. B. DREW. [SEAL.]
H. E. KNOX. [SEAL.]

STATE OF DELAWARE,
*County of New Castle, ss:*

Be it remembered that on this 19th day of February, A. D. 1919, personally appeared before me, the subscriber, a notary public in and for the State and county aforesaid, M. M. Clancy, P. B. Drew, and H. E. Knox, all the parties to the foregoing certificate of incorporation, known to be personally to be such, and I having first made known to them and to each of them the contents of said certificate, they did each severally acknowledge that they signed, sealed, and delivered the same as their several voluntary act and deed, and that the facts therein stated were truly set forth.

Given under my hand and seal of office the day and year aforesaid.

LAWRENCE J. BRODMAN, *Notary Public.*

Senator LA FOLLETTE. How much was paid to the Alien Property Custodian for those patents?

Mr. CHOATE. $250,000 for the original mass of patents contained in the first assignment; the remainder of the $271,850, for the subsequent assignments of patents afterwards discovered.

Senator SMOOT. That is, they paid less than the actual cost of securing the patents?

Mr. CHOATE. That is a matter of computation which I assume you do not care to have me discuss.

Senator SMOOT. It is less than $50; and you know that you can not get foreign patents through for $50.

Mr. CHOATE. I should say that average would be a very high price for the great majority of the patents.

Senator SMOOT. There may be one patent that would cost more than that?

Mr. CHOATE. Quite likely.

Senator MCLEAN. Is this Mr. Garvan related to the Garvan that was subsequently Alien Property Custodian?

Mr. CHOATE. It is the same Mr. Garvan. I shall ask leave of the committee hereafter to state the circumstances under which he became president of the Chemical Foundation.

Senator LA FOLLETTE. How long after this transaction—I refer, now, to the purchase of these patents from the Alien Property Custodian in whose office he was then established and a part of your organization—how long after that did he become Alien Property Custodian?

Mr. CHOATE. March 4, 1919, when Mr. Palmer was appointed Attorney General.

Senator LA FOLLETTE. How long was that, if you please? Do you have the other date in your mind?

Mr. CHOATE. Approximately seven weeks.

Senator SMOOT. If I asked you, as my attorney, and you were not the attorney of the Chemical Foundation, whether I would be safe in buying all of the patents held by the foundation for $250,000 to-day, what would you tell me?

Mr. CHOATE. I should tell you, in the first place, that the Chemical Foundation was incapable of selling the patents under its charter.

Senator SMOOT. As an attorney of the Chemical Foundation, do you think that $250,000 was all that those patents were worth?

Mr. CHOATE. I think it was not all they would have been worth to a private purchaser, unlimited in the use of them. A private purchaser unlimited in the use of these patents could have made very large sums by holding up the industry with them. Their nuisance value was very large.

Senator SMOOT. There are patents there, outside of the nuisance value, that are worth a great deal more than $250,000.

Mr. CHOATE. To a private purchaser, undoubtedly, outside of the nuisance value; but you forget that the Chemical Foundation, both by the terms of its charter and by the terms of the foundation, is absolutely limited in the use of these patents, so that it can not profit beyond the necessary sum to pay a 6 per cent dividend on its very small stock; so that all the rest of the money that is received has got to be used for the advancement of science; and, furthermore, it is so limited that it can not use the patents in the way in which an individual would, by the issue of exclusive licenses. It can only issue nonexclusive licenses, which must be issued on equal and reasonable terms to all American citizens, partnerships, and corporations.

Senator MOSES. These licensees have profited, have they not?

Mr. CHOATE. I hope they have.

Senator MOSES. Are they all members of the American Dyes Institute?

Mr. CHOATE. I think not.

Senator MOSES. Are they members of the General Research Council?

Mr. CHOATE. I do not know what that is.

Senator MOSES. Or the National Research Council, or whatever it is?

Mr. CHOATE. I have not any idea. I may state positively that a large majority are not members of the Dyes Institute.

Senator MOSES. Does every member of the Dyes Institute hold a license?

Mr. CHOATE. By no means. I may also state that no application for a license from an American citizen has been refused.

Senator MOSES. Was there ever any intimation that a license would be refused?

Mr. CHOATE. At the outset the policy of the foundation was not fully determined. It was realized that it would be very unfortunate for the industry if a large number of licenses should be simultaneously issued covering the production of some product not previously made in this country, in as much as the issue of such a large number of licenses would discourage any of the licensees from actually putting money into the business and going to work; but it was very soon determined by a vote of the stockholders' advisory committee, consisting of all the stockholders, that the policy was unwise and improper and that there must be no limit to the number of licenses under any patent.

Senator MOSES. What other activities has the foundation pursued, Mr. Choate, aside from the issuance of licenses to people who desired them?

Mr. CHOATE. General educational activities in the way of sending out to very carefully prepared lists intended to reach the educational side of the public literature of various kinds intended to educate the public in regard to the importance of chemistry in daily life and of chemistry in industry. It has also undertaken various other enterprises which have not got far yet, among which, I may state as perhaps the most important, is that of giving assistance to the committee of the American Chemical Society, consisting of eight of the first scientists of the country, which committee has been conducting a survey to ascertain what the laboratory and research institute facilities of the country were for the purpose of fostering and increasing the development of chemistry in medicine.

The foundation has undertaken to pay the expenses of that committee, and that committee has now prepared and is about to issue a most interesting report, which I wish I could lay before you gentlemen. I consider it likely to lead to the greatest advances in medical science that have ever taken place in this country.

Senator MOSES. Are you familiar with the book entitled "Creative Chemistry?"

Mr. CHOATE. I am.

Senator MOSES. Who was that written by?

Mr. CHOATE. By Dr. Edwin E. Slosson.

Senator MOSES. And who published it?

Mr. CHOATE. I do not know; but I think the Century Co. did.

Senator MOSES. Do you know the retail price of it?

Mr. CHOATE. I do not know that.

Senator MOSES. Was that a part of the literature the foundation distributed?

Mr. CHOATE. It was.

Senator MOSES. It was sent to a selected list, was it?

Mr. CHOATE. It was sent broadcast. I have a complete list here, if you would like it. I would like to read the names of the persons to whom this was sent.

Senator MOSES. Are they numerous?

Mr. CHOATE. They are classified here under 13 heads.

Senator LA FOLLETTE. You mean to just read the classification?

Mr. CHOATE. That is all. [Reading:]

To members of women's clubs, 5,063; to newspapers, 2,410; to colleges, 5,441; to agricultural agents, 1,274; to members of the American Legion, 500; to consumers (textile form), 16,964; to consumers (club form), 1,993.

Senator LA FOLLETTE. What does that word "form" mean?

Mr. CHOATE. This referred to the form letters which were sent with the book, and which I would like to explain in a moment. [Reading continued:]

To authors, 1,566; to scoutmasters of Boy Scouts, 16,796; to prominent men, 5,853.

That is all.

Senator MOSES. Showing a total of how many?

Mr. CHOATE. The total there would seem to be 57,860.

Senator SMOOT. Have you a copy of each form of letter?

Mr. CHOATE. I have.

Senator SMOOT. Will you put it in the record?

Mr. CHOATE. I will; gladly.

(The matter referred to is as follows:)

*Multityped form letters for circularization mailed between Nov. 9, 1920, and May 28, 1921.*

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|---|---|
| To members of women's clubs | 5,063 |
| To newspapers | 2,410 |
| To colleges | 5,441 |
| To agricultural agents | 1,274 |
| To members of the American Legion | 500 |
| To consumers (textile form) | 16,964 |
| To consumers (club form) | 1,993 |
| To authors | 1,566 |
| To scoutmasters of Boy Scouts | 16,796 |
| To prominent men | 5,853 |
| Form A—Acknowledgment of replies | 2,000 |
| Form E—Acknowledgment of replies | 2,000 |
| Form F—Acknowledgment of replies | 2,000 |
| Total | 63,860 |

LETTER TO MEMBERS OF WOMEN'S CLUBS.

THE CHEMICAL FOUNDATION (INC.),
*New York City, December 18, 1920.*

I am sending to you, under separate cover, a book that I believe has a vital bearing upon the future welfare of this country and the men, women, and children composing its people. This is Dr. Edwin E. Slosson's "Creative Chemistry." Dr. Slosson is the literary editor of the Independent, a trained chemist and publicist, who wrote the articles composing this book for the Independent without suggestion from any source save his realization of the intense importance of this subject. As president of the Chemical Foundation I am asking you to read this book, and after reading it to write to me of the impressions it makes upon you and of any suggestions it may prompt you to make toward furthering the laying of its message before the American people. If after reading this book you call it to the attention of other intellectual leaders in your locality, I shall appreciate it highly, since our resources are limited in supplying copies of it throughout the country.

The Chemical Foundation is a quasi-public corporation, formed by the Government to take over the seized German patents in chemistry in order that chemical

education and development in this country may be unrestricted and that the history of the suppression and destruction of this development at the hands of the German chemical trust may come to an end. It is a corporation run without profit; any returns, above fixed charges, which may accrue to the corporation, must be devoted, according to the charter "to the advancement and development of chemical and allied science and industry in the United States."

I am accompanying the book with a pamphlet which explains the Chemical Foundation, the necessity for its formation, the history of our past failure in organic chemistry and the reasons therefor. This will make clear to you the reason for the decision of the Chemical Foundation, that the first step toward the development of chemical education in this country, which will assure to us safety to our industries, adequate protection to our sons in time of war and the future of medicine, is to have the leaders of thought in this country fully realize the importance of the subject. Dr. Slosson, although a scientist, has written in such attractive form that we have felt it our duty to give you the opportunity to obtain a knowledge of the situation.

The war would have been over in 1916 without the organic chemical factories of Germany, since 90 per cent of her high explosives and 100 per cent of her poisonous gases she was able to produce in these factories which, overnight, could turn from the industries of peace to the manufactures of war materials. In the hands of the designing chemical cartel of Germany the science of chemistry has proved a world menace. While seeking to color the clothes you wear, the huge laboratories along the Rhine have ever studied to bomb and gas the sons you bear. If there is ever another war, it must be a superchemical war, a thing almost unthinkably hideous in its death-dealing potentialities. Shall you and I stand idly by and see Germany again build up a chemical supremacy that must leave our Nation impotent to cope with the plottings of her laboratories?

You will see in some of Dr. Slosson's delightful chapters the basic relation of chemical research and accomplishment to the supply of food for your family, as well as to almost everything you wear, buy, or come in contact with in your daily life. From their apparently limitless resources for fresh accomplishments in research, our chemical scientists are constantly working to make this country a better, cheaper, and more effective place to live in. If they are encouraged and strengthened to multiply and broaden these beneficent researches in improvement of the various fields of human activity here, our children must share in the fruits of their labors.

Germany's chemical powers have again and again crushed almost all possibility and incentive for chemical research in this country by throttling our chemical industries through their well-known methods of dumping, full-line forcing, and other means of unfair trade coercion. We have good reason to believe that they are even now planning to renew such commercial warfare, not only upon our chemical industries, but upon our scientific research facilities that have just been built up in our colleges and other institutions to a point where their work will begin to count. Unless we devote every energy at once to preventing this foreign power from again grasping a monopoly in the development of the science of chemistry for the future, we shall soon find ourselves helpless to reach the benefits of chemical research which may be extended or denied to us at the will of its chemical dictators. We regard the American dye industry as by no means the most important part of the Nation's general chemical interests, since this industry is only the postgraduate school upon which we may build our chemical scientific structure.

Far more vital than the material benefits of chemical advancement in this country, and even more important than its wartime emergency application, however, is the opportunity of maintaining this country's chemical development as a prime factor in saving, prolonging, and strengthening human life. For years our leading scientists have dreaded of the possibilities of linking the facilities of the chemical research laboratory with the scientific labors of biology, pathology, bacteriology, and pharmacology. Already there have come from the research of chemistry several sure weapons to crush out diseases that heretofore have swept our country with their deadly devastation. When the scientific skill of our chemists is more fully developed and placed at the disposal of the sciences that directly deal with life, death, and disease, we are assured that there must be opened limitless possibilities for ridding the land of its most deadly scourges of sickness. If we succeed in maintaining, developing, and extending chemical research in this country, up to the point where it begins to save and strengthen the lives and health of our children, do you not think that it will be well worth any and every effort that we can make?

To quote from the introduction of this book, written by Prof. Julius Stieglitz, expresident of the American Chemical Society, head of the department of chemistry of the University of Chicago, and who during the war was chairman of the committee

on synthetic drugs of the National Research Council of the Council of National Defense, and did such wonderful work in the preservation of the health of our Army:

"Of even more vital moment is chemistry in the domain of health; the pitiful calls of our hospitals for local anesthetics to alleviate suffering on the operating table, the frantic appeals for the hypnotic that soothes the epileptic and staves off his seizure, the almost furious demands for remedy after remedy, which came in the early years of the war, are still ringing in the hearts of many of us. No wonder that our small army of chemists is grimly determined not to give up the independence in chemistry which war has achieved for us. Only a widely enlightened public, however, can insure the permanence of what farseeing men have started to accomplish in developing the power of chemistry through research in every domain which chemistry touches.

I have been unable to even touch upon all of the boundless possibilities for America's future welfare that are suggested by reading Dr. Slosson's book or further studying the field of our Nation's chemical advancement, to which the Chemical Foundation is pledged to devote its activities. When you have read this book, however, I know that you will become intensely interested in this pressing problem and will want to keep in touch with everything that is being done to help in its solution. I shall be delighted to receive and answer any inquiries from you through the medium of the Chemical Foundation, and I trust that we may eventually count upon you as a friend, whose intelligent interest and cooperation we may rely upon in bringing before the American people this most vital subject.

Very sincerely, yours,

FRANCIS P. GARVAN.

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LETTER TO NEWSPAPER EDITORS AND PROPRIETORS.

THE CHEMICAL FOUNDATION (INC.),
*New York City, December 18, 1920.*

I am sending to you, under separate cover, a copy of "Creative Chemistry," a book by Edwin E. Slosson, who not only is a chemist of distinction but holds down an editorial desk at the Independent and a chair at the Columbia School of Journalism. Slosson's story serves most entertainingly to lay a basis of intelligent understanding of the vital need of America's chemical independence and should, I believe, be read by every leader of political thought throughout our country. When you have read this book—as I know you will—I shall appreciate hearing from you any ideas which it may suggest to you.

To fulfill its function of aiding in the advancement and development of chemistry and allied sciences in the United States, the Chemical Foundation is seeking to inform the people of this country of the dependence of all of them upon preserving their chemical freedom, wrested from Germany during the war, and to interest them in wider educational efforts that alone can furnish our country with trained chemists to hold and push forward this essential science. As we realize that chemical research aims constantly to improve and cheapen every process in every business—just as it is striving now to solve your newsprint and ink problems—this science seems too essential to our prosperity to be grasped again by a foreign monopoly. The same science that forever fights the high cost of living in factory and farm, also guards the sanitation of our homes, as well as affects everything we eat and wear. Of course you know that every laboratory and dye works can be turned, overnight, into a powerful production plant for war gases and explosives.

By far the most inspiring object that American chemists can attain, to my mind, is the actual saving, prolonging and strengthening of human life, which has just been opened as a possibility through the lending of the chemist's art to the joint research of biologists, pharmacologists, and bacteriologists. If America should maintain her chemical independence for no other result than aiding in stamping out disease and deadly epidemics in this field, I believe that our most determined efforts to this end would be well worth while.

I shall be most happy to furnish you with any further information on this subject through the contact that the Chemical Foundation has established with the scientific forces in this field and I earnestly hope that you may cooperate with us in the future impressing the American people with the vital importance of the extension of chemical education throughout this Nation. When our whole population learns the truth concerning the American chemical situation, our sole object has been attained.

Very sincerely, yours,

FRANCIS P. GARVAN, *President.*

LETTER TO COLLEGE PROFESSORS, DEANS, FACULTIES, ETC.

THE CHEMICAL FOUNDATION (INC.),
*New York City, December 18, 1920.*

I am sending to you, under separate cover, a copy of "Creative Chemistry," by Edwin E. Slosson, M. D., Ph. D., as well as a pamphlet concerning The Chemical Foundation. Whether or not the field in which you are engaged as a leader and teacher directly touches that treated by Dr. Slosson, I most earnestly hope that you will read his fascinating story for its bearing on that most vital of our pressing national problems, the creation and preservation of America's chemical independence. When you have read this book—as I know you will—I trust that you may give me the benefit of such ideas on this subject as may occur to you.

In fulfilling its function of aiding in the advancement and development of chemical and allied science in the United States, the Chemical Foundation is striving to show all classes of the American people their dependence upon our chemical progress and to interest them in the spread of chemical education. We are entering upon the age of chemistry; and if your nation is to take its place among the leaders in chemical research and resource, we must look to such institutions as yours for the trained men and women to carry on in the fight against Germany supremacy that was begun by our chemists during the war.

As one of those whose personality and teachings are shaping the minds of the coming generation of educated men and women, I am appealing to you for your most patriotic and intelligent cooperation with us in presenting to American people through their thinkers, the cause of chemical scientific advancement and accomplishment as it concerns their safety, welfare and prosperity.

Very sincerely, yours,

FRANCIS P. GARVAN, *President.*

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LETTER TO AGRICULTURAL AGENTS.

THE CHEMICAL FOUNDATION (INC.),
*New York City, December 18, 1920.*

I am sending you, under separate cover, Dr. Edwin Slosson's "Creative Chemistry," a book that I believe must prove of especial interest and value to every expert who is dealing with this country's agricultural problems. When you have read this book—as I know you will—I shall appreciate hearing from you your opinion of it and any suggestions that may occur to you as to how its message may be best conveyed to our agricultural population.

In fulfilling its function of acquainting the American people with the facts concerning the chemical lesson of the war and the vital importance of retaining our chemical independence for the future, the Chemical Foundation is particularly anxious to convince the farmers of this country of their strong, natural interest in this object. Unless we succeed in maintaining, advancing, and developing chemical education and scientific research throughout our land, you will realize that the important chemical element in agriculture, as well as in all industry and in the whole field of medicine, must be again controlled by a foreign power. The refertilization of our land seems to be too vital a matter to allow to slip into the grasp of alien chemical interests that have already succeeded several times in the past in destroying America's chemical science and industry.

Once the whole American people are educated to the true situation in this matter, as you yourself knew it now, we feel no fear for the cause of chemistry. Until this information is generally spread throughout the country, however, I think you will agree with me that it is our duty, and your duty, as a matter of patriotic interest, to do what we can to carry this message to those who have never heard it. We shall deeply appreciate any cooperation that you may be able to offer us in our educational efforts.

Sincerely, yours,

FRANCIS P. GARVAN, *President.*

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LETTER TO MEMBERS OF THE AMERICAN LEGION (DOUGHBOY LETTER).

THE CHEMICAL FOUNDATION (INC.),
*New York City, December 18, 1920.*

DEAR SIR: At your request, I am having shipped to you by express a copy of Dr. Slosson's book "Creative Chemistry," as well as a pamphlet explaining the work of the Chemical Foundation. When you have read these, I hope you will pass them

around to the men of your post, for our supply is limited and we want the message of this book to reach every man who faced gas, bombs, or mines during the war. I shall be very glad to hear from you what you think of the story told in this book, what your comrades think, or any action that they may take after studying the situation set forth so clearly by Slosson.

The Chemical Foundation was formed by the Government to take over patents seized from alien enemies who had taken them out in this country to prevent our chemists from ever attempting to compete with the monopoly that Germany held in all drugs, dyes, and chemicals before the war. Our job is to offer these to every American chemist who can use them and to do all that we can to help maintain and develop the chemical independence that Americans have at last been able to begin to build up in this country. If the Senate will pass the Longworth bill providing for a few years against foreign dumping of the dyes, drugs, and chemicals that our chemists here have begun to make as well as the Germans, we believe that a start can be made at placing our chemical science and industry on a footing where it can not again be crushed by any foreign monopoly. I do not have to tell you what this must mean in our future national defense, when you realize that every dye and chemical plant can be turned, overnight, into a wholesale production plant of the most deadly gases and explosives.

From Slosson's book you will also get an insight into what progress in chemistry means to our future industrial prosperity in every line as well as to our home welfare, since chemical research is always laboring to lower the cost of living by effecting cheaper and better food, fuel, and clothing. Best of all, we now know that chemical collaboration in connection with the joint research of biologists, pharmacologists, and other medical scientists bids fair to work out the sure destruction of the most deadly diseases and to save and strengthen human life.

We are confining ourselves to simply laying before all the Americans whom we can reach the facts in this serious situation and to helping to spread as widely as possible throughout this country general chemical education. Once the whole American people come to understand the vital bearing of chemistry upon their lives, we have no further fear for the future chemical independence of our Nation.

Very sincerely, yours,

FRANCIS P. GARVAN, *President.*

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LETTER TO CONSUMERS (TEXTILE FORM).

THE CHEMICAL FOUNDATION (INC.),
*New York City, April 4, 1921.*

At our request the United States Tariff Commission is sending to you a copy of its report showing the progress of the American coal-tar industry up to June 30, 1920. We are also sending you a copy of Dr. Edwin E. Slosson's "Creative Chemistry"—a book of w ch Dr. Frank Crane in one of his editorials recently said:

"The book is tremendous. It is an epoch.

"It is knowledge made beautiful; facts transformed to fairies.

"The reason is easy to see. Slosson has imagination. Hence he does not stupidly write what he knows his reader can not grasp, as do most authors of scientific books.

"It is a book to own, to mark, to read aloud to the family."

Dr. Slosson is the literary editor of the Independent, and these articles were written by him without suggestion from any source save his realization of the intense importance of the subject. It was only after 10,000 copies had been sold at $2.50 each that we realized its great educational possibilities, and with the public spirited waiver of royalties or profits by Dr. Slosson and the Century Co. we are able to distribute a limited number.

We are asking you to read this book in order that you may realize the importance of the part you have played and will continue to play in the progress of your country during the "Age of chemistry" which is upon us.

After reading it we will be grateful if you will write us your impressions, suggestions, or criticisms. If you happen to have received another copy of this book, may I ask that you pass this along to such of your friends and business associates as may be interested, keeping your copy for the boys and girls in your home circle, who will be greatly interested in it.

The Chemical Foundation is a quasi-public corporation, formed at the suggestion of the Government to purchase the seized German chemical patents and to license them without favor and on equal terms to all American citizens, in order that the history of the suppression and destruction of our organic chemistry development at the hands of the German chemical trust may be terminated. It is also now by necessity

its purpose to see that such development be not prevented or limited by the subsidized and protected English or Japanese chemical interests.

It is a corporation run without profit; any returns above fixed charges must be devoted, according to its charter, to "the advancement and development of chemical and allied science and industry in the United States."

I am accompanying the book, therefore, with a pamphlet which explains the Chemical Foundation, the necessity of its formation, the history of our past failure in organic chemistry, and the reasons therefor.

UPON THIS DEVELOPMENT DEPENDS THE EXISTENCE OF YOUR BUSINESS.

The purpose of the German chemical interests for 20 years has been:

1. To destroy organic chemical development in every foreign country.
2. To combine every chemical interest in Germany under one head at the moment her world control was complete.
3. To then use that unified world control to aid in turn each dye dependent industry in Germany at the expense of each similar industry in every other country, including the United States.

At the time of the World War her first two aims had been practically accomplished. She made 90 per cent of the dyes of the world and all her chemical industries had been combined into the "Big Six," which companies have in turn been combined into one, the Interessen Gemeinschaft.

Only the war saved you from the domination of the "I. G." and its Government-directed power of discrimination in favor of its exporting industries.

These startling statements are based upon German documents which were placed before Congress in my testimony before the Senate committee, a copy of which I am sending to you.

UPON THIS DEVELOPMENT DEPENDS THE SAFETY OF THIS COUNTRY.

The great controversy of the day is between armament and disarmament. Both sides, however, seem to be unconscious of the main lesson of the war. An armament which does not rely upon a superior chemical development is folly; disarmament without keeping pace with the nations of the world in chemical development is suicide. Even with chemical warfare in its infancy, a $25,000,000 battleship can become in half an hour a floating morgue through the enveloping gases let loose from an aeroplane released in the night by a distant submarine. A brigade or a city can be annihilated in an hour. There is no protection in any future war, except an equal or superior chemical development. Perhaps it may be that in the terrible possibilities of the development of chemical warfare lies our chief hope for freedom from war in the future. Ten million dollars a year spent in chemical research means more sensible security than a thousand millions spent on armies and navies without it.

The United States alone seems to have failed to realize the necessity for chemical development. England has subsidized and consolidated her chemical resources, and has now passed, despite her free-trade history, a protective licensing bill, insuring for 10 years freedom in development of all English chemical progress. France and Japan have done likewise, and the Japanese Government has recently voted millions for chemical research. The English bill was passed with the consent and approval of the textile industry in England, which accepted the advice of Dr. Levenstein, the British authority on textile dyes, who said:

"Had the war come but a little later, the ring would have been closed and our textile industry would have appreciated an acute difference in the conditions under which they would have received their supplies. To-day this trust, familiarly known as the 'I. G.,' is the most powerful weapon possessed by the Germans, for, in peace as in war, it was and is a tool of the German Government. It is inconceivable that we should voluntarily permit the 'I. G.' to dictate to essential industries the terms on which they should obtain their dyes; that we should leave to the 'I. G.' the power to withhold supplies of useful or even essential commodities or to charge consumers a higher price than they charge their own textile trades. That, however, would have been the situation to-day but for the extraordinary efforts made during the war under the greatest possible difficulties to create a strong dye industry here. If these efforts are not successful, the textile industries are not safe. The world monopoly possessed by Germany in dyestuffs was imperceptibly becoming a desperate menace to the freedom of our textile trade. It is of the first importance that this should be universally recognized. It is the main reason, apart from powerful sentimental considerations, which has made the dye consumer so enthusiastic a supporter of the dye industry since the war."

This acceptance by England, with the determination that she too should have an "I. G.," doubles the necessity of American independence. It is also interesting to note that England's willingness to diminish her naval program is contemporaneous with the closing of Mesopotamia to the outside world and the intense experimentation there of the possibilities of a combination through inventions in chemistry and development of the aeroplane. It is daily becoming more manifest that the chemical factories of a country are, in the words of Lord Moulton of England, its potential arsenals. Even during the late years of the last war 90 per cent of German explosives and 100 per cent of her gases were manufactured in her chemical factories which were able to turn from peace industry to war activity in a night.

But there is a greater urge still for chemical development.

UPON IT RESTS THE FUTURE OF MEDICINE.

Medicine is really the application of all the sciences to the welfare of the body. Chemistry is the science of the transformation of matter, and the domain of the transformation of matter includes even life itself as its loftiest phase. From our birth to our return to dust, the laws of chemistry are the controlling laws of life, health, disease, and death, and the ever clearer recognition of this relation is the strongest force that is raising medicine from the uncertain realm of an art to the safer sphere of an exact science.

One medical chemist in one chemical factory discovered the cure for syphilis, the deadliest enemy of mankind. The same medical chemist in the same chemical factory discovered the cure for the sleeping sickness of Africa and made a continent habitable. We are assured that somewhere within that realm lies the hope of the cure for consumption, cancer, and many of the seizures which rob us of our little ones. Intensive work is now being done on these problems in colleges and foundations.

Our progress through the "age of chemistry" can not be assured, however, without the understanding and help of all. We must build up our high-school chemistry courses, our college staffs and laboratories, and we must maintain and encourage our post-graduate schools—the chemical industries.

Drs. Albert and Bernstorff reported to their Government that America could never establish the chemical industry in this country—that we lacked the moral power for the creation of such an industry; that here each party pursued its own selfish interests, but nobody kept the whole in mind; that this problem could only be solved through regard for all points of view, and that the conflicting selfishness of this country rendered that solution impossible.

It is up to you and it is up to me.

Very sincerely, yours,

FRANCIS P. GARVAN, *President.*

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LETTER TO CONSUMERS (CLUB FORM).

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*New York City.*

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After reading it we will be grateful if you will write us your impressions, suggestions, or criticisms. We particularly ask that you interest some one in your club to

either read this letter to the club or to read the book and letter and make them a subject for a talk to the club.

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are not successful, the textile industries are not safe. The world monopoly possessed by Germany in dyestuffs was imperceptibly becoming a desperate menace to the freedom of our textile trade. It is of the first importance that this should be universally recognized. It is the main reason, apart from powerful sentimental considerations, which has made the dye consumer so enthusiastic a supporter of the dye industry since the war."

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It is up to you and it is up to me.

Again I ask that this subject have the study and consideration of your club. If you are interested, I should like to write you later on concerning the subject of chemical education in your schools.

Very sincerely, yours,

FRANCIS P. GARVAN, *President.*

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LETTER TO AUTHORS.

THE CHEMICAL FOUNDATION (INC.),
*New York City, April 19, 1921.*

I am sending to you, under separate cover, a copy of Creative Chemistry, a book by Edwin E. Slosson, who not only is a chemist of distinction but holds down an editorial desk at the Independent and a chair at the Columbia School of Journalism. Slosson's story serves most entertainingly to lay a basis of intelligent understanding of the vital need of America's chemical independence and should, I believe, be read by every leader of political thought throughout our country. When you have read this book—and as I know you will—I shall appreciate hearing from you any ideas which it may suggest to you.

To fulfill its function of aiding in the advancement and development of chemistry and allied sciences in the United States, The Chemical Foundation is seeking to inform the people of this country of the dependence of all of them upon preserving

their chemical freedom, wrested from Germany during the war, and to interest them in wider educational efforts that alone can furnish our country with trained chemists to hold and push forward this essential science.

As we realize that chemical research aims constantly to improve and cheapen every process in every business—just as it is striving now to solve the problems of paper and ink—this science seems too essential to our prosperity to be gasped again by a foreign monopoly. The same science that forever fights the high cost of living in factory and farm, also guards the sanitation of our homes, as well as affects everything we eat and wear. Of course, you know that every laboratory and dye works can be turned, overnight, into a powerful production plant for war gases and explosives.

By far the most inspiring object that American chemists can attain, to my mind, is the actual saving, prolonging, and strengthening of human life, which has just been opened as a possibility through the lending of the chemist's art to the joint research of biologists, pharmacologists, and bacteriologists. If America should maintain her chemical independence for no other result than aiding in stamping out disease and deadly epidemics in this field, I believe that our most determined efforts to this end would be well worth while.

I shall be most happy to furnish you with any further information on this subject through the contact that the Chemical Foundation has established with the scientific forces in this field and I earnestly hope that you may cooperate with us in the future in impressing the American people with the vital importance of the extension of chemical education throughout this Nation. When our whole population learns the truth concerning the American chemical situation, our sole object has been attained.

Very sincerely, yours,

FRANCIS P. GARVAN, *President.*

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LETTER TO SCOUTMASTERS OF BOY SCOUTS.

With the approval of the executive board of the Boy Scouts of America, I am sending to you, under separate cover, Dr. Edwin E. Slosson's book, "Creative Chemistry," together with the latest publication of the United States Bureau of Education, "Treasure Hunting of To-day," and a pamphlet outlining the purpose of the Chemical Foundation. As a man upon whom rests much of the responsibility for the future careers of a company of American boys, I know that you will want to get in touch with a subject that concerns the science that must largely shape the world in which the younger generation will live. We are entering the "Age of Chemistry," and you are one of the men who can fit the future men of America, whose safety, welfare and prosperity will depend upon their Nation's chemical achievement, to play their part in it. I believe that this literature will open your eyes—as it has mine—to the tremendous importance of our national chemical development and independence in the years just ahead.

As a career for any ambitious American boy, chemistry, in the opinion of our leading scientific and business men, furnishes the most promising prospect. As it points the way to medical accomplishment in saving, strengthening, and prolonging human life, it affords inspiration to everyone. As it promises to better every process of every business, it becomes an object of prime importance to all the workers in the world of to-morrow.

The master chemist, Perkin, began his chemical career at the age of 15 and a few years later completed his first successful research. To the discoveries of this boy, who devoted his life to the laboratory test tubes, the civilized world to-day owes much of the modern benefits of life. On his discovery of "mauve" at 18 is based all coal-tar chemistry of dyes, medicines, and explosives. Our people need thousands of such scientific pioneers as Perkin to create a new and a better world. Unless the boys of America throw themselves into the international chemical competition that has already begun, we can not hope to share as a Nation in the advantages that the chemists of the future will wrest from nature for their compatriots.

Realizing the sturdy service that your army of boys rendered behind the lines for the national defense during the World War, I believe that you must be most keenly interested in the vital part which chemical science and industry admittedly play in our national defense for the future. When we realize that every chemical, drug, and dye plant can be turned overnight into a wholesale production source for the deadliest gases and explosives, and that the chemical scientists, whose research is based upon a flourishing chemical industry, will control the superchemical warfare of the future, we begin to understand why the chemical development and advancement of this country in the future must spell our success or failure to withstand warfare from without our boundaries.

A well-developed chemical industry is our surest guaranty of future peace. Germany is to-day beginning the most powerful drive of all her world-monopolizing trade career to recapture America's chemical science and industry that she held before the war as a hostage for our final conquest. Other foreign powers have taken steps to build up, protected from German conquest, their own chemical interests. America must awake to this pending peril before it is too late. No more vital message than this for your young minutemen to spread to the people of their locality could be conceived.

Beyond the bodily safety of the boys of our country, who so recently faced the hellish gases of the German dye plants, scientists tell us that there lies in chemical research a bright prospect for discovering new means to check such plagues as tuberculosis, in collaboration with the kindred workers in the fields of bacteriology, biology, pathology, and pharmacology. With the inspiring prospect of defeating disease as a goal for their progressive research, the American chemists of the coming generation have every incentive to bend to their test tubes and call for the support of the whole country.

When you have read Dr. Slosson's book and the other matter which I am sending to you—as I know you will—I trust that you will write to me such suggestions or impressions as occur to you. I feel sure that you will be glad to read these books to your boys and to make every effort in your community, through your schools, libraries, and other educational forces, to bring about a more thorough teaching of this very vital subject.

The Chemical Foundation, by its charter, is devoted to the "advancement and development of chemical and allied sciences and industries in the United States." Our function is simply to lay before you the facts in America's critical chemical situation to-day. When all Americans come to realize the necessity for general chemical education and enterprise, I believe we need have no fear for the outcome. It seems to me that there can be no higher service that you and your boys can render our country in its present chemical emergency than to spread the message which you will gather from the printed pages that I deem it a privilege to lay before you.

Very sincerely, yours,

FRANCIS P. GARVAN, *President.*

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LETTER TO MILLIONAIRES.

It is now well understood that the progress of Germany, from an agricultural nation in 1870 to the proud position of the second industrial country of the world in 1914, was attributable to her realization of the true relation of science and industry.

Germany first learned this lesson from her chemists' development of the coal-tar industry. She first grasped the importance of Perkin's discovery in 1866; her application of that scientific discovery of an Englishman was the foundation of her chemical progress, and her chemical progress was the measure of her industrial progress.

In order that you may have before you a readable story of the progress of chemistry and of its tremendous importance to-day in our industrial life, in our national defense, and in our hope of medical advancement, I am sending to you, under separate cover, a copy of "Creative Chemistry," by Dr. Edwin E. Slosson. Dr. Slosson wrote this remarkable book while he was in editor of the Independent, and it was long after its publication that its great power of telling the important story of chemistry was fully realized.

I hope that you will enjoy the reading of this fascinating volume as I have, and that when you have grasped its message you will lend your influence to the efforts of the Chemical Foundation to spread this knowledge broadcast among the American people. We are entering the "Age of Chemistry," and our Nation's prosperity, safety, and well-being must depend upon the maintenance of our chemical independence and advancement in this basic development of science and industry.

The Chemical Foundation is a quasi-public corporation, formed by the Government to take over the seized German patents in chemistry, in order that chemical education and development in this country may be unrestricted and that the history of the suppression and destruction of this development at the hands of the German Chemical Trust may come to an end. It is a corporation run without profit; any returns above fixed charges which may accrue to the corporation must be devoted, according to the charter, "to the advancement and development of chemical and allied science and industry in the United States." We believe that the first step in accomplishing this object is the education of the American people to an understanding of this problem and of its vital importance to the nation.

The control of the Chemical Foundation is lodged in its board of trustees, composed of the following gentlemen: Otto T. Bannard (chairman, the New York Trust Co., New York); Hon. George L. Ingraham (late presiding justice, appellate division, first department, New York Supreme Court); Cleveland H. Dodge; B. Howell Griswold, jr. (of Alexander Brown & Sons, Baltimore); Bradley W. Palmer (of Storey, Thorndike, Palmer & Dodge). Francis P. Garvan is president of this organization, and Thomas W. Miller, Alien Property Custodian, is its vice president. All of these gentlemen serve without any compensation.

George J. Corbett, former vice president of the Central Union Trust Co. of New York, has charge of the business management of this organization, as secretary and treasurer.

In addition to Dr. Slosson's book and a pamphlet explaining the work of the Chemical Foundation, I am sending to you a pamphlet describing an exhibit, especially prepared by the Chemical Warfare Service and the National Research Council, as well as a pamphlet prepared by the United States Bureau of Education.

I shall appreciate it if you can give me the benefit of such ideas and suggestions as occur to you after you have read the literature which I am sending to you.

Very sincerely, yours,

FRANCIS P. GARVAN, *President*

Senator MOSES. That is a rather expensive book?

Mr. CHOATE. I think it is. It has resulted in a very serious deficit to the Chemical Foundation up to date.

Senator MOSES. And this list was very carefully selected?

Mr. CHOATE. It is carefully selected with the idea of spreading as far as possible, particularly among the young, the idea of the importance of creative chemistry—by which I mean the chemistry which produces new things, both in industry and in science.

Senator MOSES. I think there were three copies arrived in my house, and I wondered just how it happened.

Mr. CHOATE. There have been duplications, but I think it would be very desirable if the Senator would read the book three times. [Laughter.]

Senator MOSES. I have read it once, which is quite sufficient. [Laughter.]

Senator LA FOLLETTE. Coming back to the organization of the Chemical Foundation——

Mr. CHOATE (interposing). Will the Senator let me state——

Senator LA FOLLETTE (interposing). Sure.

Mr. CHOATE (continuing). Before I begin, that the purpose of sending these letters with the books was to insure that the book would not be cast into the waste basket, as is usually the fate of literature sent about without personal letters. I may also state that the result has been very gratifying, in that we have received something like 15 per cent of acknowledgements indicating the actual reading of the book by one or more recipients.

Senator LA FOLLETTE. Have you, by the way, a copy of the letter that was sent with this book to the American Legion?

Mr. CHOATE. I asked him to put in each form. The whole lot will be put in—they are here.

Senator LA FOLLETTE. Will you let me see that letter?

(Mr. Choate thereupon handed to Senator La Follette the book containing the letters, and designated the one asked for.)

Mr. CHOATE. I am reminded that the American Legion copies were sent on the request of the American Legion.

Senator SMOOT. You mean that each branch of the American Legion requested a copy?

Mr. CHOATE. I am not able to state precisely.

Senator MOSES. How many copies did he say were sent to the American Legion?

Senator SMOOT. Five hundred.

Mr. CHOATE. I am informed by Mr. Mead that 500 such requests were sent in, separate requests, and that these were sent in response.

Senator SMOOT. There were 500 American Legion organizations.

Mr. CHOATE. I think individuals.

Senator SMOOT. Oh, I thought they were members of the legion.

Mr. CHOATE. Five hundred copies were sent out to members of the American Legion, I am now informed, in answer to personal requests. I have no knowledge of it, because it was detailed work of the organization, which would not come under my eye.

Senator LA FOLLETTE. This letter states that the Chemical Foundation was formed by the Government to take over patents seized from alien owners. Is that in accordance with the facts?

Mr. CHOATE. I think that is inaccurate. I have not seen that particular letter before. I think you are quite right.

Senator SMOOT. I believe that is why they asked for that.

The CHAIRMAN. Who drew this letter; do you know?

Mr. CHOATE. I have not any idea.

Senator SMOOT. Who is Mr. Ramsay Hoguet?

Mr. CHOATE. Mr. Ramsay Hoguet was the patent attorney of the Chemical Foundation.

Senator SMOOT. Was he also connected with the Alien Property Custodian's office?

Mr. CHOATE. He did a lot of patent work for the Alien Property Custodian. He was not in any sense on the pay roll of the custodian, and he devoted a couple of years of his life to the work with the most painstaking assiduity and complete self-sacrifice.

Senator SMOOT. Was he a dollar-a-year man?

Mr. CHOATE. I am informed that he was not.

Senator SMOOT. Who is Mr. Keohan?

Mr. CHOATE. Mr. Keohan is an assistant now employed by the Chemical Foundation.

Senator SMOOT. In what capacity?

Mr. CHOATE. Oh, in a general capacity; I do not know exactly how to state his duties; he is the Washington representative, I think.

Senator SMOOT. In charge of the office here?

Mr. CHOATE. In charge of the office here; yes.

Senator SMOOT. Was he also connected with the Alien Property Custodian's office in some way?

Mr. CHOATE. Whether he had any definite connection with the Alien Property Custodian's office or not, I do not know. He did act as assistant to Mr. Garvan in a great many matters.

Senator SMOOT. What royalty does this company charge on its patents for importations?

Mr. CHOATE. For importations, 10 per cent.

Senator MOSES. Does that apply only to chemicals?

Mr. CHOATE. I do not know whether there have been any importations under any of the other patents, but I think not.

Senator MOSES. You think it does not apply only to chemicals?

Mr. CHOATE. I think there have been no importations other than dyes and chemicals which are covered by the patents of the Foundation.

Senator MOSES. Those other articles are covered by the patents that might be imported and upon which you might exact the royalty of 10 per cent.

Mr. CHOATE. Some scientific apparatus connected more or less with chemistry.

Senator MOSES. Of what nature?

Mr. CHOATE. Optical glass, and things of that kind.

Senator MOSES. Has the foundation ever looked into the question of the licenses that were issued by the Federal Trade Commission?

Mr. CHOATE. Very closely; yes.

Senator MOSES. With what view?

Mr. CHOATE. With what view?

Senator MOSES. Yes.

Mr. CHOATE. With every view, because many of the patents under which the Federal Trade Commission licenses were issued are now owned by the foundation, and it was imperative to discover what, if any, rights we had with reference to those patents.

Senator MOSES. Did you determine what your rights were?

Mr. CHOATE. I determined what I, as a lawyer, thought they were.

Senator MOSES. Did you advise your clients to seek to enforce them?

Mr. CHOATE. I advised my clients what those rights were, and I did not give any advice as to what should be done.

Senator MOSES. Did your client direct you to enforce the rights as you interpreted them?

Mr. CHOATE. Not yet.

Senator MOSES. Were any steps ever taken formally or informally by the Federal Trade Commission for the enforcement of those rights?

Mr. CHOATE. No; I think not.

Senator MOSES. Or for the recovery of fees?

Mr. CHOATE. I think not.

Senator MOSES. No correspondence was ever had?

Mr. CHOATE. I do not think so; I do not recall. There has been a great deal of correspondence with the Federal Trade Commission on the subject of the licenses.

Senator MOSES. Were any consultations ever held with representatives of the Federal Trade Commission?

Mr. CHOATE. I could not state; I never had any. I have not any idea what anybody else may have had.

I would like to make a little explanation on that subject, Senator Moses: There seems to be a very wide misapprehension as to the nature of the Federal Trade Commission licenses. In my view—and I think it is concurred in by most lawyers—the Federal Trade Commission license amounts to nothing more than a safe conduct, I might say, against injunction. It provides that the licensee shall pay a certain sum while the license is in force, which sum is to be held as security for the result of a lawsuit to be commenced after determination of the war by the owner of the patent—whatever is meant by that in the act—against the licensee to recover the fair value of the use of the patent. That sum recovered in that action may enormously exceed the sums paid as so-called royalty under the Federal Trade Commission license. The recovery may be less than the sum so paid; in case it is less, the balance is to be returned to the licensee; in case it is more, the licensee will have to pay more.

The law makes it very clear that the funds paid into the Federal Trade Commission, or under the Federal Trade Commission licenses, belong to the owner of the patent, and if the Chemical Foundation is, within the meaning of that law, the owner of the patent, I suppose it will eventually be entitled to the funds thus paid in, not otherwise.

Senator MOSES. Has any intimation been made to the Federal Trade Commission that suit will be brought for the recovery of those funds?

Mr. CHOATE. No. You understand, suit can not possibly be commenced against the Federal Trade Commission or against the United States Government; it must be a separate suit against each licensee.

Senator LA FOLLETTE. What is the capital stock of the foundation?

Mr. CHOATE. The authorized capital stock was $500,000, to be divided into $100,000 common and $400,000 preferred, both limited to 6 per cent dividends. Of the $400,000, $399,700 have been issued; of the common, $29,200 have been issued, making a total of $428,900; and the common stock, which is the only voting stock, is held by 158 stockholders, no one of whom holds more than two shares.

Senator MOSES. Is that stock involved in the voting trust?

Mr. CHOATE. That stock was placed in a voting trust to last 17 years.

Senator MOSES. Who are the trustees?

Mr. CHOATE. Let me finish what I was going to say about that, if you do not mind. The voting trust was to last 17 years, so that it might cover the life of all existing patents, and that was why the corporation was incorporated in Delaware rather than New York, because under the Delaware laws, we were advised by Judge Gray, a voting trust might be made to continue for that length of time, while in the State of New York one can continue only for five years. The purpose of that voting trust was in order that the——

Senator MOSES (interposing). Since when has that been made a statute in New York?

Mr. CHOATE. Oh, a long time—the purpose of the voting trust was in order that the voting power of this corporation and its control might be placed in the hands of impartial persons of the utmost probity and reputation, who were not interested in either the textile or dye-consuming industries, on the one hand, or the dye-making or chemical industry, on the other, so that the Foundation might never be used as an instrument of monopoly or for the oppression of either industry.

Senator MOSES. Having been allowed to make that statement in behalf of your client, will you now tell me who the trustees are?

Mr. CHOATE. The trustees are Mr. Otto T. Bannard, of New York, chairman of the board of the New York Trust Co., and trustee of Yale University, and, I think, one of the trustees of the Harkness Foundation; Cleveland H. Dodge, who is too well known to require any explanation; George L. Ingraham, for many years presiding justice of the appellate division, first department, in the State of New York; B. Howell Griswold, of the firm of Alexander Brown & Sons, well-known Baltimore bankers; and Mr. Bradley Palmer, the well-known lawyer of Boston, who was elected on the 4th of April,

1921, and succeeded Mr. Ralph Stone, the president of the Detroit Trust Co., who had up to that time been a trustee and who then resigned.

Senator LA FOLLETTE. Have you a list of the stockholders before you?

Mr. CHOATE. I have.

Senator LA FOLLETTE. What is the total number?

Mr. CHOATE. The total number in this list is 158.

Senator LA FOLLETTE. Is that the list of the stockholders of the common stock?

Mr. CHOATE. That is the list of the stockholders of the common stock, and I think every holder of the common stock also holds some preferred.

Senator MOSES. Does that list show the date of that?

Mr. CHOATE. I do not think so, but the subscriptions have come along gradually from the very beginning.

Senator MOSES. Was the foundation originally underwritten?

Mr. CHOATE. I am informed that the underwriting was arranged by those members of the Dyes Institute who cared to participate, by putting up $500,000 to provide $250,000, which was understood to be necessary to purchase patents, and $250,000 for working capital.

Senator MOSES. Do you remember who constituted that underwriting group and the amount?

Mr. CHOATE. I have a list of them somewhere. I think it went in in the former hearings. I can easily furnish it. I think it is in the former hearings in Mr. Garvan's testimony.

Senator LA FOLLETTE. Will you have your secretary or somebody find it?

Mr. CHOATE. I think it is in Mr. Garvan's testimony; if it is not, we will furnish it. The hope was when the foundation was organized that we should eventually obtain 500 stockholders, each of whom would have two shares of the common and eight shares of the preferred stock, making an exact equality, and then the entire amount of the underwriting, except $1,000 apiece, could be returned to each of the underwriters. But we have never been able to obtain more than 158 stockholders, although almost everybody in the industry has been invited to come in, and accordingly it has only been possible to return to the underwriters the amount paid by the additional subscribers for their two shares of common stock and their eight shares of preferred apiece.

Senator LA FOLLETTE. Are they all holders of stock in this foundation?

Mr. CHOATE. I hope they are; I do not recall at the present time whether they are or not.

Senator LA FOLLETTE. You may put in the record a list of your stockholders.

Mr. CHOATE. A list which I think is complete really, up to date, is in the last hearing.

Senator LA FOLLETTE. Just furnish a list complete up to date in your record of to-day, if you please.

Mr. CHOATE. Gladly.

The CHAIRMAN. It will be printed in this record at the request of Senator La Follette, and Mr. Choate will please furnish the same.

Senator LA FOLLETTE. What, if you know, are the assets of the Du Pont Co.?

Mr. CHOATE. I have not the least idea.

Senator LA FOLLETTE. They are interested in the dye business, are they not?

Mr. CHOATE. As a very small part and branch of their enormous other business. I understand that the total amount of their investment in the dye business does not exceed $15,000,000; I am told so.

Senator LA FOLLETTE. But it is enough to lead that company to take quite an interest in propaganda and in furnishing testimony to secure the enactment of this embargo?

Mr. CHOATE. I do not know whether it is enough to lead them to take an interest in propaganda; but it is, I think, enough to lead them to want the proper protection of the industry. I should think it would be, at least.

Senator MOSES. I think it is, Senator La Follette.

Senator LA FOLLETTE. In this connection, Mr. Chairman, I wish to insert in the record the remarks of Senator Thomas, of Colorado, together with the matter which he introduced in connection with his address at that time, showing the connection of the Du Pont Co. with the Levinstein Co. of England. It will be found on pages 6742 and 6743 of the Congressional Record.

The CHAIRMAN. At the request of Senator La Follette the remarks of Senator Thomas will be inserted.

(The matter referred to is as follows:)

THE DYE INDUSTRY.

The Senate, as in Committee of the Whole, resumed the consideration of the bill (H. R. 8078) to regulate the importation of coal-tar products, to promote the establishment of the manufacture thereof in the United States, and, as incident thereto, to amend the act of September 8, 1916, entitled "An act to increase the revenue, and for other purposes."

Mr. THOMAS. Mr. President, I crave the indulgence of the Senate for a very brief time this morning. In explanation of my request I may say that since the recess of yesterday I have received a very important communication directly in line with some portions of my discussion of the dye bill, and therefore I think it of prime importance to the Senate. This document consists of a circular to the drug and chemical markets from Boston, and is entitled:

"SUES DU PONT CO. FOR $1,000,000—DISCLOSING SECRET AGREEMENT—EDGAR LEVINSTEIN ALLEGES BREACH OF CONTRACT, AND CITES ARRANGEMENT WHEREBY DU PONTS AND LEVINSTEIN EXCHANGE PATENTS AND SECRET PROCESSES—AGREEMENT TO DIVIDE WORLD'S MARKETS.

"(Special to Drug and Chemical Markets.)

"BOSTON, MASS., *May 18.*

"Suit for $1,000,000 damages, alleging breach of contract, was filed in the United States district court, Boston, May 7, by Edgar Levinstein, of Nahant, against E. I. Du Pont de Nemours & Co., of Wilmington, Del.

"The complaint alleges that the Du Pont Co. in 1916 bought of Levinstein (Ltd.), of Manchester, England, the exclusive right to manufacture and sell the Levinstein dyes in America, with the agreement that Edgar Levinstein, who had for many years been the sole representative of Levinstein (Ltd.) in the United States, with headquarters in Boston, should be continued as a selling medium for those dyes.

"It is also alleged that the Du Pont Co. undertook to reserve for him an annual supply of Levinstein dyes, and also Du Pont's own dye products, on which he was guaranteed a profit, and agreed that it would make every effort to enable him to retain the customers obtained by him while he was representing Levinstein (Ltd.) and doing business under the name of I. Levinstein & Co. (Inc.).

"The Du Pont Co. is alleged to have solicited and induced plaintiff's customers, by unfair methods, to transfer their trade and customs in dyes from him to itself and

to have violated its contract in other respects with the deliberate purpose of driving the plaintiff out of business.

"R. M. Morse and Frank H. Stewart, No. 6 Beacon Street, Boston, counsel for the plaintiff, say in their complaint:

"'TERMS OF AGREEMENT.

"'The plaintiff says that for a long time prior to November 30, 1916, as sole representative of Levinstein (Ltd.), a corporation duly organized and established by law and having its principal place of business at Manchester, England, and I. Levinstein & Co. (Inc.), a corporation duly organized and established under the laws of the Commonwealth of Massachusetts, and having its principal place of business at Boston, within said district, he had been engaged in building up and carrying on in the United States a large and profitable dyestuffs business, especially as a selling medium for the dye products and manufactured under the processes and brands of Levinstein (Ltd.) and had obtained a large number of important and profitable customers.

"'That on March 27, 1918, the plaintiff and defendant entered into a written contract, by the terms whereof the defendant, among other things, agreed in substance and effect with the plaintiff to protect the trade and good will so built up by him in dyestuffs as aforesaid, and in particular agreed to reserve for him from its manufacture and production of both Levinstein and Du Pont dyes, so called, a supply of 600 tons in each and every consecutive 12 months at a price to enable him to sell to his customers at the defendant's usual prices.

"'ALLEGES BREACH OF CONTRACT.

"'That the defendant did not reserve for him from its manufacture and production of both Levinstein and Du Pont dyes, so called, a supply of 600 tons in each and every consecutive 12 months at a price to enable him to sell to his customers at the defendant's usual prices and leave him a reasonable profit, but that, on the contrary, the defendant, in violation of its contract with the plaintiff and with the deliberate purpose and intent of obtaining for itself the plaintiff's established trade, custom, and good will and depriving the plaintiff of the same and embarrassing him and driving him out of his long-established business, has intentionally and deliberately failed, neglected, and refused, and still refuses, to supply him on order with dyes for his customers; has withheld and delayed, and still withholds and delays, shipments to him after accepting his orders for dyes, and has concealed prices and changes in prices from him; has obstructed, hindered, and delayed him, and still obstructs, hinders, and delays him, in obtaining orders from his customers and in placing orders with itself and in obtaining a fair selection of colors from it; and the plaintiff further says that the defendant by divers inducements, devices, means, and unfair methods and practices has covertly, secretly, and persistently solicited, canvassed, importuned, persuaded, and induced the customers of the plaintiff to transfer and divert their trade and custom in dyes from the plaintiff to the defendant.'"

Then follows the agreement between the Du Pont Co. and Levinstein (Ltd.). It is that to which I crave the attention of the Senate. What I have so far read is merely introductory.

"The agreement between E. I. du Pont de Nemours & Co., of Wilmington, Del., and Levinstein (Ltd.), of Manchester, England, makes the following arrangements for an exchange of information regarding patented or secret processes and the apparatus, machinery, and plant necessary for the manufacture of dyes, intermediates, and raw materials.

"LEVINSTEIN AND DU PONT AGREEMENT.

"The parties shall be entitled to the following rights in respect to all patented inventions and secret processes mentioned in clause 1 hereof videlicit:

"(*a*) Levinsteins shall have exclusive rights for the use, manufacture, and sale under its own and the Du Pont Co.'s patented inventions and secret processes throughout Great Britain, Ireland, India, and all British possessions, colonies, and dependencies (except Canada), France, Italy, Spain, Belgium, Holland, Portugal, Switzerland, Denmark, Norway, and Sweden, and nonexclusive rights throughout Canada and all other countries except those for which the Du Pont Co. is to have exclusive rights.

"(*b*) The Du Pont Co. shall have exclusive rights for the use, manufacture, and sale under its own and Levinstein's patented inventions and secret processes throughout the United States of America and all its possessions, present and future, Mexico and Central and South America, and nonexclusive rights throughout all other countries except those for which Levinsteins is to have exclusive rights."

Here is a partition of the world between two huge institutions which are engaged in the same business and which finds its analogy in that historical incident centuries ago, when the Pope, by arbitrary decree, divided the world into two portions, assigning the eastern to Spain and the western to Portugal.

"LEVINSTEIN PAYMENTS.

"If the information to be furnished by Levinsteins to the Du Pont Co. shall be capable of turning out finished products of the standard of the products from time to time sold by Levinsteins, and if the synthetic indigo produced by such processes shall be up to the commercial standard heretofore ruling in the United States, the Du Pont Co. shall pay to Levinsteins £25,000 in each of the 10 years from July 1, 1917, to July 1, 1927, the first payment to be made on July 1, 1918. The condition for such payment shall be deemed conclusively to be performed if Levinsteins shall at their works produce finished products and synthetic indigo of the before-mentioned standards and shall prove that they furnished the Du Pont Co. with the information and instruction necessary to produce the same, whether in fact the Du Pont Co. are or are not able to produce the same or do or do not produce the same."

That is to say, the Du Ponts may, without violating the contract, suspend production if the mutual interests of those two world-dominant corporations should find that course the more profitable.

"PROVISION FOR ROYALTIES.

"The royalties payable by the party accepting the license shall be 5 per cent on the selling value of the finished product delivered in the country of manufacture. In the case of a patented invention the royalty shall not be payable beyond the existence of the patent and in the case of secret process shall be payable only during the continuance of this agreement. The royalties payable to Levinsteins under this clause shall be additional to the £25,000 a year mentioned in clause 3 hereof.

"It is intended to hold in June, 1917—"

The dates in this document seem to be inconsistent, but I presume that is due to errors in copying—

"in America a meeting by representatives of the parties hereto for the purpose of arranging selling facilities for nonexclusive Asiatic territory, particularly Japan and China, the intention being to arrange, if possible, a joint selling company, the capital of which is to be subscribed and its sales to be divided as nearly as possible in equal parts by the parties hereto."

Let me ask here, Mr. President, if it be true that this industry is to perish unless the pending bill shall be enacted, how is it that the Du Pont Co., a principal beneficiary under it, should assume the risk in July, 1918, of making a contract with the Levinsteins, under which the two agreed to organize a corporation as a medium for securing and controlling the dye business of Japan and China? Where is there in this document the slightest expression which would indicate apprehension of a drastic and destructive German competition?

Bear in mind, Mr. President, that this contract was made during the war, under the then existing duties in America upon dyestuffs, nearly one year before the President recommended further legislation in behalf of the industry, and long before anyone could assume what the character of that legislation might be or even the form it might assume.

Mr. NUGENT. Mr. President——

Mr. THOMAS. I yield to the Senator from Idaho.

Mr. NUGENT. I rise merely to ask a question for information. I desire to ask the Senator from Colorado whether or not he understands that the contract which he has read is applicable only to dyes that have been patented by the Du Ponts and the Levinsteins?

Mr. THOMAS. And also to secret processes which are controlled by the two corporations.

Mr. NUGENT. It applies also to secret processes?

Mr. THOMAS. Yes; as may be devised by either of the two contracting parties. It does apply to that class of dyes. However, Mr. President, it is the commencement, the initiation, of the monopolistic condition to which I directed the attention of the Senate on yesterday.

Mr. NUGENT. Mr. President, does the Senator from Colorado understand that that contract has to do with patents for dyes that are not produced in Germany?

Mr. THOMAS. It has to do with all patents for dyes which are controlled by either of the contracting parties and with such secret processes as either may have devised or may devise during the life of the contract; it is an agreement of world-wide dimen-

sions, and must necessarily, therefore, have to do with the dye industry as a whole, for I assume that through and by means of such an enormous combination of the great dye house of England and the great dye house of America control of the industry will be ultimately acquired. I proceed:

"If any difference or dispute shall arise between the parties hereto in respect of this agreement or any matter or thing relating thereto, the same shall be referred to the president for the time being of the Du Pont Co. or his nominee and the chairman for the time being of the Levinsteins or his nominee, who shall arbitrate the same and whose award shall be final."

Mr. SIMMONS. Mr. President, will the Senator permit me to ask him a question?

Mr. THOMAS. I yield to the Senator.

Mr. SIMMONS. I do not understand from the reading by the Senator of the contract whether or not the United States was apportioned exclusively to the Du Ponts.

Mr. THOMAS. The United States as it now exists and all territory or dominions which it may hereafter acquire.

Mr. SIMMONS. And the English house is not permitted to sell under that contract within such territory?

Mr. THOMAS. Evidently not, unless this contract, this partnership arrangement, this executory arrangement, is ultimately to be applied to the remainder of the world.

Mr. SIMMONS. Does it also provide that the Du Ponts shall not sell in Great Britain?

Mr. THOMAS. Yes. The Senator perhaps was not present when I read that part of the document virtually dividing the world into halves. I will read it again for the benefit of the Senator:

"(a) Levinsteins shall have exclusive rights for the use, manufacture, and sale under its own and the Du Pont Co.'s patented inventions and secret processes throughout Great Britain, Ireland, India, and all British possessions, colonies, and dependencies (except Canada), France, Italy, Spain, Belgium, Holland, Portugal, Switzerland, Denmark, Norway, and Sweden, and nonexclusive rights throughout Canada and all other countries except those for which the Du Pont Co. is to have exclusive rights."

It is a partition of the entire globe. Just what the proportions are I have not attempted to calculate; I have not had time to do so; but the Du Pont Co. shall have exclusive rights as to its part and the Levinstein Co. shall have exclusive rights as to its part, subject to the executory contract to be drawn between them for dividing the spoils in China and Japan.

Mr. TOWNSEND. Mr. President——

Mr. THOMAS. I yield.

Mr. TOWNSEND. I regret to say that I was not present when the Senator commenced reading the document, and I should like to ask him from what he is reading.

Mr. THOMAS. I will hand that portion of the document which I have read to the Senator so that he can see for himself, and I will proceed:

"The contract between the Du Pont Co. and Levinstein (Ltd.) was signed by J. Amory Haskell, vice president of E. I. du Pont de Nemours & Co., and John B. Lonsdale, chairman, and Herbert Levinstein, managing director of Levinstein (Ltd.)."

We now come to the contract for the alleged breach of which the suit was brought which exposed the whole thing to the public.

"*Edgar Levinstein's contract.*—A second agreement made by E. I. du Pont de Nemours & Co. with Edgar Levinstein, of Boston, says in part:

"First. The Du Pont Co. agrees to sell to Edgar Levinstein from time to time, to an aggregate amount of not more than 600 tons in each consecutive 12 months, such finished dyes as he may select, including synthetic indigo, of the standard types, shades, and strength as heretofore or hereafter established, if and as the same are prepared or manufactured and offered to the trade by the Du Pont Co. (or by any subsidiary now or hereafter to be organized by it) under the patented or unpatented inventions or processes heretofore or hereafter acquired by the Du Pont Co. from or through Levinstein (Ltd.).

"Second. The Du Pont Co. further agrees to sell and deliver to said Edgar Levinstein such dyes as he may select and order f. o. b. cars at its works, Carneys Point, N. J., at the lowest net price current charged by Du Pont Co. or its subsidiary same article to its most favored customer in the United States (except subsidiaries or sales agency branches of the Du Pont Co.) less 15 per cent, which allowance of 15 per cent shall cover all expenses and profit of said Levinstein for handling said dyes purchased and resold.

"Third. The Du Pont Co. further agrees that it will reserve for Edgar Levinstein from its manufacture and production of such dyes as aforesaid a supply of 600 tons in each and every consecutive 12 months and that it will make every effort to enable said Edgar Levinstein to continue to supply the dyes aforesaid to the customers

obtained by him in the United States while he was doing business under the name and style of I. Levinstein & Co. (Inc.)."

It is that policy which the Du Pont Co. has declined to carry out. It is that contract the benefits of which it proposes to secure by the usual monopolistic methods; that is to say, by ignoring its covenants and defying the injured party.

The last page of this communication recites:

*Du Pont Co. changes.*—In the reorganization of the Du Pont Co., C. W. Phellis, sales director of the explosives department, has been appointed general director of sales, which position carries with it the supervision of the various sales departments, each of which has its separate director. The new position has just been established by the new executive committee, and is one of great importance, in view of the rapidly increasing peace-time activities of the company's various departments.

"Mr. Phellis has been with the Du Pont Co. since January, 1901, and has had wide experience with the sales department. For his first year and a half of service he was connected with the shotgun smokeless-powder division, with headquarters at Cincinnati. Then he was made a salesman in the explosives sales department with the Middle Eastern States as his territory. In 1906 he was made a district manager, with headquarters at Huntington, Pa. After 10 years of successful work in the district he was transferred to the Denver office as district manager, to take charge of the important sales work in the Rocky Mountain States. In November, 1918, he was again advanced and went to Wilmington as the director of sales in the explosives branch of the Du Pont business."

I presume the significance of this charge as regards the suit to which this document refers is that the new sales manager will be the representative of the Du Pont Co. in the absorption of the business of Edgar Levinstein.

Mr. President, just one word of comment. My information is the institution of this suit came at a most appropriate time. It immediately succeeds the letter of the publicity agent of the Du Pont Co. to the Senator from New Hampshire (Mr. Moses), which the Senator from Iowa (Mr. Kenyon) yesterday placed in the Record, and which indicates the absorbing interest of the Du Pont Co. in the pending legislation, and virtually amounts to an assurance that unless the Senator from New Hampshire withdraws his objection to the bill the Du Pont Co. will withdraw its support of Gen. Wood; and what that support is every Senator knows as well as I. This exposition of a step taken during the existence of the war, when the Allies were fighting for their lives, by which a great American monopoly combined with a great British monopoly to dominate the dye industry of the world, is, to my mind, convincing proof of the influences and the interests which are behind this bill, which initiated this legislation, which framed the language of the measure, which induced additions regarding license and embargo, and which depend upon this legislation as a valuable asset in the development of their ambitions and the accomplishment of their purposes.

Mr. President, if I am correct, it must follow that the remote purpose of this bill is little short of infamous, and that it should be rejected by the deliberate and indignant judgment of every Member of this body.

Senator LA FOLLETTE. I can shorten up this examination somewhat, Mr. Chairman, by incorporating in the record citations from the testimony of Mr. Choate, as assembled and printed in the Congressional Record on July 11, and I will furnish them to the reporter later.

Mr. CHOATE. May I suggest that if this matter contained in earlier hearings is incorporated at all, it would be fair to incorporate it in complete form.

The CHAIRMAN. You mean all the hearings that you appeared in?

Mr. CHOATE. No, sir; my testimony before the Senate committee is what I understand to be referred to in the Senator's remarks.

Senator MOSES. I am not a member of the committee; but Senator La Follete will undoubtedly examine Mr. Choate upon these sections if they are not to be printed as he requests.

Mr. CHOATE. I think that will be the fairer course, because if excerpts have been selected from my testimony it has probably been with a wish to use them to produce an effect largely different from that produced by the whole of my testimony, and if it is so used I ought to be given an opportunity to comment.

The CHAIRMAN. How many pages are there in the whole testimony?

Senator LA FOLLETTE. About a page and a half of the Congressional Record.

The CHAIRMAN. Mr. Choate wants all the testimony printed.

Senator LA FOLLETTE. Oh, that is very voluminous.

Mr. CHOATE. No; although I am sorry to seem to contradict, I think there are only 30 pages of my testimony all told, which includes documents which you have already asked to have put in.

Senator LA FOLLETTE. I find that you were constantly contributing statements all the way through the examination.

Mr. CHOATE. I think I was asked a few questions here and there. But I think my main testimony only covers a very few pages in the Senate hearings. In the House hearings it was very voluminous.

Senator LA FOLLETTE. I have no objection to putting in any of the testimony he has given heretofore.

The CHAIRMAN. If there is no objection, in order that Mr. Choate may have an opportunity to have fair consideration——

Senator LA FOLLETTE (interposing). And it might be printed in the record following the quotations from your testimony.

The CHAIRMAN (continuing). Mr. Choate will supervise the gathering together of his testimony and what he desires may be inserted.

Mr. CHOATE. I do think I can probably throw light on almost any of the subjects referred to in your selected quotations.

The CHAIRMAN. Mr. Choate, will you hand to the stenographer to-day or Monday what you desire of your previous testimony to be published as a part of your remarks, and it will be printed in the record of to-day?

Senator DILLINGHAM. Mr. Choate has just made a suggestion that he would like to comment upon the testimony which has been selected.

Mr. CHOATE. After I know what it is I may not wish to comment upon it. But I think a more satisfactory course will be to have the Senator ask me questions as to such portions as he desires.

Senator LA FOLLETTE. I do not think I desire to take the time of the committee to do that. I will hand the selections to Mr. Choate. It is the marked portions [handing the papers referred to to Mr. Choate].

The CHAIRMAN. Mr. Choate, you can glance through them, and whatever it is you are undoubtedly very familiar with it, and if you have any running comment to make you may do so, or you may have a chance on Monday; I do not know. We want to close this hearing pretty soon.

Mr. CHOATE. That is, as I suspected, this contains a number of rather—well, shall I say rather biting comments by someone; I do not remember whose speech it is. Among others, is this comment——

Senator LA FOLLETTE (interposing). I am not proposing to insert in the record any comments, Mr. Choate, but just simply the questions that were propounded to you by members of the committee and your answers to them.

Mr. CHOATE. To show you how easily these matters lead to misapprehension, I must read from the clipping here something that strikes my eye. [Reading:]

A sale to the Grasselli Co. of 1,100 patents and other property for $5,400,000 made them realize they would stand little danger in taking over 4,500 patents for $250,000.

That sentence is obviously framed to make it appear that the 1,200 Bayer patents were sold to Grasselli for $5,000,000, while 4,500 were sold to the foundation for $450,000.

Senator LA FOLLETTE. Is that contained in a question or answer?

Mr. CHOATE. That is contained in the comment.

Senator LA FOLLETTE. As I say, I am not offering the comment; I am just proposing to quote from your testimony as I found it there.

Mr. CHOATE. But I think it would perhaps be only fair to clear up that at the outset.

Senator SIMMONS. Did you not clear it up in your answer?

Mr. CHOATE. I do not think it clear enough here in the part that was put in.

What actually happened was that the entire property of the Bayer Co., including the very valuable aspirin works and the aspirin business, were sold to the Grasselli Co. for $5,400,000. But the property was not sold as property, but sold in the form of the ownership of the stock of the American company which had formerly been owned by the German company. It was that stock which carried the patents. The patents were not sold separately and the patents were, as I think was pointed out by Senator Watson yesterday, turned out to be of almost negligible value.

Senator LA FOLLETTE. That is his testimony.

Mr. CHOATE. Whose testimony?

Senator LA FOLLETTE. Watson's.

(The testimony of Mr. Choate, as submitted by Senator La Follette, is as follows:)

(From p. 88, dyestuffs hearing, Senate:)

Mr. CHOATE. I appear here as counsel for the Chemical Foundation, into which I shall go in a moment, and also I have been asked to represent the American Dyes Institute, which is an association of all the dye makers in the country, because they have practically the same point of view presented by the Chemical Foundation to-day, and are, therefore, properly represented by the same counsel. I came into this case, gentlemen, through my service in the office of the Alien Property Custodian. * * *

I am a life-long Republican * * * and so although it was none of our business as members of the Alien Property Custodian's staff, but purely for what we conceived to be reasons of public spirit, all of us who had the knowledge thus derived there very early began to scratch our heads to see if we could not find some way of helping this industry here (p. 106).

(Hearings before the Ways and Means Committee, dyestuffs, on H. R. 2706, July 14 to 20, 1919, Mr. Joseph Choate testifying, pp. 110-111:)

Mr. CHOATE. The one thing the Alien Property Custodian had power to do without further help from Congress was to sell them (the German dye patents). * * * Now, it was obvious that the wisest thing for us to do was to sell to good American purchasers, and what could we do? * * * It was then that the fertile brain of Mr. Garvan, the present Alien Custodian, then in charge of the Bureau of Investigation, conceived the high idea of getting an industrial organization to act as a trustee corporation to buy the patents. I was present at every detail of every one of the consultations that resulted in that organization. * * * It took the form it did for this reason: In the first place, we had to get an organization that could never fall into the control of any one body, any one company, any one man, or any group of men. For that purpose we made the stock nontransferable without the consent of the company. * * * For that purpose we provided that the whole stock must be placed in the hands of a voting trustee. * * *

Mr. OLDFIELD. Can anybody use these patents (p. 114)?

Mr. CHOATE. Not everybody, but every good American citizen can make application for a license and get it on equal terms, and they have to pay a royalty in each case.

Mr. OLDFIELD. You effect the license system, because all of these patents are controlled?

Mr. CHOATE. Oh, no; they are only controlled by the Chemical Foundation to a very minor extent.

(Mr. Hoguet, who furnished the "soft stuff," as he calls it, must be called as a witness. Again quoting, p. 116):

Mr. CHOATE. As to Mr. Garvan, being connected with this matter, that happened in this way: We were casting about to get a man to take hold of it, and so Mr. Hoguet, a very ardent Republican, and myself were discussing it as thoroughly as we could as to who could handle it. It was evident that whoever took that position (manager of the Chemical Foundation) would have to have a certain familiarity with the Germans in this country. There was no other man except Mr. Garvan who had a tenth of his qualifications in that respect.

Mr. MOORE. How did he acquire that influence?

Mr. CHOATE. As head of the Bureau of Investigation of the Alien Custodian's office from the start. * * * I should say that Mr. Garvan is a dollar-a-year man, and has no need to ask for any other compensation, and is, therefore, serving with the Chemical Foundation without compensation.

Mr. GREEN. Just what were your duties with the custodian of the alien property?

Mr. CHOATE. In the bureau of investigation; I had charge of the investigation of the chemical business.

* * * * * * *

Mr. CHOATE. The Bayer Co. was sold for over $5,000,000. Of course, they had large properties.

Mr. GREEN. You knew that the patents had large value?

Mr. CHOATE. I knew that the patents had a value which no man could calculate, because no man could say which were valuable except in rare cases. I suppose of the 5,000 taken over a great many were absolutely worthless.

* * * * * * *

Mr. GREEN. Mr. Garvan occupied what position?

Mr. CHOATE. He was head of the bureau of investigation.

Mr. GREEN. And you at that time were working under him?

Mr. CHOATE. I was.

Mr. GREEN. These companies, by virtue of their operation, whether in connection with these patents or not, and although while holding these patents, have made immense profits in this country?

Mr. CHOATE. Large profits, I should say.

Mr. GREEN. And profits that both you and Mr. Garvan were aware of?

Mr. CHOATE. Yes.

Mr. GREEN. And learned it in the course of your operations for the Government (p. 118)?

Mr. CHOATE. Certainly. You understand the business was not large. The total amount of imports before the war was under $12,000,000. * * *

Mr. GREEN. Now, after these discoveries had been made by virtue of the connection with the Government (value of the German patents), this corporation, called the Chemical Foundation, was instituted, and it was concluded to place as its president Mr. Garvan, a very capable gentleman, and to retain an exceedingly capable lawyer as the corporation counsel, in the person of yourself. * * * Now, this company, having bought these patents, you say would have a considerable power over the imports as the result of its control of the patents (p. 118)?

Mr. CHOATE. It would have the power to control to a certain extent the operations under the patents. It can, if it can induce people to take out revocable licenses, revoke the licenses if the licensee behaves badly. Whether people will take licenses out in that form remains to be seen.

* * * * * * *

Mr. GREEN. If, then, he who is a manufacturer in a small way comes before the Chemical Foundation and it appears to the foundation that he has so far not manufactured dyes to their satisfaction, and because he could not manufacture them under these patents without having a license, or for any other reason that appeared to them to be sufficient, he could be excluded (p. 120)?

Mr. CHOATE. He would be excluded if the Chemical Foundation did not believe he was in a position to make dyes that would be a credit to the American industries.

Mr. GREEN. That is a matter entirely in their discretion and judgment?

Mr. CHOATE. Precisely, as it is in the discretion of any other owner of patents.

### PUBLIC AND PRIVATE SALES.

Mr. KITCHIN. Now, in the sale of these patents by the Alien Property Custodian, I believe you said that one chemical company purchased how many (p. 121)?

Mr. CHOATE. Twelve hundred before the organization of the Foundation.

Mr. KITCHIN. At public sale?

Mr. CHOATE. Yes, sir; at public sale.

Mr. KITCHIN. Were there any other bidders for them except this chemical company?

Mr. CHOATE. A great many of them, I think.

Mr. KITCHIN. How much did this company bid?

Mr. CHOATE. When the property was sold en bloc, the whole property of the Bayer Co. was sold for $5,300,000. I forget the exact figures.

Mr. KITCHIN. That property included also the stock?

Mr. CHOATE. Yes, sir; that carried the company and its patents.

Mr. KITCHIN. Now, has that company turned over to your company these 1,200 patents? (Neither has the Dupont Co. or others controlling patents.)

Mr. CHOATE. No, sir; we hope they will. They are among the underwriters and good American people, and I think they will try to do the best they can to strengthen the Foundation.

Mr. KITCHIN. Now, your company (Chemical Foundation), after the purchase by this chemical company of these 1,200 patents, was organized, and then the other patents were put on sale at public auction (p. 122)?

Mr. CHOATE. They were not sold by public sale by the custodian, because it would have been impossible to do that for a variety of reasons. All the possible available bidders who could have bid in good faith for these patents as real manufacturers were already in the enterprise, because they were members of the American Dyes Institute. The only other kind of bidder there could have been would be a hold-up artist, who would buy the patents either for the benefit of his own pocket or who would buy them to hold them up from use. It required an Executive order from the President to effect that transfer.

Mr. KITCHIN. I simply desire to get the facts on the record. Now, were these patents offered separately, or were they en bloc?

Mr. CHOATE. They were sold in one transaction to the Chemical Foundation.

Mr. KITCHIN. What was the actual amount of cash that was paid for them?

Mr. CHOATE. $250,000.

Mr. KITCHIN. Now, did your patents cover any other part of the chemical products except dyestuffs?

Mr. CHOATE. Yes, sir; all chemical products we could lay our hands on. But it is only in the dyestuffs that the patents are of great importance—dye and pharmaceutical goods—because it is only there that the patent is especially important. They cover salvarsan and other products, and all the rest that we could get our hands on.

* * *

(Mr. Francis P. Garvan testified as follows:)

Mr. MOORE. I want again to call your attention to a matter that may be referred to later on, which I did not personally care to stir up too much, and that is the compatibility of the Alien Property Custodian serving also as the president of the Chemical Foundation (Inc.), which intends to enter actively into the business and the control of business, and which seeks legislation for that purpose. Is it not, in your judgment, incompatible for one man to hold these two offices, one being administrative and the other being an office where the administrator can assist the president of the corporation (p. 332)?

Mr. GARVAN. Can you point out any point where they conflict?

Mr. MOORE. Is it not possible that questions affecting the integrity of the Chemical Foundation might come before the Alien Property Custodian for administration?

Mr. GARVAN. Can your imagination suggest such a position?

Mr. MOORE. Yes.

Mr. GARVAN. I would like to hear it. If there is anything inconsistent in my two positions, I certainly will resign one or both. * * *

Mr. MOORE. Is it not possible that the Attorney General of the United States might call upon his very efficient Assistant Attorney General, whom he is now about to appoint, in the person of the present Alien Property Custodian (Mr. Garvan), to investigate the business of the Chemical Foundation (Inc.), of which the Assistant Attorney General (Mr. Garvan), now Alien Property Custodian (Mr. Garvan), is president?

Mr. GARVAN. No; it is not.

Mr. MOORE. You think that is impossible?

Mr. GARVAN. Absolutely impossible.

(Advisory committee of Alien Property Custodian are now Foundation trustees. The same committee passed on sale from Government for the private company that bought.)

(Dyestuffs hearings, Committee on Finance, United States Senate, H. R. 8078, Dec. 13, 1919. Mr. Garvan had not resigned after six months. Mr. Francis P. Garvan, Alien Property Custodian, a witness before the Senate committee, p. 520:)

So I conceived the idea of forming the Chemical Foundation and putting all these patents into a quasi-public corporation, which would develop them and give them to chemical companies throughout the country. The way salvarsan had worked out encouraged us. * * * So then we had this board of trustees, composed of Mr. Otto Bennard, president of the New York Trust Co.; Mr. Cleveland H. Dodge, * * * Judge George L. Ingraham, * * * Ralph H. Stone, president of the Detroit Trust Co., * * * Benjamin Griswold, jr., * * *. These gentlemen had consented to act as the advisory committee for the Alien Property Custodian on questions of the sale of German property. * * *

Senator CALDER. How many patents did they take over?

Mr. GARVAN. Four thousand.

Senator CALDER. The Alien Property Custodian sold them these patents?

Mr. GARVAN. It was by private sale by the President.

Senator CALDER. For how much money?

Mr. GARVAN. $250,000.

* * * * * * *

Mr. GARVAN. I am very anxious to make this statement as fully as possible because I do not want to have any rumors or anything to interfere with this case. I am pleased and delighted to answer questions to the fullest (p. 522).

Senator CALDER. I am very anxious to have information because the situation would indicate there is a great possibility of tremendous profits for some people.

(Relating to the value of the 4,000 German patents bought by the Chemical Foundation, the following testimony on p. 255 is in point:)

Mr. MOORE. Would you care to deny the statement, since Mr. Longworth has raised the question, that one of these 4,000 patents (salvarsan) is worth $50,000 a year royalty?

Mr. GARVAN. I would be grateful to have you tell me the name of it.

Mr. MOORE. A one million dollar patent and you bought 4,000 of them for $250,000.

(Testimony can be had that two patents included in the sale were worth several million dollars. Relating to the exclusive power possessed by this Chemical Foundation monopoly over the 4,000 patents under its control the following testimony is relevant:)

Mr. GREEN. Reading from the charter of the Chemical Foundation "The board of directors may refuse to issue any license or may revoke any license granted by the corporation and may prescribe the terms and conditions of such license." * * * (p. 360).

Mr. GARVAN. Do you claim that we could use arbitrary power to refuse licenses?

Mr. GREEN. I have not the slightest doubt of it. In the first place it says the board may issue; second, it shall prescribe the terms; and, third, it may revoke it at any time it wants to * * *

(Again referring to the dual relationship of Mr. Garvan in a public and private capacity.)

Mr. GREEN. A considerable portion of the persons connected with the Chemical Foundation are connected also either directly or indirectly with the Alien Property Custodian's office.

Mr. GARVAN. Yes, sir.

Mr. GREEN. And you consider it entirely ethical that having obtained information through their connection with the Alien Property Custodian that they shall then sell to an institution controlled by themselves?

Mr. GARVAN. It was by virtue of our connection with the Alien Property Custodian office that we saw it as our public duty not to let this thing revert to where it was.

(Mr. Garvan complains that he was not in fact Alien Property Custodian when the sale was made to his company. Technically, this is true in name, but as officer apparently in charge of this property he arranged all the details for the sale, aided by Mr. Choate, to a company of which he was president, and by his subsequent promotion to position of Alien Property Custodian he confirmed by acquiescence that same sale.)

(The previous testimony of Mr. Choate subsequently furnished by him is as follows:)

Mr. CHOATE. I pointed out yesterday, perhaps not in the way of testimony, but in the way of reasoning, what happened in that case.

Senator SMOOT. There was some doubt expressed as to the truth of the published statement of expenses in the Congressional Record referred to yesterday.

Mr. CHOATE. Was that the statement of the expenses of the Dye Institute?

Senator SMOOT. Yes; of the American Dye Institute. Was that statement correct?

Mr. CHOATE. I am not sufficiently familiar with the exact statement to which you referred to say anything about it, but I should not know anything about what expenditures the Dye Institute made anyhow, because my only connection with the institute has been as counsel retained by the legislative committee and doing definite work for them.

Senator SMOOT. Included in this here is your compensation of $25,000; is that correct?

Mr. CHOATE. $25,000 was paid by them to me for all the work which I did for them during the entire legislative campaign up to October 20.

The CHAIRMAN. What do you mean by "legislative campaign?"

Mr. CHOATE. I mean in advising them in regard to their rights, their position and what they ought to do and what they ought to ask for, from the time when the first application was made to Congress for protection in the early part of 1919.

Senator MOSES. Is that all that you did for them, Mr. Choate?

Mr. CHOATE. Was that all that I did for them?

Senator MOSES. Yes.

Mr. CHOATE. That was not all that I did for them. I made a trip to France for them.

Senator MOSES. No. I mean during that period in connection with the legislative campaign.

Mr. CHOATE. I came down here during all of the hearings, during many weeks when I was kept waiting for hearings that strung along on other matters after our matter had been called. I made innumerable memoranda for them in regard to every possible suggestion that was made for changes in the various bills. You will recall three bills have been reported by three committees, and that there had up to that time been two bills reported by two committees, each of which had been changed in—I was going to say—numberless particulars at various times, any one of which might have been important.

Senator MOSES. And you consulted with innumerable Senators.

Mr. CHOATE. By no means "innumerable." I think I could count them on the fingers of my two hands.

Senator MOSES. Some?

Mr. CHOATE. I know some.

Senator MOSES. Why was that course on the part of Mr. Metz described by you as being so reprehensible?

Mr. CHOATE. I never meant that Mr. Metz's course in interviewing Senators was reprehensible.

Senator MOSES. I thought you said he bitterly fought the legislation.

Mr. CHOATE. I said he did, not because there was anything reprehensible as such in his fighting the bill, but as indicating the worthlessness of his opinion that this industry could be protected by a tariff because his interest is the other way.

Senator MOSES. It was not then at all by way of criticism but commendation?

Mr. CHOATE. And that his interest was to get this bill defeated.

Senator MOSES. And you was to get it passed?

Mr. CHOATE. Certainly; quite right.

Senator SMOOT. Then this statement is not correct where it says shows income and expenditure from January 1, 1920, to December 30?

Mr. CHOATE. I do not know anything about it. You can not possibly get me to testify as to the income and expenditure of the American Dyes Institute.

Senator MOSES. It is incorrect so far as you are concerned?

Mr. CHOATE. What does it say in regard to me?

Senator MOSES. It says here from January 1 to October 10, 1920.

Mr. CHOATE. That refers to payments; that does not refer to the time in which the services were rendered. No payment was ever made to me for any service to the American Dyes Institute until October 20, when I received the lump sum covering all services up to that point.

Senator LA FOLLETTE. What time did you visit Paris for the Foundation?

Mr. CHOATE. Not for the Foundation, but for the Dyes Institute. The Foundation had nothing whatever to do with it. I sailed on the 20th of October, 1920, and I got back here, I think, on the 23d of December, 1920.

Senator LA FOLLETTE. Were you over there on business for the Alien Custodian?

Mr. CHOATE. By no means. This was 1920; I was there purely for the American Dyes Institute and nobody else.

Senator MOSES. How many weeks were you absent?

Mr. CHOATE. I sailed October 20 and I came back on December 23, 1920.

Senator MOSES. Six weeks?

Mr. CHOATE. No; nine weeks.

Senator MOSES. Your traveling expenses were $1,505.01?

Mr. CHOATE. I think that is an error; I think they were $1,400 and something. I may state that the amount of the staterooms there and back was $700 and more.

Senator MOSES. I note a payment on account of Paris trip, $3,499.

Mr. CHOATE. Yes, there was an agreed fee there of $25,000, which came about in this way—I think I should state it: The legislative committee of the Dyes Institute came to me in October, 1920, and stated to me that they were very much troubled over the effect which was apparently being produced upon the German dye industry by the operations of the Reparations Commission under the treaty. The difficulty was this: Under annex 8 of Article VI of the treaty the Allies were entitled to 25 per cent of the daily production, but the Reparations Commission was authorized to require the delivery, in case in their opinion the actual daily production was less than normal, of 25 per cent of the normal production.

The members of the Dyes Institute had found it very difficult to obtain any accurate information as to what was happening over there, but the reports of daily production which had come over showed what the German factories had apparently been reporting, and that they had apparently been making almost exclusively dyes which if brought into this country would have come into direct competition with the dyes made in this country, instead of making the

dyes which we did not make, and which therefore would have been useful to the consumers. That worried them for three reasons: In the first place, it looked like a preparation on the part of the Germans for a campaign of full line forcing; in the next place it laid up large stocks of dyes which they could have used in direct competition with our goods; in the third place it established a shortage of certain necessary dyes, of the absence of which the consumers had been so bitterly complaining.

For instance, take the case of any given vat dye—call it vat pink—I do not know whether there is such a thing, but never mind. If the Germans kept down their total production of that product to a point away below the world's demands, the 25 per cent available under the reparations commission, if it was 25 per cent of actual production, would not go anywhere, would not satisfy the consumers at all. The remaining 75 per cent would be left in the hands of the German trust for use, and they would then be in a position to sell it to our consumers on any terms they liked, under full-line forcing terms, or sell it to them on the condition that they bought all their goods from the German manufacturers. That seemed to our people a great danger.

It also seemed to the American Dyes Institute people, as they stated the matter to me, that the inconvenience which would be occasioned to the consumers of this country by the absence of those special dyes would be so great as unduly to react against any application to the new Congress for protection, and that therefore it was up to us to get those dyes made by the Germans and delivered in the reparations dyes if it could be done; it could be done by the Reparations Commission enforcing the provisions requiring the delivery of 25 per cent of the normal production.

Accordingly, I was asked to go over there and find out what they were doing, see if I could persuade the Reparations Commission to enforce normal production so as to insure the supplies of those essential dyes and prevent the full line forcing which would follow their lack.

Senator MOSES. And did you accomplish that?

Mr. CHOATE. I do not think I did; I am not sure. It is very difficult to tell what I accomplished. I may say this in regard to the amount of the fee:

I told them what was the actual fact, that up to the vacation of that summer of 1920 I had had for three years no opportunity to practice law in the ordinary sense; that since I came out of the Alien Property Custodian's office my entire time had been taken up with the Dyes Institute work and the work of the Chemical Foundation; that I had had a few weeks that autumn in which to get back into the ordinary practice and try to get in touch again with such few clients as I had left; that I could not possibly go for any ordinary fee or under any ordinary circumstances.

They asked me to name a fee, and I named one, telling them quite frankly that I thought it was an exorbitant price to pay for any actual services I could render; that I thought it was highly improbable that I could secure any effective action by the Reparations Commission, and that if they asked me to go on those terms they must fully understand those facts.

They went off to consider it, and finally decided that they did want me to go. I went and I did the best I could, and just how far the action of the Reparations Commission was modified as the result of my representations, I do not know. But I do know that the German production of the essential dyes has since been increased.

Senator MOSES. But the action was modified, was it?

Mr. CHOATE. On that I am not able to state at this time.

Senator MOSES. But, regardless of your connection with it, it was modified?

Mr. CHOATE. I think so.

Senator MOSES. And you think you are entitled to take some credit?

Mr. CHOATE. I do not know.

Senator MOSES. I think you are, because otherwise there would be nobody who could enforce any treaty, and, if you will pardon me, you are the one person in the world who would be able to do it.

Mr. CHOATE. I would not take that credit to myself.

There was another feature I was asked to undertake at the time: The military clauses of the treaty gave both to the Allied Supreme Council and to the Reparations Commission certain powers in the way of control over the German chemical works, and powers to compel disclosure. Everybody seemed to regard it as of the most vital consequence to this country, as well as to every country concerned with the treaty, that disclosures should be made and that control should be exercised. By certain protocols which had been entered into the Reparations Commission had apparently given up certain of the powers granted by those sections, and I was instructed to consult with the persons in England who were most interested—Lord Moulton, who was in charge of explosives during the war for the British Government, and Sir Henry Birchenouch—and see if anything could be done toward stiffening up the Allies in utilizing the powers given under those sections. I made two trips to England to consult with Lord Moulton and Sir Henry Birchenouch, and reported as to what they said. Whether anything has been done along those lines since history does not yet relate.

Senator SMOOT. In the Daily News Record of to-day I notice here an article based upon a cable from Berlin, in which it states that the Germans plan to have a dye plant here, or, in other words, in reading the article I judged the writer thinks he has evidence sufficient to justify the statement that the German cartel intends, if the embargo becomes a law, to purchase a plant here in the United States and run a chemical industry here. Have you heard anything of it?

Mr. CHOATE. I have not.

Senator SMOOT. What do you think about it?

Mr. CHOATE. I think it depends entirely upon what they think is the best investment of such capital as they can raise for such purposes. The disadvantage under which they would be working in the way of the establishment of such a business with the present depreciated mark would be so great that I should think they would hesitate about it very seriously. Otherwise, of course, it would be the natural thing for them to do.

Senator SMOOT. Well, if they manufacture it in this country the mark would have nothing to do with it, if we have that embargo on dyestuffs.

Mr. CHOATE. They would have to pay for the factory, and they can not do that without satisfactory money, and if they have any real money in this country it must be so valuable to them for many other purposes I should think they would hesitate to put it into what is, after all, a speculative undertaking.

The CHAIRMAN. Is there any other member of the committee desiring to address any inquiry to Mr. Choate? Have you any further statement to make, Mr. Choate?

Mr. CHOATE. I want to make a little additional statement in regard to the Chemical Foundation.

I want to reiterate what can not be reiterated too often, that the Chemical Foundation has absolutely no control over the dye business, and can not exercise any control over the dye business. There is a most widespread misapprehension as to its powers, in that connection, and I think the best thing I can do to show you how little effect it can possibly have over the dye business is to show you what has happened since the beginning. Under our licenses from the beginning to the 1st of July, 1921, 1,006,700¼ pounds of dyes have been manufactured. That total is stated to me to be exactly 1.14 per cent of a year's production in the United States.

Senator SMOOT. That is manufactured by whom?

Mr. CHOATE. By everybody who is manufacturing under our patents in this country.

Two and one-third years of production under our patents by all who are manufacturing under them equals less than 1.14 per cent of the total dye production for a single year.

Senator SMOOT. That is in weight?

Mr. CHOATE. In pounds.

Senator SMOOT. But not in value?

Mr. CHOATE. No; in value it is probably higher.

Senator SMOOT. A great deal higher?

Mr. CHOATE. In the case of imports the total number of pounds of dyes imported on which the Chemical Foundation has received royalty to date is 106,943 pounds, out of a total of 1,078,396 pounds imported into the country during the same time; that is less than 1.45 per cent.

Senator MOSES. How much was the total of imports—about 1,100,000 pounds?

Mr. CHOATE. About 1,100,000 pounds.

Senator MOSES. Did you see an article in which Mr. Garvan is quoted as saying that the net profits of the foundation has been $73,000?

Mr. CHOATE. If there was such an article, it must have contained a mistake. There have been no net profits of the foundation, because the foundation has a deficit of $123,465.50—that is the loss since the beginning of the company.

Senator MOSES. How many salaried officers are there in the company, do you know?

Mr. CHOATE. I think there is one salaried officer only. Mr. Garvan has never received a cent and never can receive a cent. Mr. Corbett originally served without compensation, but when Mr. McKay resigned it was found absolutely necessary to have a whole-time manager to do the work, and accordingly Mr. Corbett receives a salary.

Senator MOSES. Does the counsel for the foundation serve without pay?

Mr. CHOATE. By no means. The counsel serves under ordinary conditions. I would be glad to state what I have received at various times, if you would like to know.

Senator MOSES. I am not interested in your private affairs.

Senator LA FOLLETTE. What is Mr. Corbett's salary?

Mr. CHOATE. $15,000. Mr. Corbett was vice president of the Central Union Trust Co.

The CHAIRMAN. Is there anything further, Mr. Choate?

Mr. CHOATE. Yes; I would like to reiterate that the organization of the Chemical Foundation has been such as to make absolutely certain that it can not be used by any interest connected with the chemical industry or with the textile industry for any improper purpose. It can not be used for profit making; it can not produce profits for anybody except for the return of 6 per cent on the capital necessarily invested in order to accomplish its purposes.

The CHAIRMAN. You have no further statement at all to make?

Mr. CHOATE. No.

Senator MCLEAN. Do you think Mr. Garvan should be called on, Mr. Choate?

Mr. CHOATE. I think he would be only too delighted to be called and give you any information he can, if you wish it. The books are absolutely open. I have a statement here of every disbursement the foundation has made, certified by public accountants, and I should be very glad to put it in, to show you exactly what the foundation has done from the beginning.

I might also say that the book Creative Chemistry was not written for the foundation, was unknown to the foundation until long after published, and was discovered quite by accident.

The CHAIRMAN. If there are no other witnesses for to-day, as the chairman is informed——

Senator DILLINGHAM (interposing). Do I understand that that statement is to go into the record?

Mr. CHOATE. The whole of the statement? I suppose it is too bulky.

I should state that there is a very important witness yet to be presented. At Senator Watson's request, we requested Dr. Bogert to come here, and he has come all the way from Maine.

The CHAIRMAN. All right; we will hear him.

**STATEMENT OF DR. MARSTON TAYLOR BOGERT, PROFESSOR OF ORGANIC CHEMISTRY AND SENIOR PROFESSOR OF THE DEPARTMENT OF CHEMISTRY, COLUMBIA UNIVERSITY, NEW YORK CITY.**

The CHAIRMAN. Doctor, will you step up to the committee table and address the committee, if you please? What is your full name?

Dr. BOGERT. My full name is Marston Taylor Bogert.

The CHAIRMAN. You are a professor where and of what?

Dr. BOGERT. I am professor of organic chemistry and senior professor of the department of chemistry of Columbia University.

The CHAIRMAN. You made a statement in the previous hearings, did you not, doctor?

Dr. BOGERT. I did, Senator. May I add to those qualifications one or two additional words, Mr. Chairman?

The CHAIRMAN. Certainly. Before you do that I would like to ask, have you anything to call to the attention of the committee to-day over and above what is contained in your testimony heretofore given?

Mr. BOGERT. I am somewhat in doubt, Mr. Chairman, as to just the lines along which Senator Watson wished to have me testify. I have just come off the train from Maine.

The CHAIRMAN. The committee has no information on that point.

Mr. CHOATE. I think I can suggest in a general way what Senator Watson had in mind when he spoke about obtaining the testimony of Dr. Bogert. There was some testimony here to the effect that the statement that the dye industry was necessary to national defense was so intimately connected with the manufacture of explosives and poisonous gases as to be essential to the preparedness of the country was, in colloquial language, all bunk. I think Senator Watson thought you knew as much about it as anybody living.

There has also been a serious controversy here as to whether tariff rates will protect the 80 per cent or so of staple dyes which are effectively made in this country to-day, in view with their connection with other products under manufacture, and I think the Senator had an idea you could give some effective information as to the relation between products and products with something which would tend to show that you can not protect any one group of products in this industry if you leave the rest open to attack.

The CHAIRMAN. You requested Senator Watson to have Dr. Bogert come?

Mr. CHOATE. No, I did not, Senator.

Senator MOSES. Have you any idea if the committee intends to leave any part of the industry open to attack?

Mr. CHOATE. I do not know. I think perhaps I should put it in this way, that the proposition was that if 80 per cent could be effectively protected it would not matter whether the other 20 per cent was ineffectually protected or not; that is about the size of it.

Senator SMOOT. No thought of that was in my mind. I very much prefer to put an embargo on the 20 per cent than I would upon no per cent; and there is no need of an embargo on the 80 per cent, in my opinion, and I think I can demonstrate it beyond a question of a doubt.

The CHAIRMAN. Doctor, are those matters that Mr. Choate has referred to contained in your statement already made?

Dr. BOGERT. Some of them are, Mr. Chairman.

The CHAIRMAN. Then, if you will go on, Doctor, in your own way—we want to adjourn pretty soon. I think the committee is fully impressed with the importance of the military phase of the subject, so that will hardly require elaboration; and if you will go on we will be glad to hear you.

Dr. BOGERT. I think, Mr. Chairman, the committee may perhaps wish to obtain some more specific information concerning the relation——

The CHAIRMAN. All right; proceed, Doctor.

Dr. BOGERT (continuing). Of the dye industry to other industries.

The CHAIRMAN. We will not attempt to restrict you.

Dr. BOGERT. I would like to add in connection with qualifications, Mr. Chairman, the fact that I was a colonel in the Chemical Warfare Service and was acting director of the gas service at the time of its incorporation with other units under Maj. Gen. Sibert as the Chemical Warfare Service; and that I have had considerable experience in the dye industry.

The phases which it has seemed to me would be of interest to the committee were those which illustrate the dependence of other industries upon the dye industry; that is to say, the manufacture of synthetic drugs, the manufacture of synthetic perfume material, the manufacture of photographic chemicals; the intermediates and manufactured products of the synthetic dye industry are such as to lend themselves to the immediate manufacture of certain of these other products of which I have spoken. I shall be glad to give the committee more specific detailed information, if they so desire.

The CHAIRMAN. Does any member of the committee desire to address any inquiries to the doctor?

Senator SMOOT. It has been covered pretty well.

Senator MCLEAN. Let him proceed.

Dr. BOGERT. There is one other feature that I think has not been touched upon sufficiently, Mr. Chairman, and which concerns the educational institutions very vitally, and that is the effect of the development of the synthetic dye industry in this country upon the chemical departments of our universities. I am speaking as an educator and as professor of organic chemistry. The synthetic dye industry in Germany, for example, has been the principal fosterer of chemical research and development, as it has been here in the past few years. Any injury to that industry in this country means an immediate and vital injury to the chemical departments of all of our higher institutions of learning.

The best market for highly trained organic chemists is the synthetic dye industry. There are few industries where equally high technique and skill are required.

At the close of the war, as a result of the prominence into which the chemical industry and chemistry had come, there was an immediate and very rapid increase in the number of students seeking higher education in chemistry and training as investigators. That is beginning to fall off already, as a result of the uncertainty of the situation so far as our dye industry is concerned, and I submit to you, gentlemen, that there is no more important matter, no more important product for this country, no more important industry than that of turning out highly-trained scientific men. That group of expert chemists is going to be very seriously depleted if the dyestuff industry is injured to such an extent that it must curtail its research department, and that has already begun.

Senator SMOOT. Nobody wants to injure the dye industry of the country. Are you prepared to say what is the necessary rate of duty to put upon these different articles?

Dr. BOGERT. The exact duties?

Senator SMOOT. Yes; to protect them.

Dr. BOGERT. No; I am not.

Senator SMOOT. Are you interested in the question of keeping it in operation so that you can have more students go to these colleges of the country and learn this business?

Dr. BOGERT. I am interested in three directions, Senator. In the first place, as an industrialist, to see that this vital industry is maintained in our country; in the second place, as one familiar with chemical warfare, who knows that the safety of his country is at stake, and that chemical warfare is impossible without a fully developed synthetic dye industry; in the third place, as an educator who is concerned about the progress of chemical research and chemical development, and who is sure that in that field also a very serious injury will be effected by any injury to the synthetic dye business.

Senator SMOOT. But it makes no difference to you if the dye industry is protected and maintained in this country whether through protection or whether through embargo?

Dr. BOGERT. It does not, sir; I am not competent to express an opinion on that point. As an investigator and as a chemist I am fully familiar with the interrelations of these products, and I appreciate from 30 years' consideration of the subject how vitally our progress and prosperity are wrapped up in this whole question, and I am concerned as an American, Senator, to see that American chemical industry secures the first and foremost place in the world in this important field.

Senator SMOOT. Every one of the committee is as much interested, I suppose, as you in seeing it maintained.

Dr. BOGERT. I hope so, sir. But having followed it for 30 years, I can see clearly the various directions in which this touches all the life of the community, and as between the possibility of our falling into the hands of Germany or paying an additional price over here—I would very gladly pay 100 per cent profit to anybody here for the sake of maintaining this American industry.

Senator MCLEAN. You do not think it is worth while for us to take any chances?

Dr. BOGERT. I would say this, as an American, Senator——

Senator MCLEAN. If we know the embargo will work and we do not know whether the tariff will work, you would prefer an embargo?

Dr. BOGERT. The only thing I ask, as an American citizen, standing here, is that if there is any uncertainty in this matter as to what is going to protect American industry, to give us the benefit of the doubt, and not in any way jeopardize the progress and safety of our land, or in any way give an advantage to a nation that we know will do everything in its power to overthrow our industry——

Senator SMOOT (interposing). You think, then, that where America is exporting more of an article than Germany is exporting, that we should have an embargo, do you?

Dr. BOGERT. Yes, certainly; because the reason we are or were exporting more than Germany was simply due to exceptional conditions. If you will look at this curve at the present time, you will see that it has fallen right off. In China, for example, the competition with Germany is just beginning to be felt.

Senator SMOOT. That is on account of the business of the world falling off. There is not any business but what has fallen off, and the curve in that regard is not more rapid than the curve of every business in the United States.

Dr. BOGERT. On that question, Senator, I would refer you to the opinion of the United States Tariff Commission, in their Census of Dyes and Coal Tar Chemicals, 1920, page 44, where the following

occurs: "Although this decrease may be attributed to general business depression, it may be largely accounted for, however, by the fact that German dyes—either directly or through reexport of reparation dyes—have again made their appearance in the principal export markets, such as China, India, and Japan. The result has been that the United States has lost by far the larger part of her export trade in dyes in these markets."

The CHAIRMAN. Have you anything further to state to the committee?

Dr. BOGERT. Not unless there are some questions concerning the bearing of these matters on chemical warfare.

Senator DILLINGHAM. I would like to hear you on that subject, Doctor.

Dr. BOGERT. Senator, I would be glad to explain the relations of one or two of these compounds.

Senator DILLINGHAM. Do so as briefly as you can, but I would like your opinion on that subject.

Dr. BOGERT. Upon the subject of chemical warfare, there is no question but that future wars are going to be fought largely with chemical weapons and in so far as the connection between the dyestuff industry and chemical warfare is concerned I might take one or two instances:

Before the war in the manufacture of synthetic indigo it was necessary to manufacture large amounts of what are known as chloracetic acid, and to prepare that chlorine new methods had to be devised. When the war broke out there were available, therefore, in the German factories very large amounts of this liquid chlorine; there was also available what is called phosgene, which had been made also for the dyestuff industry. One reason why chemical warfare was started by the Germans was because they had the material available. The effectiveness with which they used it is familiar to all. That phosgene was a normal product of the dyestuff factory.

Mustard gas was another one of the materials developed in the synthetic dye factories. Practically all of the gases used in the war were products of synthetic dye factories. They were developed by the same technique, by the same skill as was necessary for the production of the dyes themselves, and without a group of men so trained it will be impossible at the beginning, should we ever have another war, to manufacture either an adequate amount of explosives or of any other chemical warfare munitions.

Senator MCLEAN. Assuming that the wars of the future will be industrial wars—we hope it will be confined to industrial wars—they will be pretty fiercely fought, will they not, and defeat will be disastrous?

Dr. BOGERT. Each succeeding war, Senator, qualitatively, if not quantitatively, will be more terrible than its predecessors.

Senator MCLEAN (interposing). And it is important for us, if we expect to maintain our standing of living, to constantly improve our processes of manufacture? We have got to do it, and the two classes of men who will do it for us are the mechanics and the chemists.

And the more we can stimulate private capital to maintain and employ the highest talent in creative chemistry, the more we will demonstrate our wisdom; and if we fail to do it, it will be the height of folly.

Senator SMOOT. Then we better have an embargo on everything, and say nothing can come into the country, and then we are all right.

Dr. BOGERT. May I read, Mr. Chairman, just a brief statement from Germany? Not very long ago one of the most distinguished chemical engineers wrote as follows [reading]:

When the question is asked why the chemical industry of other lands, still more favored, perhaps, by nature, has in the end been surpassed by the Germans, the answer is that Germany has had the good fortune to call her own a number of the greatest intellects in the domain of pure scientific research, who have quickened the pace of theoretical chemistry. But, as before stated, it is the latter which constitutes the vital element of chemical manufacture. Only the land which some day will assume the leadership of pure scientifical investigation will also be in position to snatch from German chemical industry the palm to which it is at present entitled.

I am pleading for the encouragement and development of a group of scientific experts who will make that possible in this country.

Mr. CHOATE. What is that an excerpt from?

Dr. BOGERT. That is from the report of a German chemical committee.

The CHAIRMAN. Doctor, if you have concluded and no further inquiries are desired to be addressed to you, the committee having exhausted all the witnesses for to-day, will adjourn to meet Monday morning at half past 10 o'clock, when other gentlemen will be heard on this embargo proposition, which we hope will be concluded on that day.

(Thereupon, at 12.50 o'clock p. m., the committee adjourned to meet Monday, August 8, 1921, at 10.30 a. m.)

## Monday, August 8, 1921.

The committee met, pursuant to adjournment, in room 312, Senate Office Building, at 10.30 o'clock a. m., Senator Boies Penrose presiding.

Present: Senators Penrose (chairman), McCumber, Smoot, La Follette, Dillingham, McLean, Watson, and Simmons.

The CHAIRMAN. The committee will come to order. The understanding is, as I am informed, that we begin with Mr. Metz this morning.

Mr. Metz, are you prepared to continue your views before the committee?

Mr. METZ. Yes, sir.

The CHAIRMAN. In that case, you will please proceed.

### STATEMENT OF HERMAN A. METZ, PRESIDENT OF THE CONSOLIDATED COLOR & CHEMICAL CO.—Resumed.

Mr. METZ. I want to try to remember the injunction of Senator McCumber that I speak more slowly and give the stenographer a chance; and for that purpose I spent the time since I left here in putting my thoughts down on paper. I do not want to take up time in reading all that I have here. I covered the points of previous testimony.

The CHAIRMAN. You may state concisely what you have and then we will print the paper.

Mr. METZ. Suppose I take the main points out of what I have here and leave the rest to be printed, because I want to place myself at the disposal of this committee to answer any questions that you

care to ask. I have brought with me samples. I am prepared to give you the cost of production. I have the full details that you asked for, and I am glad to submit them. I would rather take up the time in that way than in really going over the testimony that has been given. If that suits the committee, I think we can save time. I presume that you are after facts, and I want to give you those that I have.

Senator LA FOLLETTE. You fall right into the habit of speaking very rapidly if you do not stick closely to your paper.

Mr. METZ. I think that is a great fault that I have, Senator.

Senator LA FOLLETTE. Maybe we will save time if you will follow your manuscript.

Mr. METZ. All right, Senator. If you want to break into it at any time, I am willing to have you do so.

Gentlemen, I am grateful for the opportunity of being heard again, and regret I was not present to hear Mr. Choate's testimony on Saturday. I improved the opportunity to go back to New York and look up some facts and figures which I am sure will be of interest to you. Unfortunately, this being the vacation season for all mankind except, apparently, Members of Congress and Senators, I could not get all the data I wanted, as some of my staff were off on week-end holidays.

Before taking up these matters, I want to ask your pardon and permission to revert to Friday's hearing and some of the statements made by Mr. Choate. He took occasion to say that I have fought this licensing and embargo style of protection devised by himself with some of the dye makers for the last two years, and that I was even on the floor of the House when the clause was stricken from the bill; the insinuation, of course, being that I had used or misused my privilege as a former Member of Congress. I need not assure you gentlemen that I am not in the habit of abusing a courtesy or privilege, and therefore did not attempt to influence the vote of any Member, although I will confess that I did write and send printed matter, such as I have here, to various Members, who wrote me they were glad to get the real facts from one who knew them, and in whose judgment, based on past experience, they had faith. I was also told by many that they were against the plan, but before knowing the details they had been looked up and pledged by gentlemen high in the councils of their party, in one case no less than a former lieutenant governor of their State, who appeared as counsel for those in interest, therefore they voted for the embargo and its other unusual and obnoxious features with regret, and apologized to me for doing so; but knowing that I understood the nature of a political promise, they explained the situation. Therefore, if Mr. Choate intended to convey any lobbying on my part, I would like to ask him for the names and number of the men, business, professional, political, and just plain lobbyists, who have been hanging around Washington for over two years trying to put this thing over and who paid for their time and expenses. I think it would fill quite a good-sized book. They have been rehearsing it so long and telling it to each other so often that I think some of them really believe it. I am proud to know that my many friends and former colleagues on the other side of the Capitol seem glad to see me at all times, and I feel that I can say the same for many of the gentlemen on this, the Senate, side.

If it is any satisfaction to Mr. Choate, I don't mind telling him that I was on the House side again last Friday, and even lunched with Mr. Longworth, despite the great difference of opinion we have on the dye question. It may grieve Mr. Choate to know that Mr. Longworth even stuck me for the luncheon, showing that he did not resent my opposition, and did not hesitate to discuss the question with me. I have been fighting this innovation in protection ever since the day it was first sprung on me at the hearing before the Ways and Means Committee over two years ago.

When Chairman Fordney asked me to express my views on the bill then before the committee the licensing system was no part of it. It was sprung that day as a new proposition, and the commission to do the licensing was the same little clique which has hobnobbed with Mr. Choate in the Dyes Institute, the War Trade Board Advisory Committee, the Chemical Foundation, and the Textile Alliance Advisory Committee, with two or three reputable textile men added to give it a tone of respectability. I had seen so much of the gum-shoe methods of this coterie that I immediately suggested that if there was to be licensing it should be done by a Government body, not a committee of competitors, and suggested the Tariff Commission.

I was sent for by the members of the Ways and Means Committee, and because of my testimony that Mr. Garvan, then Alien Property Custodian, and Mr. Choate's chief in that office and in the Chemical Foundation, demanded the surrender of two more of my companies as German owned, in addition to the one he had already seized, and put his directors in on the strength of the investigation conducted by Mr. Choate, which cost me $30,000 for his auditors and henchmen to make, all in an effort to put me out of business, because I wouldn't fall in with their schemes and help them to loot the representatives of the German chemical manufacturers.

Senator LA FOLLETTE. Just read that part over again. You are going so fast that it is impossible to follow you. It seems to me that it may indicate the somewhat partial, instead of impartial, character of these witnesses who have been presenting before the committee their high standards of patriotism.

(The paragraph referred to by Senator La Follette was thereupon read by the witness as above recorded.)

Senator LA FOLLETTE. What time was this?

Mr. METZ. August, 1919.

Senator LA FOLLETTE. When did you testify?

Mr. METZ. In 1919.

Senator LA FOLLETTE. How long before they sent for you had you given this testimony?

Mr. METZ. Within a few days.

Senator LA FOLLETTE. What was the first thing that they said to you upon this subject as soon as you met them after their sending for you?

Mr. METZ. Well, I have got to go back to the first, just before the armistice.

Senator LA FOLLETTE. Why do you have to go back to that to explain what occurred there?

Mr. METZ. Because they had already seized one company from me.

Senator LA FOLLETTE. I know. I will get back to that; but I want to get this, now, because it is connected with your statement.

Mr. METZ. Congressman Moore was questioning some witnesses in regard to the Chemical Foundation. I got a telegram to come to Washington to see Mr. Moore. I think the telegram came from Senator Calder. I came down, and Mr. Moore asked a number of questions regarding the people who constituted the board of the Chemical Foundation, etc.

Senator LA FOLLETTE. This is not the interview with the representatives of the Chemical Foundation who took away your property?

Mr. METZ. There was no interview. They simply sent for the papers afterwards.

Senator LA FOLLETTE. I understood you to say they sent for you and took away your property——

Mr. METZ. No; they sent me notice and demanded the surrender of two of my companies. They were czars. If you did not do it, you were German. Some of us were not afraid of being called Germans, at that.

Senator LA FOLLETTE. Let us get that clearly on the record as you say it occurred. You gave testimony in August, 1919, before the House committee?

Mr. METZ. The House Ways and Means Committee. It is all in the House hearings, in that book [indicating].

Senator LA FOLLETTE. I understand. I am not asking you to turn to it just now.

You gave testimony there with respect to the proposed dye duty or dye embargo?

Mr. METZ. Yes, sir.

Senator LA FOLLETTE. And following your testimony the Chemical Foundation, if I understand you rightly, canceled two of your licenses?

Mr. METZ. No, sir. Following my testimony Mr. Garvan telephoned to my counsel in New York and told him that I had been down here double-crossing him.

Senator LA FOLLETTE. Were you present when that telephone message was received?

Mr. METZ. No, sir; but my counsel told me that. He was in New York.

Senator LA FOLLETTE. Let us get that just right on the record.

Mr. METZ. I was in Washington.

Senator LA FOLLETTE. You were informed by your counsel, Messrs. O'Gorman, Battle & Van Devere, that Mr. Garvan had called them on the telephone and complained that you had double-crossed him in Washington in your testimony before the Committee on Ways and Means—and what?

Mr. METZ. And sent a demand for the surrender of two more of my companies under the alien property act.

Senator LA FOLLETTE. Were you informed by your attorneys that Mr. Garvan named the companies?

Mr. METZ. He did name them in the demand on me.

Senator LA FOLLETTE. What were the companies?

Mr. METZ. H. A. Metz & Co. (Inc.), and H. A. Metz Laboratories.

Senator LA FOLLETTE. Just describe the first company.

Mr. METZ. The first company is a selling company, handling dyestuffs, American or foreign or anything they can get—a selling corporation, pure and simple.

Senator LA FOLLETTE. When was it organized?

Mr. METZ. It was organized in 1916, I think. I have got to go back to the full details on this, the entire history. I will do it in a moment. The laboratories were incorporated about the same year. They manufactured salvarsan and pharmaceutical preparations.

Senator LA FOLLETTE. Who are the officers of the company?

Mr. METZ. I am president and practically entire owner. Some of my associates are with me—my brother and some people who have been in my employ for years.

Senator LA FOLLETTE. Were there any stockholders or officers or directors in that company who were foreign citizens?

Mr. METZ. Not one, not even foreign born. They were all American-born citizens, every one of them.

Senator LA FOLLETTE. All domiciled in this country?

Mr. METZ. Always lived here, born here and stayed here.

Senator LA FOLLETTE. What was the name of that company, again, please?

Mr. METZ. H. A. Metz & Co. (Inc.), a New York State corporation.

Senator LA FOLLETTE. What was the demand that your attorneys informed you that Garvan had made upon you?

Mr. METZ. My attorneys did not inform me of that. That demand came to me direct from the office, as it always did.

Senator LA FOLLETTE. I thought we were still dealing with the telephone conversation.

Mr. METZ. It was after that the demand came to my office.

Senator LA FOLLETTE. How soon after that?

Mr. METZ. Within a few days. I do not remember.

Senator LA FOLLETTE. Was the demand in writing?

Mr. METZ. Yes; the regular form of the Alien Property Custodian.

Senator LA FOLLETTE. Did you preserve it? Have you that demand in your files?

Mr. METZ. It was all in the court papers in New York. They are all there. I just went through court on this thing and beat them out and got possession.

Senator LA FOLLETTE. On what ground did they demand the surrender of that company to the Alien Property Custodian?

Mr. METZ. I have got to go back to the beginning. I will give you the whole record.

Senator LA FOLLETTE. You can answer that question.

Mr. METZ. On the ground that it was enemy-owned. My old firm, established——

Senator LA FOLLETTE. Let us finish this before we leave it. What reply did you make to that?

Mr. METZ. I was not very decorous. I told them to go to the devil.

Senator LA FOLLETTE. What followed that?

Mr. METZ. I got an injunction and held it.

Senator LA FOLLETTE. You got an injunction in the Federal courts in New York?

Mr. METZ. Yes, sir.

Senator LA FOLLETTE. Restraining them from dispossessing you of that property?

Mr. METZ. Yes, sir.

Senator LA FOLLETTE. What followed that?

Mr. METZ. We had several conferences, and finally got into court, and I won the case.

Senator LA FOLLETTE. How long ago was the hearing had in the case disposing of it?

Mr. METZ. Some time in May or June of this year. The judgment was that it was not enemy owned, that I was entitled to that stock, that it belonged to me, and that is the end of it.

Senator LA FOLLETTE. How much were you embarrassed in the operation of that company by the Alien Property Custodian's taking this course of action?

Mr. METZ. I have got to go back to the whole case. In these companies I was not embarrassed because I did not surrender the stock. I refused to surrender.

Senator LA FOLLETTE. You continued the business?

Mr. METZ. Absolutely.

Senator LA FOLLETTE. You did that with respect to the company that you have just been talking of and also with respect to the second company?

Mr. METZ. Both companies.

Senator LA FOLLETTE. Which they demanded of you to turn over?

Mr. METZ. They had taken another company before that.

Senator LA FOLLETTE. We will come back to that. Did you have a decree with regard to this second company?

Mr. METZ. No; these companies were not in the suit. The first suit covered all of them. There was a first company involved. That is the one I went to court on. All these others were held up by that suit, which suit decides it all along the line.

Senator LA FOLLETTE. Did you get an injunction as to both of these companies, on the second as well as on the other one?

Mr. METZ. Yes, sir; on the second to prevent them from dissipating the funds of the company. I held them up all along the line.

Senator LA FOLLETTE. They actually took one company, did they not?

Mr. METZ. Yes, sir. I had to give up one.

Senator SMOOT. Whom did they put in?

Mr. METZ. A man named Kerr, as I understand, who refused to continue. He said it was an outrage, and resigned. Then they put in Mr.—I do not recall the gentlemen's names—a man in New York who has been in a dozen of Garvan's corporations. They put in Mr. Corbett as treasurer and one of my men. They gave me a chance to keep track of what was going on. I do not recall the names, but they had these men in all these various companies.

Senator LA FOLLETTE. What was the name of the first company?

Mr. METZ. That was the Hoechst Co. That was the result of 60 years in business, practically. It was changed to different corporate names, and finally, in 1900, I think, it was in my own name. In 1900 I took the name of H. A. Metz & Co. I have been there 40 years this fall.

Senator LA FOLLETTE. Was the corporate name changed to H. A. Metz & Co. at that time?

Mr. METZ. In 1900. Then, in 1912, it was changed to Falbwerke-Hoechst Co.

Senator LA FOLLETTE. At the time that the name was changed from the Metz Co. to Falbwerke-Hoechst Co., did there pass any title to the property?

Mr. METZ. Yes, sir. At that time I sold the stock to the German concern.

Senator LA FOLLETTE. Where was that German concern?

Mr. METZ. At Hoechst, in Germany.

Senator LA FOLLETTE. Then it became at that time a German-owned company?

Mr. METZ. Only in name. The stock was in my name. I had the full voting power, and the dividends were divided—well, we never changed the condition except that they wanted the precaution, in case I died or retired, to take over the company and not lose the name. The name was valuable as an asset because of Salvarsan and these other products that had come into the market. I was in Congress and was ready to quit, and they wanted to come in under their own name also.

Senator LA FOLLETTE. They paid you a consideration for that?

Mr. METZ. Yes, sir, $300,000, the same price I had paid 15 years before for the stock from my predecessor in business. That was 1912.

Senator LA FOLLETTE. But you had a contract with them giving you the voting power? Did the stock remain in your name?

Mr. METZ. No, sir; I think I transferred some of it at the time in their name.

Senator LA FOLLETTE. What proportion is it?

Mr. METZ. There were different amounts, 25 per cent, 50 per cent, up to 90 per cent, I think, at that time.

Senator LA FOLLETTE. You transferred to them 90 per cent of the stock at that time?

Mr. METZ. Yes, sir; over 90 per cent. I think I kept about 10 shares.

Senator MCCUMBER. You held it in your hands?

Mr. METZ. Absolutely.

Senator MCCUMBER. You were holding it simply in trust?

Mr. METZ. Under my contract.

Senator LA FOLLETTE. Did you have a contract?

Mr. METZ. Absolutely.

Senator LA FOLLETTE. Did that contract give you the voting power of the stock?

Mr. METZ. Absolutely full power, the same as I had when I owned the entire company. I would not have given it up otherwise.

Senator LA FOLLETTE. What change was made thereafter, before the property was taken over by the Alien Property Custodian, if any?

Mr. METZ. In 1913 there were some suits brought under the trust law. I had always opposed this transfer to the Germans, and in 1913 some suits were brought under the trust law.

Senator LA FOLLETTE. What do you mean by saying you had always opposed it? You had made the transfer.

Mr. METZ. Yes, sir; because I was ready to quit and get out and let them take it.

Senator LA FOLLETTE. You did not oppose it at the time the transfer was made?

Mr. METZ. Oh, no; it was all made in good faith all through. In 1913 these trust suits were brought—the Dobson suits which you have

heard of and which are in the record. I insisted on getting that stock back. I said I did not want this German connection, that I wanted this stock back.

Senator LA FOLLETTE. How early in 1913 was that?

Mr. METZ. March or April; long before we ever thought of war.

I finally got in communication with them, and in July the stock was transferred to me, and I gave my note in payment, $596,000, double the price I paid for it. I did not kick on the price. The assets were there, and it was in my power to keep them there.

Then came the investigation of three concerns——

Senator LA FOLLETTE. Just before you leave that, if you please. Did you make any change in the name of the company when it came back?

Mr. METZ. No; I went right on then, transferred the stock back to myself, and it was my property.

Senator LA FOLLETTE. You then became practically the sole owner of it?

Mr. METZ. Just as I had been before. I was again the sole owner.

Senator LA FOLLETTE. I do not see how you can say just as you had been before.

Mr. METZ. Before they took it; and then I got it back.

Senator LA FOLLETTE. Just how long was the control of the company out of your hands and in the hands of the Germans?

Mr. METZ. Oh, less than a year—about a year, I should say—from 1912 to 1913.

Senator LA FOLLETTE. It was along about 1912?

Mr. METZ. 1912 to 1913.

Senator MCCUMBER. Why did you make the transfer of this in a few months and then get it back again?

Mr. METZ. Because these suits had been brought and they were a species of blackmail——

Senator MCCUMBER. What suits?

Mr. METZ. Brought by a firm of attorneys in Philadelphia.

Senator LA FOLLETTE. Civil suits?

Mr. METZ. For three times damages under the Sherman antitrust law. Under that law we were put to a lot of trouble, and they brought in all kinds of stuff. I settled the cases by going down to Dobson's and putting my cards on the table and showing what had been done. But the point was made then that we were buying from a trust, handling trust goods. As a matter of fact, we were not commission merchants. We were buying and selling at all times, even when the Germans owned it. I bought it outright and paid for my goods and sold them on my own account. It was never a commission proposition.

Then, after getting that back, things went along until the war in 1914.

Senator LA FOLLETTE. After that transfer of that stock was made in 1913, did the Germans, or any citizens, or any alien, have any interest whatever in that company?

Mr. METZ. None whatever, except that I paid them here a part of the dividends I drew.

Senator LA FOLLETTE. Why?

Mr. METZ. In return for part of their profits they made abroad. I will tell you why. In 1904, I think it was, arrangements abroad

were being made with several companies. Mr. Wm. J. Matheson, who is vice president of the National, represented one of those companies in America.

Senator LA FOLLETTE. Of the National what?

Mr. METZ. The National Aniline Co. He was the president of it, and I think he still is. Anyway, he was there. He had an arrangement with the Cassella Co., of Germany, by which they divided their joint profits on the goods sold by them to America and sold here on the basis of the profits made on those goods in Europe and the profits that were made on those goods here, I believe in the proportions of 53 to 47.

Senator LA FOLLETTE. That was a combination between the German cartel——

Mr. METZ (interposing). No; one member of the cartel.

Senator LA FOLLETTE (continuing). One member of the cartel and one member of the——

Mr. METZ (interposing). Selling force here, selling his goods here.

Senator LA FOLLETTE. What were his official relations with the American Chemical Co.?

Mr. METZ. At that time none. At that time I had the German company, owned the stock in it.

Mr. CHOATE. There was no company, then.

Mr. METZ. I beg your pardon. There was a company then.

Senator LA FOLLETTE. I will bring out these facts, Mr. Choate, as I go along. Let us have no more of this.

Mr. METZ. There was a National and had been for years.

Senator LA FOLLETTE. I am not complaining to your replying to an outside interruption; I am complaining of your being interrupted.

Mr. METZ. I think I know as much about it as Mr. Choate. I have been in it some years longer.

That arrangement provided for dividing the profits between abroad and here, and the people whom I represented had gone into the cartel and were anxious to have the same arrangement that Cassella had, which is natural.

Senator LA FOLLETTE. Yes.

Mr. METZ. I finally made the same arrangement, but as I made more profit on this side they only got 50-50 with me. In other words, I paid them half the profit that I made on this side, which equaled the profit they made on goods shipped to this side, and I got 50 per cent on their goods. That was paid in dividends, which is vastly different. It was not in the profit, but dividends. I had full authority to declare dividends when I pleased and in any amount I pleased.

I had that arrangement, and that continued, whether I had all the stock, or whether I had part of the stock and they had part of the stock, the theory being that we would very often sell goods here at a close margin, because of the profits abroad, and they might quote a low price because of the price here. We were in competition with other importers. The big six always competed against each other, competing openly and cutting each other right and left.

They investigated the German dye concerns, and I was sent for. Mr. Choate was the examiner, and I put my cards on the table and said, "I assume, Mr. Choate, this is dead open and shut. I will give you anything I have got." He said, "Will you allow my examiners to take your books and go through them?" I said, "Certainly."

I supposed two of them would come down, and there were six or eight who came down at $50 and $100 a day, and they stayed five months, and I was being soaked for it. It was a good job.

Senator LA FOLLETTE. Was that at your expense?

Mr. METZ. Yes, that was at my expense. They worked for other companies at the same time. They had stenographers sitting there reading my copy books, going through my check books, etc., checking everything I had spent since 1912.

In that report Mr. Choate decided that it was a camouflage sale. His great German expression for it was "scheinverkauf," I think it was. I gave them everything they wanted. I was perfectly clean and was not afraid of anything they could find, and I am good on a note for $500,000 or any other amount I put my name on.

According to Mr. Choate's judgment, that was a camouflage. I went to Mr. Garvan and said, "Frank, you know this is not right." Mr. Fitzgerald, our former colleague, John J. Fitzgerald, told me they were going to do this and I had better get in line. I don't want to betray a confidence, because John and I are good friends.

Senator LA FOLLETTE. I do not think you have stated what time that was.

Mr. METZ. That was the latter part of 1917 or 1918. When was the armistice signed?

Senator LA FOLLETTE. November 11, 1918.

Mr. METZ. That was early in 1918, about October, 1918.

Mr. Garvan says, "Well, you know there is more in this than just your little company. The question of manufacturing dyes is involved. You say we can not, and we say we can." I asked Garvan where his office gave him authority to foster the dye industry. He said, "We will make an examination of the other concerns, and that will let you out. That is the best thing you can do. We will take these over and wipe out the big ones." I had no objection to their wiping anything out. I had my redress. They got nothing but a sign. I couldn't sell goods under that name. I either had to change the name of the company or reincorporate all my concerns.

On Saturday night at 6 o'clock before the armistice was signed, on November 9, they came to my house in the country, two of the accountants, and demanded these three companies, the Farbwerke-Hoechst Co., the H. A. Metz & Co. (Inc.), and H. A. Metz Laboratories; they made a demand for these three companies. I called up Senator Gorman and said, "This is an outrage." "Well," he said, "you know the law, and you are being investigated. Frank tells me he thinks it is all right, and you had better comply."

I complied under protest. I then saw Mr. Garvan, and we arranged that pending the investigation, which was still going on and went on until the following March, that I would deposit the stock of these companies with John Fitzgerald in escrow. I said "I am not afraid of anything of that kind. I will trust John. I put it up with him in escrow to hold under an agreement that it would be held pending the investigation, and then to be given back to me to do according to the demand or not, as the case might be.

Finally it was decided to take over the Farbwerke-Hoechst Co. and wipe out the big six. Mr. Choate insisted on that being German, etc., and when Mr. Garvan drafted his first report, it said distinctly that no evidence had been found indicating any German connec-

tion with the other two companies. That was not in the final report which was published, but I have got a copy of the original report in which it was. It was stricken out.

The result was they demanded the stock of the Farbwerke-Hoechst Co., and I surrendered it. Then came the literature about German spies, and everything else, the libelous stuff that appeared in the Saturday Evening Post and everywhere else, that would drive a man insane. Later, demand was made for the two other companies again, and I refused to give them up. I think that shows there was animus in the whole thing.

Senator LA FOLLETTE. At what time—and I ask it in this connection—was the Chemical Foundation organized by Mr. Garvan and the other gentleman?

Mr. METZ. I think it was some time in 1918. I became a subscriber like the rest of them.

Senator LA FOLLETTE. That corporation was in existence at the time of this demand, was it?

Mr. METZ. Oh, no. When they made the second demand it was, but not the first demand. That came afterwards.

You asked me how that handicapped me. In the first place, it prevented me from increasing my business; it prevented me from going to the public with stock, if I wanted to increase my capital, which I could not; it put me under the danger of having my property sold to somebody else, some other concern; it put me up against the proposition where they might take my business. I went to Secretary Hughes, who was my counsel, and he advised me to comply with the demand and surrender the company. I said, "No; if I do that, I am done." He said, "You will be indicted." I said, "I will take a chance on being indicted." I did, and they didn't indict me. A man that is right need not be afraid of being indicted. I refused to surrender it. I said, "I will not give up any collateral I have got to these people." Then Mr. Kressel, counsel appointed for the seized companies, told me "I will have you indicted for conversion." I told him to go ahead and get me into court, get into the police court, get me into any court, just so I got into some court, but they didn'd do it.

That is the history of the situation of those companies. I was handicapped under the "spell" of pro-Germanism and all of that stuff. It is all in the record.

Senator LA FOLLETTE. Just go ahead with your statement.

Mr. METZ. I was held up as a German. People refused to buy goods of a German. Competitors went around talking about my being taken over. I was suggested as a member of the advisory committee of the Dye Institute. Mr. Choate was present and suggested that it would be inadvisable to put Mr. Metz on, because he was persona non grata in Washington. That got me mad, and I have been proving ever since how much persona non grata I was here.

Senator LA FOLLETTE. Go ahead with your statement.

Mr. METZ. I had got down to the $30,000. I would not fall in with their schemes and help them to loot the representatives of the German chemical manufacturers. I use the word "loot" advisedly, because it was loot and nothing else. Their exaggerations, distorted translations, and misconstrued versions of details they claimed to have found in their investigations are still being sent out and their libelous

publications in their propaganda for this embargo. Only last week I received the same letter through the mails, about the German spy system. Poor devils whose only crime was that they were Germans and had not yet been naturalized, were intimidated, brow-beaten, and interned, after having been locked up in vile county jails in various parts of the country, and some whom I know about were not released till some other of their henchmen were employed as counsel and paid $4,000 for services to secure their release from Ogelthorpe. I know that to be a fact, and it can be proven, that the Department of Justice had nothing against them, but the Alien Property Custodian wanted it done. They were told that if they saw a certain gentleman in the department and secured his services they could get out.

Senator McCUMBER. Who was Attorney General at that time?

Mr. METZ. Mr. Palmer was Attorney General at that time.

And the same man who gave Choate the information in regard to the men I refer to is the same man who gave him the information about the so-called monstrous actions of the German Dye Trust. He was the vice president of one of them for many years, and may have known all this from his personal experience, but as for my concerns or the German plant I represented are concerned, I deny it and defy him or Choate, or any other man, to prove one single act not entirely in accord with business ethics, except possibly agreements as to prices on several things which his firm controlled before I butted in and handled the same goods. That gentleman is the chairman of the executive committee of practically all of the bodies I have referred to, and while he does not often appear personally in the open, the register of the Wardman Park Hotel will show how much time he and his colleagues have spent in Washington during the last two years, trying to put over licensing and embargoes. I didn't happen to be an unfortunate German alien, but a free-born American citizen, whose record made it unnecessary to worry about being called German by Choate or Garvan or anyone else, and I simply applied to the courts for an injunction to prevent any further dissipation of the funds of my company, and after waiting two years and one-half to get the court to try the case, I of course got a decision in my favor, and naturally Mr. Choate is somewhat peeved.

So much for that, gentlemen, and I ask your pardon for having indulged in it, but if at any time you want any details about some of the things I have indicated, I am at your service, for thank God we have again arrived at a point where the American flag can't be used to cover every kind of a dark deed pulled off in the name of patriotism and a man needn't be afraid of being branded a German for telling the truth and calling a spade a spade. As Americans who love their country, if there are any acts we will be ashamed of in the future it will be those that have been pulled off by the little coterie in the Alien Property Custodian's office, many of whom are now in Germany or have their agents there trying to get retainers from the very people whom they gouged at a dollar a year. I know, because I get inquiries from abroad asking about those same men. Naturally, I am heartily recommending them.

I get letters right along asking if this man or that man should represent them over here, over in the Alien Property Custodian's office, and under these same officials.

Now for Mr. Choate's testimony. He was asked what connection there was between the Chemical Foundation and the Dyes Institute. He said "none," but he appears before one sewing circle in New York one day as counsel of the Dyes Institute, and the next at a board of trade dinner in New Hampshire as counsel of the Chemical Foundation, always waving the American flag, poison gassing the audience and telling them about the wicked Germans. If there is no other connection than himself as counsel for both, that seems close enough. He said I spoke of salvarsan, intimating that I did it to befog the issue.

I mentioned salvarsan to show that if I could make that very intricate product whose purity meant life or death, and of which 90 per cent was labor, and bring the price down from $2.50 to 27 cents a dose, it would seem likely that makers of dyes where the labor amounted only from 5 per cent to at most 25 per cent for certain dyes made in limited quantities, ought to be able to take care of themselves with a reasonable protection. The price was $2.50 because the Germans had certain patents and they had spent over 10 years in experimentation. There were 606 products compounded before they produced salvarsan. Hence the name "606." The same is true with reference to indigo. They spent 25 years on that before they got a dollar back on it. We took their papers and copied them when we were making it. That is all we are doing. He questioned my statements about nitrating plants. I said that not over eight dye plants were equipped for nitrating. No doubt more plants have nitrating apparatus and in my own case we have a nitrating plant at the Central which is used now only for emergency purposes and contains one nitrator. It doesn't pay to nitrate benzol, toluol, or xyol on a small scale, or unless you have your own nitric-acid plant, and how many have that. It is much cheaper to buy nitrobenzol, nitrotoluol, etc., as well as the next stage products, aniline, teluidine, and xylidine from the few large plants equipped to make them, and to pay the transportation charges on the necessary nitric and sulphuric acids to make the finished intermediates I have just mentioned. There are times when supplies are scarce, or held back to boost the price, when it pays a small man to buy the crude benzol and toluol and do his own nitrating and reducing.

Otherwise these isolated nitrators are idle and they never would be a factor for munition purposes. Nitrating for explosives is done on a large scale and guncotton, trinitrotoluol picric acid, which is trinitrophenol are not made in color plants, but in special plants for such products, and the best dye industry can do is to use a small part of the possible output of those plants and so help them keep up a small percentage of those put out of business and idle since the war stopped. He said I claimed that I was not afraid of the Germans and then in the next breath asked protection against the dumping of reparation goods from England, France, and Italy. I mentioned the goods coming from those countries, because of the loud announcing of embargoes by them. If they have placed such strict embargoes, how comes it that they have so many German goods to offer at lower prices even than the Germans? They not only have those dyes to use on their own textiles which our mills must humbly beg for, but can sell us their surplus besides and we can't get what we order even from Germany, because the makers have none in stock.

It shows simply that they have bought all that they could lay their hands on, even for forward delivery from the Germans, when prices were lower and are now cleaning up, and we are paying them the profits, as usual.

Senator SIMMONS. What is that you are saying? Are you charging some of the dyestuff manufacturers of this country with having bought large stocks?

Mr. METZ. No; the British people. It is the British I am speaking of.

Senator WATSON. There was an embargo for a while after the war, and they lifted it?

Mr. METZ. They lifted it and put it back to protect themselves.

He talked about the increase in size of the German plants and seemed to refute my statement that the increases were for other products besides colors by claiming of his own knowledge the greatly increased indanthrene blue plant of the Badische. Strange that with such an increased plant the record of the Tariff Commission of 1920 shows, on page 44, that the total manufacture of indanthrene blue G. C. D. the main one, was only 93,645 pounds for the year 1920, and only 7,487 pounds for the first quarter of 1921. It bears out exactly what I said that they haven't got the anthracine and other raw materials that we lack here for on page 46 the same report says:

> It is of particular interest in examining the output of the different classes of dyes according to application that the protection based upon the above monthly reports shows a large output of acid, direct and sulphur dyes, and indigo paste whereas there is a small production of vat dyes, indanthrene blue G. C. D., alizarine and alizarine colors other than alizarine red. The German production program has apparently resulted in a larger output of those dyes made in America, with a minimum output of dyes that are not made in the United States or made in quantity insufficient to meet domestic needs.

To the average sane business man, that would appear to denote that if they had the material they would make the dyes that their domestic textile industry needed or that they could sell us at high prices, because we are begging for them, instead of such dyes as they know can not be sold here and that many of which we are competing with them in the export market. Surely Germany needs the money and would be glad to sell anything she could get fancy prices for.

To those still seeing red, however, this means that the unspeakable monster is putting money for wages and materials into goods, piling them up and waiting for the moment to come to give them away just to make Choate and his friends angry. Full line forcing was mentioned. I defy anyone to prove a single case of full line forcing, except possibly attempts by the same gentleman to whom I before referred as Choate's authority and that gentleman is not a German, and, so far as I know, doesn't even speak German.

Senator WATSON. Just a moment, please. This is quite an important point. Do you mean to say that there are no efforts of that kind being made now?

Mr. METZ. They claim that the Germans did this full line forcing. I say that there was no full line forcing by the Germans, and I make that statement after having been in the business for 40 years.

Senator WATSON. In other words, you mean that nothing of that kind has been attempted?

Mr. METZ. Senator, I will get to that in a moment.

Senator WATSON. Very well.

Mr. METZ. The four-year contract system on indigo was also carried out by the same gentleman, and I am quite sure was transferred to and adopted by the company he is now with and that the price protection clause is contained in their contract covering the period of the contract. In this connection, I wish to say that these people made contracts covering supplies for a number of years.

Senator WATSON. To whom are you referring now?

Mr. METZ. The Du Pont people.

Senator WATSON. To the Du Pont people?

Mr. METZ. Yes; they are perfectly justified.

Senator WATSON. Have the other American companies, too?

Mr. METZ. Yes. They had it when they started up in business.

Senator WATSON. Is the four-year contract an indirect way of full-line forcing?

Mr. METZ. It can be used as such, Senator. It was done time and time again in the past and it is done to-day.

Senator SMOOT. It was done 20 years ago?

Mr. METZ. Yes; it was done 20 years ago.

Senator WATSON. It was, you say?

Mr. METZ. Yes.

It is not true that consumers who did not make a four-year contract could not get the indigo. The product was patented here and those who owned the patent could make terms upon which it was to be sold. The consumers who had no contract simply did not enjoy quantity discounts allowed by the contractor, but could get all they wanted. I know, for I, too, handled indigo under the patents.

Senator MCCUMBER. I do not quite understand that last statement.

Mr. METZ. Mr. Choate said that those who did not have contracts could not get the goods.

Senator MCCUMBER. Is that correct?

Mr. METZ. No; that is not true. As I have said here, the product was patented here and those who owned the patent could make terms upon which it was to be sold. The consumers who had no contract simply did not enjoy quantity discounts allowed by the contract, but could get all they wanted. In other words, the contract allowed so much discount for so much and so much, and so on, bringing the price down proportionately, according to quantity.

He mentioned undervaluation. I defy him to prove by the custom-house records a single case of undervaluation by any of the larger manufacturers or by any of their former agents in this country. If I remember correctly, some charges were made against some of the smaller importers, and there are many of them, but they were on invoices from manufacturers or dealers in Switzerland and Belgium. Bribing of dyers is mentioned, and undoubtedly in some cases presents and even fixed commissions were paid the dyers, just as in practically every line of business some such system prevails. These are all things that this monstrous combination was doing in this country to kill the business. But this tipping or graft, as it is called, was not confined to dyestuffs, and where it was carried on it was done by the salesmen of the various concerns regardless of whether they sold German, Swiss, English, French, or American goods. Only a few days ago I clipped from the New York Times an item stating that the United Indigo & Chemical Co., a British corporation, with offices in Boston, had been ordered to refrain from certain competitive methods

in the chemical industry, and testimony was given that during 1916, 1917, and 1918 the company spent for entertainment and gratuities to employees of its customers and competitors' customers an average of from $40,000 to $50,000 a year. A similar order, I am informed, was issued not long ago to John Campbell & Co., another firm, with former English affiliations, but now manufacturing here and very busy recently in sending out literature in favor of the embargo.

Those are all matters of record and subject to proof.

Senator LA FOLLETTE. Is this [indicating] the clipping to which you refer?

Mr. METZ. Yes, sir; that was the one to which I had reference.

Senator LA FOLLETTE. Let that remain with the manuscript and be inserted in connection with it at the place to which it is referred.

Mr. METZ. Very well.

I recall other orders to cease or desist issued by the Federal Trade Commission against other dyestuffs manufacturers and dealers, and though in a dragnet fashion notices for hearings were served on practically all the better known firms I can not recall that any of the firms dealing especially in German goods were found guilty, although undoubtedly many of the salesmen who formerly sold German goods are with virtuous American firms selling to the same buyers they sold then.

Mr. Choate's statement, so often made, that only one textile manufacturer escaped because he was wise enough to re-mark all his purchases of dyes before his buyer got them, is absolutely false, ridiculous, and a slander on nine-tenths of the buyers in the United States, and a reflection upon the common sense and business ability of every dye user in the country.

His statement that no one knows what the German plants are doing is nonsense, because four of the largest are in the occupied zone under constant allied supervision whenever supervision is desirable, and only two are in unoccupied Germany. That statement appears in the record. He mentioned the firms that are very small.

Senator LA FOLLETTE. That is, four out of six?

Mr. METZ. Yes; four out of the Big Six in the occupied zone and only two in the unoccupied zone. They are the small ones at Frankfort and Berlin.

These statements, together with his brief, which is a mere repetition of his previous effusions, are generally distributed to the public by mail and through the well organized and expensive press bureau, and ought to be labeled "Pro bunco publico," because they do not fool anybody else, and the public is about ready to call a halt on being fooled.

Mr. Stone called your attention to his suit that he wore, dyed with American dyes. No one who knows will dispute that what we make here, dye for dye, is usually as good as the same dye that is made in Germany, but we do not make some of the dyes the public wants in the fabric.

Is Mr. Bennett in the room?

A VOICE. Yes.

Mr. METZ. Mr. Bennett showed me a nice blue suit last week, and you can see that it is a good-looking suit. It was rather warm here last week, however, and Mr. Bennett perspired, so that the result is seen in this shirt of his which I borrowed from him. Although it has

been laundered, the color is fast where it should not be and runs where it ought to stay. The trouble with that dye is that it is imperfectly made, or else is not fitted for people who perspire. I think that it is my dye, as a matter of fact, but I am not absolutely sure.

Senator WATSON. You mean it is one you made?

Mr. METZ. It may be one that I made or I am making.

Senator WATSON. One you made?

Mr. METZ. I am not quite sure.

Senator WATSON. Can you make that so that it will be as fast as the German dyes?

Mr. METZ. For this kind I can. That is one of the details of dyeing—leaving this [indicating] white white. I will come to that in a moment. The trouble with that is that that dye is imperfectly made, or else it is not fitted for people who perspire. It probably contains a by-product which was formed in the process of making and was not washed out thoroughly, so it is not fixed in the fiber in the dyeing process, and therefore it dissolves out in the perspiration. The public is beginning to send these goods back to the clothing stores and the mills are getting claims. During the war everything went. There were no seconds, but the public is now beginning to get restless. In the New York Times last Friday I found a story to the effect that the United Waist Workers of America had raised the question of the fastness of American dyes. The ladies apparently are also beginning to perspire and get restive over running and fading colors. As I said a moment ago, during the war everything went. There were no seconds at all, but now the public is beginning to notice things and the reaction will set in if it is made impossible or even hard for mills to get the colors they need. People do not like to buy imported clothes, and it will not be long before the fast colors do come in on cloth instead of in barrels.

The above clipping also refers to the German plants making alcohol from carbide. I mentioned that the other day.

Mr. Waters showed you exposure tests showing better results with American than with imported vat dyes and stated that they were exposed the same number of hours. I asked him if one set had been exposed from 6 a. m. to 6 p. m. and the other from 6. p. m. to 6 a. m. The hours would be the same but the result would not. You have the sun in one instance and you have no sun in the other. You can flimflam any way you want to on the hours. I could hardly explain his test in any other way.

The mill man is handicapped by the lack of knowledge on the part of the seller as to what his colors will stand. The mill buys colors but dyes shades. You hear about colors all the time. I am going to illustrate that to you just for a moment. Colors are one thing and shades are another.

These cards that I have here contain colors. I make 125 of them at my two plants. These [indicating] are the basic colors. This is cotton and wool; this is cotton and sulphur dyes. This card here contains shades. That is what the mill wants. I shall come to these now. This card shows ladies' dress goods.

Senator WATSON. You make these?

Mr. METZ. I make these. These shades here are dyed in the laboratory; they are a combination of colors. That is a German color card [indicating]. I will get down to these in a moment.

Senator WATSON. Are these German or American made?

Mr. METZ. Those are German.

Senator LA FOLLETTE. Can you effect those shades at your factory?

Mr. METZ. Yes; I can effect them, but I can not guarantee them. In other words, I can not say that every color will stand. When there are three or four and one does not stand the same as the other three, the shade is gone.

Senator WATSON. Do the Germans guarantee them?

Mr. METZ. They do not have to guarantee them.

Senator WATSON. Can they guarantee them?

Mr. METZ. Yes, and we could, if we made the same things. They have got a good full line. It is the mill I am talking about now.

Senator WATSON. We have not got a full line, and, therefore, can not make those shades. So the query is: How are we going to get a full line?

Mr. METZ. We can make any shade we want. We do not have to get those particular shades. Let the ladies who are so fastidious go without some of the shades. What I mean is this, that they are not dyeing colors. The mill man wants the shades and he must get colors to make shades. These colors must be of the same nature. For a long time, I may say, we had no proper wool blue.

Senator MCLEAN. Where are the shades made?

Mr. METZ. In the dye house. These [indicating] are combinations. Individual colors make these shades. Each of these shades is composed of three colors. For instance, 12 ounces of that, 8 ounces of that, 1 pound of that, and 4 ounces of this make that.

Senator WATSON. Can we make all of those in America?

Mr. METZ. We can make them in America, but we did not have those blues.

Senator WATSON. Have we got them now?

Mr. METZ. Yes; we have. We used indigotines. Here is indigotine that had to be used. The dyer can match that shade exactly. The difficulty is that the moment the dyer gets those goods in an artificial light its a different shade; that is his difficulty. They can not use this with success. They can use it, but whenever they do, they get a blue effect at night and perhaps a green one during the day. One of these will do for piece dyes; for they dye level, and others will not dye level.

The mill does this work. This is an important point. Here you have some colors dyed in the piece, leaving the silk white. Here is a piece of white cloth with a fancy thread woven into the goods. It is possible for the mill to go on making up these at full capacity, and they may get orders for this, that, or the other shade. They can go on weaving for a long time instead of weaving each shade separately each time.

These few colors are about the only ones we have for that purpose now. I make these [indicating] for men's goods.

Senator WATSON. If we have not got them yet but can make them, under what conditions is it possible for us to do it?

Mr. METZ. We can go on working with proper protection. That will do it. If you do not let us get them, these dyed goods will come from the other countries, because they can make them cheaper than here by far; and you are going to kill the textile industry for the dye people, who have made a lot of money already.

Senator McLEAN. If they are protected here then you can make them in this country?

Mr. METZ. Yes; keep the duty high enough. The cost is not going to amount to a great deal on a piece of goods. Let us have those dyes. Do not make our consumers go through a whole lot of red tape so that by the time they get under way the season is gone. Mills do not make the goods by the piece. They make a sample. It contains a certain color. Those samples go into the market. They are opened up and orders are taken. You can not get six months' supply ahead. For instance a concern ordered 20,000 pounds of a certain kind of blue. By the time they got here the season was over. Ten thousand pounds were delivered and the other 10,000 remain on our hands. I am loaded down with such goods now, selling them off to people who want to buy a few pounds now and then by permission of the War Trade Board.

Take the Pacific mills. As I understand it, they have objected to an embargo. They came to me and said, "If we can run our season out, we can use a certain product in our goods, but we have to have enough for the season. They couldn't get it, and the result was that it cut them out of their patterns.

I want to illustrate the difference between colors and shades. Colors mean nothing. The dyer has to know whether it will stain white or not. The man who does know will continue to do a good business. That is why some are still in business despite all this trouble.

Senator SIMMONS. This embargo proposition now pending before the committee is to take care of such dyestuffs as are produced in this country in sufficient quantities and sold at reasonable prices, I believe?

Mr. METZ. Yes.

Senator SIMMONS. You say that when the industry is established here and we learn how to make dyestuffs you will be able to go along with a reasonable duty?

Mr. METZ. Yes, sir.

Senator SIMMONS. Upon your product. That is what I understood you to say?

Mr. METZ. Yes.

Senator SIMMONS. What per cent of the dyestuffs produced in this country would come within that catagory?

Mr. METZ. Not 10 per cent of the dyestuffs used here would come in from outside.

Senator SIMMONS. I mean what percentage of dyestuffs produced in this country now could we sufficiently establish to enable the manufacturer to get along with a reasonable protective tariff?

Mr. METZ. I should say 75 per cent of what we are now making, and that would constitute about 80 per cent of what is used——

Senator SIMMONS. Then what is the necessity of putting an embargo upon 75 per cent in order to take care of 25 per cent?

Mr. METZ (continuing). To be able to keep up the price.

Senator SIMMONS. If there are any dyestuffs that we do not make and we do not know how to make, that require an embargo, from the standpoint of anybody, in your judgment it would then be sufficient to embargo those particular dyestuffs instead of embargoing, not only them, but all the other dyestuffs as well?

Mr. METZ. If you do embargo those particular dyestuffs, then the mills can not get readily the goods they need.

Senator SMOOT. Embargo them with a rate of duty?

Mr. METZ. Yes, you can help that way.

Senator SIMMONS. That is what I am saying. If it is absolutely necessary to embargo at all, why extend that to dyestuffs that we produce instead of only to those few that we have not learned how to make?

Mr. METZ. If you put the rate high enough, it will take care of that.

Senator WATSON. Senator Simmons, you and I were on the committee that investigated that whole thing. If you come to write an embargo on these particular colors not manufactured in the United States, how are you going to word it or how are you going to designate it?

Senator SIMMONS. I am not now ready to do it.

Senator SMOOT. It can be done all right.

Mr. METZ. You do not want to embargo those dyestuffs. You want to make the duty high enough, but do not keep them out altogether.

Senator SIMMONS. You do not want to embargo those things that are not produced in this country at all and you do not want to embargo those things that are produced in this country in sufficient quantities to need, according to Mr. Metz, only a reasonable duty; but you want to embargo those in between those two extremes.

Mr. METZ. Have a high duty. That is the idea.

Senator SMOOT. Have a high duty so that they can manufacture in this country. I do not care how high it is, but give them a duty so that they will have a chance.

Mr. METZ. Reverting to the question of color combinations, if only one of the combination the dyer makes is not equal to the rest in fastness to light, washing, alkali, or acid, his shade is gone the moment the wearer of the dyed goods submits them to any of the above tests, and I am sure the experience in the family of everyone of us has given examples of hosiery and other articles of apparel going to the laundry blue or brown and coming back green or purple or some other shade. One of the colors used for shading gave out; that was all.

We were told about Congo red. The report says they made 1,502,630 pounds in 1920, valued at $1,296,529; that the average price was 86 cents, and that the Cincinnati Chemical Works, Croton Color & Chemical Co., National Aniline & Chemical Co., Newport Chemical Works, and National Chemical Works, were the makers. Congo red is a color that is used for dyeing bright reds on cotton, and before the war it was used to a very small extent only. I had a sample of it, but can not seem to find it. A bit of lemonade or vinegar will make it turn black so quickly that you can not use it.

Senator WATSON. Who made that?

Mr. METZ. Eleven plants in the United States.

Congo red is not fast to light, it will not stand washing, and turns black by the slightest contact with any kind of acid. It is made from benzidine, which was available when tolidine, made from toluol, was not. Benza purpurine is made from tolidine, and had practically displaced Congo red entirely and was in turn largely replaced itself by the benzo vast scarlets which were faster to acid and light than

benzo purpurine. Of benzo purpurine we made 617,629 pounds, valued at $904,060, average price $1.46 per pound, at 11 plants. To-day the prices are about 70 cents for Congo and $1 for benzo purpurine 4 B, and it is only a question of time when the Congo red will be driven out entirely, not by German competition, but because the people here will not stand for it, and the fact that 90 per cent or more of all we make goes mainly to India shows that while we are making it we can compete with other countries who know at least as much about making this simple product as we do. The plants making Congo can all use their entire apparatus which consists of tanks, filter presses, and dryers and grinders mostly, to make dozens of other colors, for which the majority of them will have to buy their intermediates, the same as they buy benzidine now, and they will continue in business only if the big fellows who make those intermediates continue to find it profitable to sell them and need them to help out in the abnormal export demand that has so far existed for these colors for export. Some of these larger manufacturers, like the National and Newport concerns, have established selling organizations of their own in the Far East, and if they intend, and apparently do, to compete in those markets with Germany and Switzerland, why can't they get along here without any duty, unless thay intend to indulge in that heinous crime of dumping, which seems to be a crime only if the other fellow does it to you, and not when you do it to him. There are other colors that will be replaced by better ones right along. The National and the Newport companies have established selling organizations in China and Japan in competition with the rest of the world.

Senator McLEAN. We have gotten thus far because of the substantial embargo resulting from the war.

Mr. METZ. Yes; I grant that. We have had about seven years of that.

Senator McLEAN. It is claimed that these are independent and unrelated and the prices differ, so that unless we protect ourselves against all of them the processes will become stagnant.

Mr. METZ. I say that that is not right; from a practical standpoint I know it, because I have two plants myself. That is true to a limited extent only, Senator.

Senator McLEAN. I think you realize that competition is going to be fierce.

Mr. METZ. Yes; it is fierce now. It has brought it down already.

Senator McLEAN. And it is going to be fiercer?

Mr. METZ. Yes.

Senator McLEAN. So that unless we lower the wage standard to that of our competitors, we have got to reduce the cost of manufacture.

Mr. METZ. We have got the labor cost. I have the figures.

Senator McLEAN. For that reason, it seems to me, that unless we stimulate in every way possible private capital and retain in employment the highest talent in chemical activities, we are taking a chance that we ought not to take.

Mr. METZ. Then give us the highest duty that you want to put on it, but if you are going to export and compete with Germany, why do you need it for our home market?

Senator McLEAN. You suggested in your opening remarks that while you objected to a license system, it could be put in the hands of the Tariff Commission.

Mr. METZ. No; I said in the beginning that I had stated before the hearing two years ago that if they were going to have a license system that then I would prefer it to be put in the hands of the Tariff Commission; that is what I said.

Senator MCLEAN. If that is true then, and if it is your opinion that this license system were put in the hands of the Tariff Commission, then is not the difficulty one of administration of the embargo rather than in the idea of an embargo?

Mr. METZ. I do not want any licensing. I said if they were going to have it, then that I would prefer to put it in the hands of the Tariff Commission.

Senator MCLEAN. Then you want the American valuation with sufficient duty, which you think will just as thoroughly protect the industry as the embargo?

Mr. METZ. Absolutely; and not handicap the mills.

Senator SMOOT. On 80 per cent, I want to say, will not be an exceedingly high rate of protection, but the other 20 per cent would be, in my opinion.

Senator WATSON. It would be exceedingly high without the American valuation.

Senator SMOOT. I say, with the American valuation.

Mr. METZ. That would be prohibitive for practically nine-tenths of it, because it would give a chance for them to get what they wanted if they are willing to pay for it.

Senator SMOOT. I say as between the American valuation and foreign valuation.

Mr. METZ. It amounts to the same thing.

Senator MCLEAN. So they can be enabled to get what they pay for and have no embargo.

Mr. METZ. They can not get it.

Senator MCLEAN. That may have been the case.

Mr. METZ. That is the case. Do not let them tell you it is any different; it is the case.

Senator DILLINGHAM. The Senator wants to put a question.

Mr. METZ. I beg your pardon. I do not want to interrupt.

Senator MCLEAN. I do not know that I care to continue it. There is a wide difference of opinion. You are an expert and are no doubt an honest and patriotic man. But there are others who are equally patriotic and honest who differ with you.

Mr. METZ. I think so. But they may not know as well as I do that part of the business.

Senator MCLEAN. You assume that. It may be true and it may not. It is a pretty vital assumption.

Mr. METZ. I base it on my experience and knowledge of the business.

Senator MCLEAN. And your suggestion is that if the administration of this embargo were referred to the Tariff Commission that the difficulty might be avoided; that is the practical difficulty that is now sustained and experienced by manufacturers might be avoided, and we would take no chance.

Mr. METZ. That does not quite cover it. I referred to my testimony, because it had been quoted. I appeared before the Ways and Means Committee without notice. I was in the room, and Congressman Fordney said, "Mr. Metz, we would like to hear from you on this

thing." This license had not appeared in the bill; it was not in the bill then being considered. Mr. Choate gave me a copy of the bill and said, "What do you think of this?" And Mr. Fordney said, "Do you think we can compete without a license?" I said, "I do not know; it is a new proposition. But at any rate, if you are going to have a license" ——.

Senator McLEAN (interposing). That is just the trouble; it is a brand new proposition.

Mr. METZ. If you will take my viewpoint, if you are going to have it, do not have the commission suggested in this bill, but have the Tariff Commission or some other governmental body.

Senator McLEAN. Other nations who have been situated precisely as we have been driven to the embargo, and that appeals to me.

Mr. METZ. In spite of being driven to it, they are reselling their goods. German goods have been going to France in spite of any embargo. An English concern, with a mill in the United States for whom we had matched a certain color—we shipped from this side some of the colors for him to use in France, and we gave him the names of the German colors he could use, and the German colors were shipped to him without any question.

Senator WATSON. Mr. Metz, did you not say to me that the goods the English were now selling went into England while the embargo was lifted, when they bought large quantities of German dyes?

Mr. METZ. They bought two years' supply of German dyes.

Senator WATSON. And they are selling those to us and not those that are being made in Germany?

Mr. METZ. No, those they have had; and the French reparation goods and the Italian reparation goods are being offered, and they get them under the treaty the same as we do. I will give you the figures on that, if you desire them, shortly. But I would like to get through with this thing.

Speaking of colors to be replaced, take wool greens, of which we made 212,000 pounds, worth $1,060,269, or an average of $4.99 per pound, in six plants in 1920. The prewar price was about 65 cents and the use comparatively limited. We started to make it here. It at once replaced indigotine, the sulphonated indigo used for acid dyeing on wool and unsatisfactory in many ways, but it was all we had, as natural indigo became available when the synthetic product in other blue dyes could not be had.

When the synthetic indigo stopped coming in, we used the old natural indigo.

To-day wool greens is being hawked around the market at about $2 a pound and nobody wants it, since patent blue, which dyes level and is more desirable in every way, has been coming in on licenses from Germany.

Why should mills be compelled to use this [indicating] sample on the committee table, when this [indicating] can do the work which this will not do? It is not just as good. Here is a brown. One turns purple and the other turns gray under artificial light. These are the three patent blues. The price for the German product at present is about $3 to $3.50 a pound. Recently licenses have been denied because the National has brought out what seems to be a satisfactory product at about $4.50 per pound. This is the point:

It stands fulling and does not bleed; that is an essential proposition. These other ones will not do it. They turn it blue if fulled with it.

This will not answer, where this one answers, and they are practically the same in shade. This [indicating] will not answer in one place, and that will not answer in another.

Senator WATSON. Which are we making in this country?

Mr. METZ. We are making both in this country, having just begun, and we will make more of it. I am the largest importer of this stuff, and I am willing to have it stopped if we can make it here.

Senator WATSON. You say you are the only importer?

Mr. METZ. Practically—I am not the only one, because the textile alliance people can bring the same goods in under the reparation agreement. There are two essential shades, patent V used as an acid dye on ladies' dress goods because it dyes level, and patent blue A, which is used for wool stock dyeing and shading alizarine and other blues because it stands pulling and soaping, although it does not dye level. I have got dyeings here showing the imported and domestic products. I tried to make patent blue here, and did turn out several lots in a small way, but I think they cost me at least $12 to $15 a pound, and I quit, when I considered the prewar price was less than $1, duty included.

For a time those who had patent blue in stock from prewar deliveries got as high as $25 a pound for it from mills that had to have it to fill orders for goods in which it was used. Sulphur black is another color that will be replaced for many purposes. When the war came, everybody went onto logwood black, which our forefathers used for everything but which is used now only to a comparatively small extent. As soon as sulphur blacks appeared logwood receded, and now with direct blacks coming in and getting cheaper they will replace sulphur blacks for many purposes, chiefly for yarn and hosiery and short-cotton dyeing. Sulphur blacks of excellent quality is down to the prewar price of 18 to 20 cents, with four or five plants here being each capable of making all the country can possibly consume. They don't need a tariff or embargo against Europe, but against themselves. They can't all possibly go on. The only profit left in sulphur black is in the intermediates used for making it, and that is getting down pretty close, too.

Senator MCLEAN. You say that product has got so cheap there is no money in it now?

Mr. METZ. Yes.

Senator MCLEAN. Made in this country?

Mr. METZ. Yes.

Senator MCLEAN. That does not argue there is any vicious monopoly controlling that color?

Mr. METZ. No; there is not any monopoly to-day. But those making intermediates; there are only two or three making intermediates to make black——

Senator MCLEAN (interposing). I thought you were speaking of monopoly, and I thought perhaps you referred to the American Dyes Institute.

Mr. METZ. No, no. There is no such thing to-day. There is room for everybody to make money and not have a monopoly. I am speaking of these colors being driven away. Direct black which is driving it out was made here last year in the quantity of 9,000,000

pounds, and it is safe to say it was exported all over the world including Germany. The prewar price was 17 cents, until the combination was made with the German makers and the National after the Payne-Aldrich tariff was passed and the price went to 28 cents. Owing to the fact that two British makers did not go into the combine and the suit brought under the Sherman Act in 1913 the combine was abandoned and the price went back to about 20 cents. To-day it is being sold here as low as 60 cents and there is strong competition between the four or five makers, some of whom don't make any of their own intermediates. It is safe to say it will go still lower, and when it gets to 45 cents replace sulphur black at 20 cents for many purposes, because it leaves goods with a softer feel, there is no danger of rotting, which is the case with improperly dyed sulphur blacks.

I am showing how one color will replace the other when it becomes available. So the colors used now are not the colors people will use eventually. They want something better, and they are getting it all the time.

Senator McLEAN. The colors you will need depends on what you have got?

Mr. METZ. The colors we have got may be good enough.

Senator McLEAN. But the competition in the colors you have is so fierce from Germany——

Mr. METZ (interposing). Not from Germany. The Germans do not touch it at all. Competition right here has developed these things. I am trying to get at the point where they say we are being driven out. They are being driven out by natural forces. Plants were built here regardless of the consumption of the country, built on import orders. We supplied the whole world for a year or two.

Senator McLEAN. That does not argue they may not be driven out by foreign competition.

Mr. METZ. That argues they will be driven out by themselves.

Senator McLEAN. That is all in the interest of the American consumer.

Mr. METZ. But the embargo will not help them a particle; they are going to be driven out anyhow. Better colors are naturally driving them out.

Senator McLEAN. But continued consumption will not cease in this country.

Mr. METZ. But the consumption is so small as compared with what they are making. The colors will be superseded by other colors. They will be defeated by their own weight.

Senator McLEAN. That is their lookout.

Mr. METZ. That does not say they are being penalized, but it is saying those men are in an impossible position.

Senator WATSON. Is Germany still supplying the dyes which she was compelled to supply under the terms of the treaty?

Mr. METZ. Oh, yes; that is for five years; they have three years more to run. The treaty calls for five years.

Senator WATSON. And she is now supplying to those nations mentioned in the treaty?

Mr. METZ. To those who are demanding those colors. They pick out what they want. I started to make sulphur black early in 1915, because I had to have a black to dye backs for artificial leather in

my Newark leather plant, as the logwood blacks we were getting got us into trouble with the trade. Putting sulphur black in these goods, however, cost my company about $90,000 for return goods and recovering hundreds of automobiles on which it had been used.

I have a plant making artificial leather, and I want to show my experience with other manufacturers. Sulphur black put on the back of this will, in the course of about three months, chemically raise this top right off. We can not use sulphur black for that purpose. For a while it loaded fine and was a good black; in two or three months the chemical action caused the coating to peel off, and the goods simply had to be scrapped.

Senator WATSON. What kind of black did you use?

Mr. METZ. Direct black. This showed again the trouble people using dyes have to overcome, and they are the ones to be considered as well as the dye makers.

Senator WATSON. Sulphur black and direct black are both made in the United States?

Mr. METZ. Yes; but we had no direct black at the time. But I am suggesting this to show the experience and how it is all wrong, and that the manufacturer and the public pay the price.

Senator WATSON. How long have we been making direct black?

Mr. METZ. Since before the war. The National Co. made millions of pounds then and they are making it again. On wool, logwood was also used almost entirely after the war got under way. Now it is being replaced more and more on men's wear with chrome and after chrome blacks, and on women's lighter clothes with acid alizarine blacks. Of chrome blacks we made 1,200,000 pounds here last year, ranging from 65 cents to $1 a pound. The prewar price for diamond black, the one mostly used, was 32 cents a pound. I made over 100,000 pounds of chrome black at the Consolidated, and I know I can hold my own on that with the specific duty of, say, 15 or 20 cents a pound and 35 per cent, as suggested by Mr. Thuron, or 35 per cent and 7 cents on American valuation. Acid alizarine blacks are made here in satisfactory quality, although they are still being imported in large lots. Prewar price was about 45 to 50 cents. I mentioned these colors only to show how one color replaces the other. I know that most of the plants making Congo red, for instance, started in on export orders and have cleaned up long ago, and the same would probably hold good on other products if they knew their business, and if they didn't and don't, they ought not to expect American consumers to be compelled to hold the umbrella over them for several years to come, because they are bound to be eliminated anyway.

Senator MCLEAN. Of course, nobody anticipates that this embargo will be permanent.

Mr. METZ. Well, if only for a little while it is going to handicap these mills; that is all.

Senator MCLEAN. Nobody of course, anticipates that this embargo will be permanent. You say they are called to hold an umbrella over them.

Mr. METZ. They asked it for two years, two years ago, and thought they could do it. Now they are back for another three or five years. And now they are going to come back the next time if you encourage them.

Senator McLEAN. Assuming that the cry of "wolf" was unfounded——

Mr. METZ (interposing). Yes; it is unfounded yet.

Senator McLEAN. My theory is that the wolf is there.

Mr. METZ. Then, put a duty on it so high that the wolf can not jump over it.

Senator McLEAN. Wolves will jump pretty high sometimes. When the wolf comes I want to be prepared.

Mr. METZ. When he comes we will be prepared, but do not make us all carry guns.

The plants making one or two or even half a dozen colors, are bound to be wiped up, because their overhead will eat 'em up. Their selling expense alone unless they tie up with some concern having a selling organization will swamp them. Gallocyanine and delphine blue, the latter made from the former, of each of which about 70,000 pounds were reported for last year at an a erage price of over $3, made by four plants, each will also be as dead as they were in ten years before the war, when the alizarine blues for woolen goods again become available.

Those colors are impossible, simply substitutes, and are bound to go when better goods appear. They have not appeared yet, either from Europe or here. The colors mentioned are among those produced in the greatest scale and used in largest volume, and the list shows we have followed the line of least resistance in making the colors most easily produced, and that the plants making them have got to turn to something better or close up. This will include about 60 per cent of the present plants at least, for the larger ones, making their own intermediates, will be the ones to survive, and many of them are to a large extent dependent on the few that produce the crudes, such as naphthalene, etc. For instance, naphthlene is largely produced and almost controlled by the Barrett Co., a constituent of the Allied Chemical Co. The naphthalene used to come in from England at 2 to 2¼ cents a pound before the war. It is the basis of the chief intermediate for a great many of the most largely used colors, such as beta-napthol, alphanaphthylamine, H acid, etc. Beta-naphthol was imported, and on a 10 per cent duty basis sold for 8 cents in 1914. Naphthalene went to 5 cents and beta-naphthol first made its appearance as American made at $1.25 per pound. The manufacture was taken up by several American plants, and the price gradually came down to about 40 cents. Large quantities were exported to Switzerland, England, France, and Japan to be converted into colors.

Alphanaphthylamine next made its appearance at $1.20 a pound, although the prewar price was 11 to 12 cents and the English and German producers had a price agreement, the same as they had previously had on aniline oil, and prorated the sales among them. Napthalene went to 12 cents, and betanapthol and other products soared accordingly. The Barrett plant burned and it was practically impossible to get napthalene. The betanapthol makers were forced to import from Belgium and England, and paid as high as 14 and 15 cents a pound for it. I was offered 85 cents for 100 tons of beta-napthol by a German color maker in June, 1920, and the Swiss bought enormous quantities here through middlemen and others as high as 80 cents. When the slump came it was cheaper for the

foreigners to dispose of their stock here at any price rather than ship it abroad, and those goods flooded this market until recently, and I bought some that I had sold last year at 45 cents and as low as 32 cents a few weeks ago. With an embargo the producers of napthalene and similar crudes can choke any of the intermediate manufacturers or at least make him very uncomfortable, while in turn the intermediate makers can see to it that their competitor making colors will be short of supplies at times unless he is free to import if necessary.

They can say they have no stock and can not deliver. They have got that power and can hold us up. That is what the Germans did with the small manufacturers, and that is what the big ones here will do for us.

Senator McLEAN. I want to transfer it to this country.

Mr. METZ. By giving it to the Du Ponts, and they will choke us off.

Senator McLEAN. You are assuming that we have no law in this country.

Mr. METZ. The law does not catch them. They all say they have no stock. They have contracts, but have no stock.

Dr. ISERMANN. Naphthalene is on the free list?

Mr. METZ. Crude, certainly, but you can not get it without a license.

Mr. CHOATE. You can.

Mr. METZ. No; you can not—refined naphthalene—and you can not refine naphthalene and I can not. Do not tell me I can if I can not. Barrett can do it, and a few others. We all were stopped when the Barrett fire occurred. We get them as by-products. Do not be kidding anybody with that kind of stuff. There is where the danger comes in, not from Germany. In discussing the substitution and replacement of one color by another, as in the case of the indigotine wool greens and patent blue, the samples I have here will show how either one can be used to produce a certain shade in combination, but when the same shade is used under artificial light it makes a great difference and causes trouble.

Senator McLEAN. You would be left out of it to-day if it had not been for the encouragement of the war conditions.

Mr. METZ. If it had not been for the munitions manufacturers and coke manufacturers we would not have had benzol to-day. Now that we have those things we can do it against the whole world, because the coke ovens have been changed and were paid for and charged off; that has all been amortized. It was paid for the first few months of the war abroad. We must be fair in these matters. Paragraph 26 of the bill there is also a little joker which shows the fine Italian hand of one posted in the dye business which would cause an importer all kinds of trouble which the American producer would escape. Besides the standardizing scheme, the requirement that diluents must be stated and component parts of mixtures mentioned simply gives away an importer's business entirely. Many of the colors can not be shipped in the state in which they are made, as 60 per cent and even more of soda ash, Glaubers' salt, or other diluent must be added to prevent them from taking fire through chemical changes. Mixtures are also made for mills who send in samples of their goods to be matched. I have here a brown for a hosiery mill on mercerized cotton. The match contains three colors and the mixture is specially made and gives the producer a sort of trade-mark right to what his knowledge of his business entitles him. If he happens to be

an importer and got such a mixture abroad he would be compelled to give away his knowledge for the benefit of his competitors, who are under no such restrictions.

(The pamphlets referred to and discussed by Mr. Metz are as follows:)

TARIFF RATES NECESSARY FOR AMPLE PROTECTION OF AMERICAN DYESTUFFS INDUSTRY.

[By E. R. Pickrell, formerly chief chemist, Customs Service, New York, N. Y.]

Since the widespread and well-organized propaganda for a licensing system in dyestuff tariff legislation has not overcome the opposition by dyestuff consumers to such system but has, if anything, increased and intensified it, the time is opportune to consider what rates of duty would be necessary to afford ample protection to the American dyestuff industry.

Of the 1,375 printed pages comprising the hearings before the Ways and Means Committee and Senate Finance Committee on the Longworth dyestuff bill, no information was offered setting forth the rates of duty necessary for the protection of the dyestuff industry. The only mention either directly or indirectly relative to the necessary protection was toward the close of the hearings before the Senate Finance Committee, when domestic producers stated that the low percentage of yields in dye manufacture in this country necessitated a practical embargo on imported dyestuffs in order to protect the domestic industry. The present session of Congress will devote a considerable portion of its time and efforts to the enactment of a tariff law with rates of duty sufficient to protect American industries. It is only logical that information should be offered to Congress and to the public which will enable our Federal lawmakers to adopt rates of duty ample to protect the American dyestuff industry. In determining what rates of duty would be necessary it is first essential to make a retrospection of tariff legislation.

HISTORY OF DYESTUFF TARIFF LEGISLATION.

The first tariff act, dated July 4, 1789, provided for natural indigo at 16 cents per pound and dye woods and dyeing drugs free of duty. The first tariff act to specifically provide for coal-tar colors was the act of June 30, 1864. It is natural to presume that no act prior to this one would have provided for coal-tar colors, since the date of the discovery of the first coal-tar color, mauve, by Perkin, was in 1856. All of the tariff acts enacted between 1789 and 1864 provided for natural indigo usually in the dutiable list, at so many cents per pound, and dye woods and dyeing extracts usually in the free list. The following table shows the provisions for coal-tar dyes and the rates of duty in all of the tariff acts, beginning with the act of June 30, 1864, and concluding with the present act, Title V, September 8, 1916.

TABLE 1.—*Duties on coal-tar dyes in various tariff acts.*

| Dates of acts. | Rates of duty. |
|---|---|
| June 30, 1864. | Anilin dyes, 35 per cent ad valorem and $1 per pound. |
| July 14, 1870. | Anilin dyes, 35 per cent ad valorem and 50 cents per pound; anilin oil, crude, free; picric and nitro-picric acid, free. |
| Feb. 8, 1875. | Same as 1870, with addition of nitrobenzol, 10 cents per pound; alizarine, free. |
| Mar. 3, 1883. | Coal-tar dyes, 35 per cent; alizarine, natural and artificial, free; indigo and artificial indigo, free; anilin oil and salts, free. |
| Oct. 1, 1890. | Same as 1883, with dyes known commercially as alizarine yellow, alizarine orange, alizarine green, alizarine blue, alizarine brown, and alizarine black added to free list. |
| Aug. 27, 1894. | Coal-tar dyes, 25 per cent; alizarine and indigo, free; alizarine dyes, free; anilin oil and salts, free. |
| July 24, 1897. | Coal-tar dyes, 30 per cent; alizarine and alizarine dyes, free; anthracene dyes, free; indigo, free; anilin oil and salts, free. |
| Aug. 5, 1909. | Same as 1897. |
| Oct. 3, 1913. | Coal-tar dyes, 30 per cent: alizarine and alizarine dyes, free; anthracene dyes, free; indigo and indigo dyes, free; carbazol dyes, free; anilin oil and salts, toluidin, xylidin, etc., 10 per cent. |
| Sept. 8, 1916. | Coal-tar dyes, 30 per cent and 5 cents per pound; indigo and indigoid dyes, 30 per cent; alizarine and alizarine dyes, 30 per cent; anthracene dyes, 30 per cent; carbazol dyes, 30 per cent; anilin oil and salts and amidonaphthol, amidophenol, etc., 15 per cent and 2½ cents per pound. |

Alizarine first appeared in the tariff act of September 8, 1875, which act was an amendment to the tariff act then in effect, the act of July 14, 1870. Alizarine was provided for free of duty, inasmuch as it was a patented dye. Consequently during the life of the patent, competition was barred in the manufacture of this particular coal tar dyestuff.

The first mention of artificial indigo was in the act of March 3, 1883. Prior to this act only the natural indigo was provided for.

The act of 1883 also amplified the provision for alizarine by adding the qualifying words, natural and artificial. The act of October 1, 1890, for the first time provided for certain alizarine dyes. Alizarine yellow, alizarine orange, alizarine green, alizarine blue, alizarine brown, and alizarine black were specifically mentioned by name in the free list. The act of August 27, 1894, provided for alizarine colors or dyes, but not by name, only with a general provision, namely, "alizarine and alizarine colors or dyes, natural or artificial."

Dyes derived from anthracene were first mentioned specifically in the act of July 24, 1897. They were provided for, together with dyes derived from alizarine, in the free list.

The act of October 3, 1913, made the first provision for dyes obtained from indigo. These dyes were provided for in the free list of that act. This same act also made the first provision for dyes obtained from carbazol. They were provided for together with the dyes obtained from alizarine and anthracene, in the free list.

The act of September 8, 1916, which was an amendment to the present tariff law of October 3, 1913, contained the first provision for indigoids, whether or not obtained from indigo. These dyes, together with natural and synthetic indigo, were provided for at 30 per cent ad valorem.

There has been a tendency to amplify the phraseology used in dyestuff tariff legislation. More detailed description has been used in almost each succeeding act to definitely describe certain classes of dyes which were to be classified at a different rate of duty than the bulk of the coal tar dyes. Referring to the rates of duty under the different acts, it is noted that the highest rate of duty was assessed under the act of June 30, 1864. This was a compound rate of duty of 35 per cent ad valorem and $1 per pound. This rate was in effect till July 14, 1870, when it was reduced to 35 per cent ad valorem and 50 cents per pound. This rate continued in effect for almost 13 years, that is, until the act of March 3, 1883, when the specific rate was dropped and coal tar dyes were classified at 35 per cent ad valorem. This rate of 35 per cent ad valorem was contained in the act of October 1, 1890, and therefore continued in effect from 1883 until the act of August 27, 1894, a period of 11 years. Coal tar dyes, except alizarine and alizarine dyes, were provided for under that act at 35 per cent ad valorem.

Rates on coal-tar dyes were again changed under the act of July 24, 1897, being reduced from 35 per cent ad valorem to 30 per cent ad valorem. This rate of 30 per cent ad valorem has continued from the date of that act to October 3, 1913, on all dyes except alizarine, indigo, and dyes obtained from alizarine, indigo, anthracene, and carbazol. These excepted dyes have been continuously on the free list. This general differentiation in classification continued and was embodied in the present act, Table V, September 8, 1916. Under this act all coal-tar colors, except natural and synthetic alizarine, natural and synthetic indigo, and dyes obtained from alizarine, anthracene, and carbazol, and indigoids, whether or not obtained from indigo, were provided for at 30 per cent ad valorem and 5 cents per pound. The excepted dyes were provided for at 30 per cent ad valorem.

Retrospection of industrial development in this country is necessary to determine whether or not the dyestuff industry was partially or wholly built up under the protection afforded the industry by any one of the several tariff acts.

DYESTUFF INDUSTRY BUILT UP DURING THE EXISTENCE OF THE ACT OF JULY 14, 1870.

It is noted that the act of July 14, 1870, provided for all aniline dyes and colors by whatever name known, at 50 cents per pound and 35 per cent ad valorem. This rate of duty remained in effect till the act of March 3, 1883, when the specific rate was dropped, retaining the ad valorem rate of 35 per cent. The following is an excerpt from "Dyestuffs for American Textile and Other Industries," United States Department of Commerce, Special Agent Series, No. 96:

"During this period, consumption of aniline dyes assumed large proportions in the United States, which became the leading customer of the German factories. There seemed a good opening for American enterprise, and in 1879 the first establishment for the manufacture of artificial dyestuffs was started at Buffalo. Eight others were

opened soon after. At that time the manufacture was based on the use of the intermediates imported from Europe. It was difficult to obtain an adequate supply of benzol from domestic tar works. The Buffalo works did, for a few years, beginning with 1884, make its own aniline oil, but was forced to abandon the attempt on account of the uncertainty of obtaining the raw material. The industry was extremely remunerative at the outset. There seemed to be a good prospect of soon becoming independent of other nations in this branch, except so far as patent protection existed, although for the time being the industry was based upon the use of intermediates of foreign origin procured from Germany and Great Britain in 1883. However, the growth of the industry was suddenly checked. Within a year five of the nine establishments were forced to close; the four continued to manufacture on a close margin."

The industry was so effective that during 1881 and 1882, through internal competition alone, the cost of one particular dye was reduced 38 per cent. The average annual price of the imported dyes decreased during the period of 1875 to 1882 from $3.04 to $1.28 per pound.

During the hearings conducted by the United States Tariff Commission in 1882, information was offered in evidence showing that two concerns were at that time manufacturing aniline oil in this country. These concerns were the Albany Aniline & Chemical Works, Albany, N. Y., and American Aniline Works, Parkersburg, W. Va.

The following statement, in a letter addressed to subcommittee on tariff, Senate Finance Committee, dated December 3, 1888, was made by Frederick Koehler, who was employed as chemist in the largest aniline-color factory in Germany from 1874 to 1883 and was subsequently employed for over five years in an aniline-color manufactory in this country:

"I, for my part, am firmly convinced that aniline colors can and will be made here and, as a matter of fact, about 20 per cent of the home consumption are actually made here.

"I am further convinced that had the duty not been lowered in 1883 not 1 pound of aniline color would be imported to-day.

"It is true we did not succeed nearly as well as I expected, but that does not prove the impossibility to succeed finally. In the light of my knowledge of the circumstances under which this industry exists here and abroad, I find the reasons for its slow progress here chiefly as follows:

"(1) In the very large difference in wages. An ordinary laborer in German aniline factories receives at the utmost 58 cents for 11 hours' work, while we must pay from $1.25 to $1.75 for 10 hours.

"(2) In the large difference in the cost of raw material.

"(3) In the difficulty we have in selling our goods. There are now about 20 agents of foreign manufacturers established in this country, who until recently have had practically the whole market, and whom we must undersell materially in order to procure any share of the market.

"In conclusion, I would reiterate my statement that it is my firm belief that coal-tar colors can be made here, and it rests wholly with your honorable body to make the industry prosper or die out by tariff legislation."

Special attention is directed to that portion of the statement which reads as follows:

"I am further convinced that had the duty not been lowered in 1883, not one pound of aniline colors would be imported to-day."

The Census of Domestic Manufactures for 1880 gives very meager information relative to detailed statistics of coal-tar dyes manufactured in this country. The only specific data in that census on coal-tar dyestuff manufacture is a statement that 80,518 pounds of aniline colors valued at $107,292 were manufactured in the State of North Carolina and that 114,114 pounds of anthracene valued at $99,242 were manufactured in the States of [illegible] and North Carolina, and Pennsylvania, and in the District of Columbia [illegible] that year. In the statistics of chemical manufactures there is data under the heading of "Dyestuffs and Extracts," which includes both coal-tar dyes and natural dyestuffs, setting forth the information that there were 41 establishments manufacturing these commodities in the United States during that year, having invested capital of $2,363,700, employing 992 people, and having an annual production of 3,918,741 pounds of finished merchandise, valued at $5,253,038.

It is quite evident that a coal-tar dyestuff industry for that time was partially, at least, developed during the existence of the act of 1870, which afforded protection on coal-tar dyes of 35 per cent ad valorem and 50 cents per pound. If such protection created, temporarily, at least a dyestuff industry in this country prior to 1883, it is logical to conclude that an equivalent protection would maintain and permanently establish the dyestuff industry which has been developed in this country during the last six and a half years, since the outbreak of the European war.

BEST AVAILABLE COPY

The dyestuff industry produced in quantity during the year 1919 over 25 per cent more dyes than were consumed during the fiscal year 1913-14 and manufactured approximately 90 per cent of the various classes of dyes consumed in this country during that fiscal year. An industry so effectively established, and in which the cost of the present plants has been amortized during the war, should be able to permanently exist under a protection equivalent to that which established a coal-tar dye industry in this country in the few years precedent to 1883.

TABLE 2.—*Equivalent ad valorem rates of duty (protection) on coal-tar dyes [1] imported during tariff act of July 14, 1870.*

| Years. | Import quantity.[2] | Import value.[2] | Import unit value. | Composite ad valorem rates. |
|---|---|---|---|---|
| | *Pounds.* | | | *Per cent.* |
| 1875 | 189,996 | $597,874 | $3.04 | 50.74 |
| 1876 | 165,753 | 415,434 | 2.51 | 54.95 |
| 1877 | 210,508 | 489,031 | 2.32 | 56.53 |
| 1878 | 228,424 | 479,373 | 2.098 | 58.83 |
| 1879 | 297,221 | 595,489 | 2.02 | 60.00 |
| 1880 | 563,872 | 976,404 | 1.732 | 63.87 |
| 1881 | 809,254 | 1,208,553 | 1.49 | 68.40 |
| 1882 | 1,103,864 | 1,415,739 | 1.283 | 73.99 |

[1] Except alizarine, which was patented and was on free list.
[2] Import quantities and values transcribed from United States Commerce and Navigation Reports.

The foregoing table shows total poundage, total value, unit value, and composite ad valorem rate, of the annual importations of coal-tar dyes into the United States during the years 1875 to 1882, inclusive, which was the period during which the tariff act of 1870 was in force, and during which a domestic dyestuff industry was developed. It is observed that the average ad avlorem rate expressed in percentage, varied from 50.74 per cent in 1875, to 73.99 per cent in 1882. A compound rate of duty which would be equivalent to an ad avlorem rate of 70 per cent, would represent the protection necessary for the permanence of the dyestuff industry in this country. This was the protection afforded by the act of 1870, which created the dyestuff industry, and which all the producers, in the hearings before the United States Tariff Commission in 1882, asked to be retained as sufficient to permanently establish the industry in this country.

PROPOSED RATES OF DUTY AMPLE TO PROTECT AMERICAN DYESTUFF INDUSTRY.

The proposed compound rates of duty, set forth in Table 3, are equivalent to ad valorem rates of approximately 70 per cent.

TABLE 3.—*Proposed rates of duty on coal-tar dyes.*

| Classification. | Rates of duty. | Composite ad valorem rates. | |
|---|---|---|---|
| | | Minimum. | Maximum |
| | | *Per cent.* | *Per cent.* |
| Dyes valued at 25 cents or less per pound. | 30 per cent ad valorem and 10 cents per pound. | 70 | ..... |
| Dyes valued at more than 25 cents per pound and not more than 50 cents per pound. | 30 per cent ad valorem and 20 cents per pound. | 70 | 156.9 |
| Dyes valued at more than 50 cents per pound and not more than 75 cents per pound. | 30 per cent ad valorem and 30 cents per pound. | 70 | 88.8 |
| Dyes valued at more than 75 cents per pound and not more than $1 per pound. | 30 per cent ad valorem and 40 cents per pound. | 70 | 82.6 |
| Dyes valued at more than $1 per pound. | 30 per cent ad valorem and 50 cents per pound. | ..... | 80.3 |

These compound rates of duty are approximately the same for all dyes regardless of price, thereby eliminating the objection oftentimes raised that one compound rate of duty for all dyes affords a prohibitive protection for the cheap dyes and not sufficient protection for the high-priced dyes.

Domestic dye manufacturers appeared before the Ways and Means Committee during the hearings on the Hill bill in 1916 and stated that the rate of duty on dyes, namely, 30 per cent ad valorem and 7½ cents per pound, contained in that measure, would enable them to produce in the United States from domestic materials (Chilean nitrate excepted) all the dyes our domestic industries could use. This rate of 30 per cent ad valorem and 7½ cents per pound, based on 20 cents per pound, the average price for all the dyes imported during the fiscal year 1913–14, is equivalent to a composite rate of 67.5 per cent.

If a protection of approximately 70 per cent built up a domestic dyestuff industry in this country during the few years prior to 1883, and domestic manufacturers were of the opinion in 1916 that a protection of 67.5 per cent would permanently establish a dyestuff industry in this country, it is quite evident that the above rates of duty, or similar rates affording an equal protection, would permanently establish the now existing American dyestuff industry. Such rates of duty would not embarrass the consumers in the procurement of the dyes necessary for their needs as would have been the case in the event of an enactment of a licensing or embargo system.

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## THE DYESTUFFS SITUATION.

[From American Wool and Cotton Reporter, Feb. 17, 1921.]

In discussing the present condition of the dyestuff industry in the United States it is necessary to take a bird's-eye view, as it were, of what the requirements of the industries using dyestuffs are. The conception on the part of the general public, and among the Members of Congress who have been hearing about and considering this question for many months, seems to be that "shades" are produced by individual specific colors, and the question is asked whether we can produce this or that shade. Many of those who claim to be experts in dyestuffs seem to have the same erroneous impression.

### HOW SHADES ARE PRODUCED.

Shades are produced by a combination of colors. Nearly every dyestuff produces a specific color which, of course, is a shade in itself, but in very few instances, other than black, is a "shade" as it reaches the public composed of a single color. It is toned with from one to a half dozen different dyes or colors to match a specific shade. It is essential, therefore, that all the dyes entering the combination to produce this given shade should be of a similar nature, chemically and physically. Chemically, they must dye the material, be it cotton, wool, silk, leather, or other material, with the same sort of mordant. In other words, they must either dye in an acid bath or in an alkaline bath, or with a mordant of metallic salts applied to the material either before or after applying the dyestuff, or, in a vat, by reduction and oxidation. Physically, all the colors used to produce the shade must be equally fast to various requirements, such as washing in hot or cold water, to soap, to alkaline, or to sunlight and preserve their characteristics under artificial light. If any one of these properties varies, the shade produced by the combination is changed.

The dyer is also always confronted with the problem of making all the colors used in his combination stand the various processes through which the goods pass after leaving him, such as fulling, stoving, finishing and the other processes through which goods pass before they reach the clothing manufacturer. To the textile manufacturer this matter is of particular importance. For instance in the case of woolen goods containing cotton or silk thread, his dyer must dye his wool or his yarn with wool colors that when woven into the piece will not bleed or stain the cotton or silk threads which it contains. If, on the other hand, the mill is making goods to be dyed in the piece containing such threads, he must have colors that in the dyeing will not stain or cover the cotton or silk on the one hand or strip off the color that is already on them on the other hand. The silk dyer must have the colors that will stand the processes the woolen mill wants to put the goods through. So must the cotton mill in delivering warp or yarn for cross dye purposes.

### MAKE ABOUT 85 PER CENT OF COLORS.

All this indicates that there is more implied in dyeing or producing dyestuffs than simply obtaining a "shade," which in the popular mind is all that is essential. It is true, of course, that we are now manufacturing, and manufacturing successfully, in the United States about 85 per cent of the colors necessary for the average class of work; that is, we are manufacturing basic, substantive (one dip), and sulphur colors for the cotton dyer, the acid and many of the chrome mordant colors for the woolen dyer. The silk dyer has a very ample choice of acid colors and ordinary dyes to choose from for his purposes, but when we get down to the special colors supposed to be fast in light shades, we begin to find a lack of proper material for such dyeing. We are also compelled to forego certain processes in manufacturing, such as dyeing in the piece goods containing fancy threads, and every textile manufacturer knows the advantage of this method on certain classes of goods. Color for fancy shirtings supposed to stand rough laundry usage can not be obtained except with dyes which we are not producing here and which, owing to the lack of anthracene and other intermediates at a reasonable figure, are not likely to be produced at reasonable prices for some time to come.

### VARIOUS CLASSES OF DYESTUFFS.

Dyestuffs may be divided into various classes. Among the wool colors we have the chrome mordant colors, the after-chrome mordant colors, the ordinary acid colors, the special colors such as eosine, erythrosine, rhodamine, violamine, etc., and the vat and alizarine or anthracene colors, which are the "fast colors." For cotton we have the basic colors dyed on metallic mordants, the one-dip or substantive colors dyed in a salt bath, the sulphur colors, and also the vat colors for special fastness. For lakes and pigments used for inks, paints, etc., we have bromofluorescene colors, such as bromo acid, eosine, etc., the insoluble azo colors, alkali blues, and, of course, the intermediates betanaphthol, paranitraniline, alphanaphthylamine, etc. Of most of these groups we are making ample supplies not only to meet our own demands but to cover a large export trade besides.

The number of dyestuffs available and used before the war was, of course, far greater than those manufactured to-day, but this does not of necessity indicate a lack of required colors. On the contrary it indicates that there were many dyestuffs that duplicated others in shade and character although not necessarily of the same chemical nature. At the present time one American maker claims to be making about 300 dyestuffs. Others claim about as many, but if the groups are gone over, we would find in every one of the cases very serious deficiencies.

For wool dyeing the group of mordant colors is quite ample and most of the requirements can be taken care of as regards shades dyed on after-chrome and mordant bottoms, but the fastness of the alizarine and anthracene colors is lacking.

In the acid color group, used mostly on ladies dress goods and lighter woolens, practically everything can be obtained in this market except the level dyeing blues and some yellows. These are lacking in quantity and quality and are most essential for producing practically every shade that is at all desirable.

For calico printing we still lack colors for special purposes, particularly those suitable for hydrosulphite discharges. Naturally the commercial demand for this class of products is limited, and there is little inducement to take up their manufacture.

### OUR POSITION AS TO GROUPS.

Checking up the various groups, it is safe to say that in the cotton colors the "bulk products" used in large quantites, such as direct one-dip black and sulphur black we are now making enough to take care of the entire world's consumption and can probably compete with the rest of the world in price. The same holds good for most of the sulphur colors. We are producing them on such a scale and in such quantities that we need fear no competition from any source. In the colors of special fastness, however, we have done practically nothing and of the later "one-dip" colors none of the faster ones have been duplicated on a commercial scale.

Of vat colors indigo is the most important and widely used and we are making enough to supply all American demands and a great quantity has been exported to China, Japan, and other countries having a large consumption, and apparently in active competition with the French, English, and German plants, even though the price here is about five times the prewar price, when indigo came in free, while now it is dutiable at 30 per cent ad valorem. Indigo, however, is the only one of the vat colors which has been turned out in any satisfactory quality or quantity. Some of the vat blues, red, and violets have appeared in the market from time to

time and more are promised in the future, but in the meantime supplies are being obtained from abroad.

With the colors for lake and pigment makers, the question of price seems to retard consumption. This is the trade that feels the high cost of dyestuffs more than any other, so far as its relation to the finished product is concerned. Therefore, although there are many satisfactory dyes and interm diates available, so far as quality is concerned, the prices are too high to warrant their use for lake-making purposes.

Outside of betanaphthol and paranitraniline about the only colors used on any large scale are the azo colors. Alkali blue used to be an item of great interest to the printing ink makers, and even at a price of from 65 to 80 cents a pound it was used in enormous quantities, but with the present price ranging from $3 to $4 a pound, it is out of the question. Even paranitraniline at $1 per pound, as compared to the prewar price of 16 cents, and betanaphthol at about 45 cents, compared to about 8 cents, makes these intermediates pretty high for the ink and paint makers to use, although they must have them for reds to stand the sunlight. Alizarine red, formerly used quite largely, is entirely out of the question on account of price.

### AS TO THE FUTURE.

In discussing, therefore, the condition and progress of the American dyestuff manufacture, it is necessary to consider more than merely the number of dyestuffs produced and their value in dollars. The latter is especially deceptive, particularly in comparison with prewar statistics, owing to the great difference in price.

The colors we are making here in most instances are, color for color, and product for product, as good as any we ever imported. We are making the lines that have the largest demand as to quantity, and I doubt if we will ever again import any of the products that we are making in bulk.

As to the distinctive products for specific purposes, we have not progressed, and I doubt if it will pay to waste much effort on them, bearing in mind always that it is the consumer who uses the product who is most interested in obtaining it at a price which he can afford to pay for it if he is to compete with others who are more favorably situated. Besides, what the textile man wants is to obtain the necessary dyestuffs for his specific purpose at the time his orders come in, so that he can make up his goods and deliver them in due season and not be compelled to wait for a supply. Someone has to take the chance of having the goods on hand for him, and under a license system, such as now prevails, or any other kind of a system which makes him wait from four weeks to six months before he can get the products he wants, will never answer his purpose.

To this extent the textile manufacturer is handicapped by the efforts being made by the dye manufacturers to protect themselves, and which would enable them to add only a very small proportion of the goods needed to those they are now producing, and the small manufacturer, producing only a limited line of colors from certain intermediates, is likely to be throttled by the larger plants that make and often control the intermediates he needs or the crudes from which they are made. This is the real danger of any system that bars the way to obtaining necessary products quickly and at reasonable prices, if the ability to obtain them is tied up in red tape and official or other interference with the regular channels of business. A duty based on both ad valorem and specific rates to overcome currency depreciation would give ample protection to the American industry, which is now firmly established, and enable the consumers to get what they need when they want it without interference by any outsiders, and to determine for themselves the quality of goods they want and such as will answer their purposes best according to their own individual requirements.

## PERTINENT FACTS RELATING TO DYESTUFFS LEGISLATION.

[By E. R. Pickrell, formerly chief chemist, Customs Service, New York, N. Y.]

Although the hearings before the Ways and Means Committee and Senate Finance Committee on the Longworth dyestuffs bill during the summer of 1919 and winter of 1919 and 1920 comprised 1,359 printed pages, and notwithstanding that hundreds of newspaper and periodical articles have been published within the last two years relating to this proposed legislation, a person will search in vain for detailed statistics as to the present, past, and contemplated protection for the various coal-tar products provided for in the Longworth dyestuffs bill (without the licensing feature). The average ad valorem rate of duty (protection) afforded by the present tariff, otherwise known as the Underwood-Simmons law, and by the act of 1909 (Payne-Aldrich law) have been determined and on different occasions stated for public information. No

one has ever advised the interested public as to what protection has been afforded in the past and as to what protection is asked for on the various coal-tar products covered by the Longworth bill. Notwithstanding the fact that the tariff law is one of the principal sources of revenue for the Federal Government, no data has been publicly offered showing possible revenue to be derived from the Longworth bill (without the licensing feature).

The object of these statistics is to show clearly and concisely for public information the following:

1. The comparative rates of duty of each article or class of articles under the Longworth bill, present laws (Underwood-Simmons law and Title V, Sept. 8, 1916), and Payne-Aldrich law.

2. The average or composite ad valorem rates of duty (protection) on crudes, intermediates, and dyes under these three measures, based on 1914 import prices, on 1921 import prices (both normal and present exchange) and on 1921 American selling prices.

3. The revenue to the Federal Government which would be obtained if each of these measures were in effect and the coal-tar products identical in nature and quantities to those imported during fiscal year 1913–1914 were again imported and the following prices were used: (*a*) 1914 import prices; (*b*) 1921 import prices, normal exchange; (*c*) 1921 import prices, present exchange; and (*d*) 1921 American selling prices.

4. The quantities and classes of dyes which were imported during fiscal year 1913–14 and were not manufactured in the United States in 1919.

5. The average or composite ad valorem rates of duty (protection) if these quantities and classes of dyes were imported under these three measures and the revenues which would be collected.

CLASSIFICATION AND RATES OF DUTY UNDER THREE MEASURES.

In order to compare the respective rates of duty on all coal-tar products (crudes, intermediates, dyes, medicinals, etc.) under the present laws (Underwood-Simmons act and Title V, Sept. 8, 1916) and Payne-Aldrich law, Table 1 was prepared. In determining the rates of duty under the present laws and Payne-Aldrich law, Treasury Department and customs court decisions under these acts were followed. For example, phenolphthalein, acetanilid, salol, acetphenetidin, antipyrine, and acetylsalicylic acid, although coal-tar medicinals, have been held by the Treasury Department to be more specifically provided at 25 per cent ad valorem under paragraph 18 of the Underwood-Simmons law than as medicinals at 30 per cent ad valorem under Group III, Title V, act of September 8, 1916, and accordingly were so classified. It will be noted that this table is so constructed that the corresponding rates of duty for each article as well as the paragraph or group in which classified under the three separate measures are set forth on the same line, thereby facilitating comparison.

In practically all instances the same classification and rates of duty prevail for the various coal-tar products in the Longworth bill as now exist in the present tariff law (Title V, Sept. 8, 1916). In comparing the rates of duties for the various coal-tar products under the Longworth bill and the Payne-Aldrich law, no similarity exists whatsoever. The crudes are either free or dutiable at 20 per cent ad valorem under the Payne-Aldrich law while they are all free under the Longworth bill and present law. Some of the intermediates (principally the simpler or more crude intermediates) are free under the Payne-Aldrich law, while others are dutiable at either 20 per cent or 25 per cent ad valorem. The Longworth bill and present law provide for all intermediates at 15 per cent ad valorem and 2½ cents per pound. The present law assesses all coal-tar dyes, color lakes, color acids, color bases, leuco acids and leuco bases, except indigo, alizarine and dyes obtained from indigo, alizarine, anthracene, and carbozol, at 30 per cent ad valorem and 5 cents per pound. These excepted dyes are provided for at 30 per cent ad valorem. Under the Payne-Aldrich law, certain dyes are free, others dutiable at 30 per cent ad valorem, and still others at specific rates of duty at so much a pound. Color lakes are dutiable at 30 per cent ad valorem and all color acids, color bases, leuco acids, and leuco bases are dutiable at 20 per cent ad valorem. The only satisfactory explanation for the classification in the Payne-Aldrich law is that certain azo dyes were manufactured in this country prior to 1909, the date of the passage of this act. These dyes were made dutiable at 30 per cent ad valorem, while the imported intermediates from which they were manufactured were placed on the free list. This protected the manufacturer and at the same time it enabled him to obtain free of duty the intermediates which were the raw materials for the manufacture of these dyes. Under the Longworth bill all dyes, color lakes, color acids, color bases, leuco acids and leuco bases are made dutiable at 30 per cent ad valorem and 5 cents per pound.

TABLE 1.—*Comparison of rates of duties on articles provided for in present tariff laws (Underwood-Simmons law and act of Sept. 8, 1916), Longworth dyestuff bill, and Payne-Aldrich law.*

| Articles. | Present laws—Sept. 8, 1916. | Longworth bill. | Payne-Aldrich tariff law. |
|---|---|---|---|
| Acenaphthene | Free, Group I | Free, Group I | 20 per cent, par. 15. |
| Anthracene, less than 30 per cent. | Free, Group I, less than 25 per cent. | do | Do. |
| Benzol | Free, Group I | do | Free, par. 536. |
| Carbazol, less than 65 per cent | Free, Group I, less than 25 per cent. | do | 20 per cent, par. 15. |
| Cumol | Free, Group I | do | Do. |
| Cymene | do | do | Do. |
| Cresol | do | do | Do. |
| Fluorene | do | do | Do. |
| Methylanthracene | do | do | Do. |
| Metacresol, less than 90 per cent. | do | do | Do. |
| Methylnaphthalene | do | do | Do. |
| Naphthalene, less than 70° C | do | do | Free, par. 536. |
| Orthocresol, less than 90 per cent | do | do | 20 per cent, par. 15. |
| Paracresol, less than 90 per cent | do | do | Do. |
| Pyridin | do | do | Do. |
| Quinolin | do | do | Do. |
| Toluol | do | do | Free, par. 536. |
| Xylol | do | do | Do. |
| Creosote oil | do | do | Do. |
| Anthracene oil | do | do | 20 per cent, par. 15. |
| Pitch of coal tar | do | do | Free, par. 536. |
| Pitch of blast-furnace tar | do | do | Do. |
| Pitch of oil-gas tar | do | do | Do. |
| Pitch of water-gas tar | do | do | Do. |
| Crude coal tar | do | do | Do. |
| Crude blast-furnace tar | do | do | Do. |
| Crude oil-gas tar | do | do | Do. |
| Crude water-gas tar | do | do | Do. |
| Other coal-tar distillates, less than 5 per cent phenol. | do | do | 20 per cent, par. 15. |
| All mixtures of coal-tar distillates and pitches. | do | do | Free, par. 536. 20 per cent, par. 15. |
| All other products found naturally in coal tar and not specially provided for. | do | do | Do. |
| Acetanilid not suitable for medicinal use. | 15 per cent and 2½ cents, Group II. | 15 per cent and 2½ cents, Group II. | Do. |
| Alphanaphthol | do | do | Free, par. 536. |
| Amidobenzoic acid | do | do | 25 per cent, par. 1. |
| Amidonaphthol | do | do | 20 per cent, par. 15. |
| Amidophenetol | do | do | Do. |
| Amidophenol | do | do | Do. |
| Amidosalicylic acid | do | do | Free, par. 536. |
| Amidoanthraquinone | do | do | 20 per cent, par. 15. |
| Anilin oil | do | do | Free, par. 639. |
| Anilin salt | do | do | Free, par. 491. |
| Anthraquinone | do | do | 20 per cent, par. 15. |
| Arsanilic acid | do | do | 25 per cent, par. 1. |
| Benzaldehyde not suitable for medicinal use. | do | do | Free, par. 536. |
| Benzalchloride | do | do | 20 per cent, par. 15. |
| Benzanthrone | do | do | Do. |
| Benzidin | do | do | Free, par. 536. |
| Benzidin sulphate | do | do | 20 per cent, par. 15. |
| Benzoic acid not suitable for medicinal use. | do | do | Free, par. 482. |
| Benzoquinone | do | do | 20 per cent, par. 15. |
| Benzoylchloride | do | do | Do. |
| Benzylchloride | do | do | Free, par. 536. |
| Betanaphthol not suitable for medicinal use. | do | do | Do. |
| Brombenzol | do | do | 20 per cent, par. 15. |
| Chlorbenzol | do | do | Do. |
| Chlorophthalic acid | do | do | 25 per cent, par. 1. |
| Cinnamic acid | do | do | Do. |
| Cumidin | do | do | Free, par. 536. |
| Dehydrothiotoluidin | do | do | 20 per cent, par. 15. |
| Diaminostilbene | do | do | Do. |
| Dianisidin | do | do | Free, par. 536. |
| Dichlorphthalic acid | do | do | 25 per cent, par. 1. |
| Dimethylanilin | do | do | Free, par. 536. |
| Dimethylamidophenol | do | do | 20 per cent, par. 15. |
| Dimethylphenylbenzylammoniumhydroxide. | do | do | Do. |

TABLE 1.—*Comparison of rates of duties on articles provided for in present tariff laws (Underwood-Simmons law and act of Sept. 8, 1916), Longworth dyestuff bill, and Payne-Aldrich law*—Continued.

| Articles. | Present laws—Sept. 8, 1916. | Longworth bill. | Payne-Aldrich tariff law. |
|---|---|---|---|
| Dimethylphenylenediamine | 15 per cent and 2½ cents, Group II. | 15 per cent and 2½ cents, Group II. | 20 per cent, par. 15. |
| Dinitrobenzol | do | do | Free, par. 536. |
| Dinitrochlorbenzol | do | do | Do. |
| Dinitronaphthalene | do | do | 20 per cent, par. 15. |
| Dinitrophenol | do | do | Do. |
| Dinitrotoluol | do | do | Free, par. 536. |
| Dioxynaphthalene | do | do | 20 per cent, par. 15. |
| Diphenylamin | do | do | Free, par. 536. |
| Ethylbenzyl anilin | do | do | 20 per cent, par. 15. |
| Hydroxyphenylarsinic acid | do | do | 25 per cent, par. 1. |
| Metanilic acid | do | do | Free, par. 536. |
| Methylyanthraquinone | do | do | 20 per cent, par. 15. |
| Naphthylamine | do | do | Free, par. 536. |
| Naphthylenediamin | do | do | 20 per cent, par. 15. |
| Orthonitranilin | do | do | Do. |
| Paranitranilin | do | do | Free, par. 536. |
| Metanitranilin | do | do | 20 per cent, par. 15. |
| Nitroanthraquinone | do | do | Do. |
| Nitrobenzaldehyde | do | do | Do. |
| Nitrobenzol | do | do | Free, par. 536. |
| Nitronaphthalene | do | do | 20 per cent, par. 15. |
| Nitrophenol | do | do | Do. |
| Nitrophenylenediamin | do | do | Do. |
| Nitrosodimethylanilin | do | do | Do. |
| Nitrotoluol | do | do | Free, par. 536. |
| Nitrotoluylenediamin | do | do | 20 per cent, par. 15. |
| Phenol | do | do | Do. |
| Phenylenediamin | do | do | Free, par. 536. |
| Phenylhydrazine | do | do | 20 per cent, par. 15. |
| Phenylnaphthylamin | do | do | Do. |
| Phenylglycocoll | do | do | Do. |
| Phenylglycocollorthocarboxylic acid. | do | do | 25 per cent, par. 1. |
| Phthalic acid | do | 15 per cent and 2½ cents, T. D. 35914. | Free, par. 482. |
| Phthalic anhydride | do | do | Do. |
| Phthalimid | do | do | 20 per cent, par. 15. |
| Resorcin not suitable for medicinal use. | do | do | Free, par. 536. |
| Salicylic acid not suitable for medicinal use. | do | do | 5 cents per pound, par. 1. |
| Salicylic acid salts not suitable for medicinal use. | do | do | 20 per cent, par. 15. |
| Sulphanilic acid | do | do | 25 per cent, par. 1. |
| Thiocarbanilid | do | do | 20 per cent, par. 15. |
| Tetrachlorphthalic acid | do | do | 25 per cent, par. 1. |
| Tetramethyldiaminobenzophenone. | do | do | 20 per cent, par. 15. |
| Tetramethyldiaminodiphenylmethane. | do | do | Do. |
| Toluol sulphochloride | do | do | Do. |
| Toluol sulphamid | do | do | Do. |
| Tribromphenol | do | do | Do. |
| Toluidin | do | do | Free, par. 536. |
| Tolidin | do | do | Do. |
| Toluylenediamin | do | do | 20 per cent, par. 15. |
| Xylidin | do | do | Free, par. 536. |
| Sulphoacid or sulphoacid salt of foregoing (except naphthylamine sulpho acids and their sodium or potassium salts, naphthol sulpho-acids and their sodium or potassium salts and amidonaphtholsulpho-acids and their sodium or potassium salts and diaminostilbendisulpho acid.) | do | do | 20 per cent, par. 15. |
| Naphthylamin sulphoacids and their sodium or potassium salts. | do | do | Free, par. 536. |
| Naphthol sulphoacids and their sodium or potassium salts. | do | do | Do. |
| Amidonaphtholsulphoacids and their sodium or potassium salts. | do | do | Do. |
| Diamidostilbendisulphoacid | do | do | Do. |

TABLE 1.—*Comparison of rates of duties on articles provided for in present tariff laws (Underwood-Simmons law and act of Sept. 8, 1916), Longworth dyestuff bill, and Payne-Aldrich law*—Continued.

| Articles. | Present laws—Sept. 8, 1916; Oct. 3, 1913. | Longworth bill. | Payne-Aldrich tariff law. |
|---|---|---|---|
| All other products employed in manufacture of products in Group II or III and obtained from any foregoing products or from products in Group I. | 15 per cent and 2½ cents, Group II. | 15 per cent and 2½ cents, Group II. | 20 per cent, par. 15. |
| Anthracene 30 per cent or more. | 15 per cent and 2½ cents, Group II; 25 per cent or more. | .....do..... | Do. |
| Carbazol 65 per cent or more.... | .....do..... | 15 per cent and 2½ cents, Group II; 25 per cent or more. | Do. |
| Metacresol 90 per cent or more.. | 15 per cent and 2½ cents, Group II. | 15 per cent and 2½ cents, Group II. | Free, par. 536. |
| Naphthalene 79° C. or above... | .....do..... | .....do..... | Do. |
| Orthocresol 90 per cent or more. | .....do..... | .....do..... | Do. |
| Paracresol 90 per cent or more.. | .....do..... | .....do..... | Do. |
| All coal-tar distillates containing 5 per cent or more phenol. | .....do..... | .....do..... | Free, pars. 536, 482. |
| All mixtures of foregoing except sheep dip and medicinal soaps. | .....do..... | .....do..... | 20 per cent, par. 15. |
| All colors, dyes, or stains whether soluble or not in water (except indigo extracts or pastes, indigo carmined, synthetic indigo, synthetic alizarine and dyes derived from synthetic alizarine or anthracene or carbazol). | 30 per cent and 5 cents, Group III. | 30 per cent and 5 cents, Group III. | 30 per cent, par. 15. |
| Synthetic indigo (solid)..... | .....do..... | .....do..... | Free, par. 592. |
| Synthetic indigo extracts or paste. | .....do..... | .....do..... | ¾ of 1 cent per pound, par. 25. |
| Synthetic indigo carmined..... | .....do..... | .....do..... | 10 cents per pound, par. 25. |
| Other dyes obtained from indigo and indigoids. | .....do..... | .....do..... | 30 per cent, par. 15. |
| Synthetic alizarine and dyes derived from synthetic alizarine or anthracene. | .....do..... | .....do..... | Free, par. 487. |
| Dyes obtained from carbazol.... | .....do..... | .....do..... | 30 per cent, par. 15. |
| Color acids..... | 15 per cent and 2½ cents, Group II. | .....do..... | 20 per cent, par. 15. |
| Color bases..... | .....do..... | .....do..... | Do. |
| Color lakes..... | 30 per cent and 5 cents, Group III. | .....do..... | 30 per cent, par. 56. |
| Leuco-acids and leuco-bases, whether colorless or not. | 15 per cent and 2½ cents, Group II. | .....do..... | 20 per cent, par. 15. |
| Indoxyl and indoxyl compounds. | .....do..... | .....do..... | Do. |
| Ink powders..... | 15 per cent, par. 37.... | .....do..... | 25 per cent, par. 26. |
| Photographic chemicals..... | 30 per cent and 5 cents, Group III. | .....do..... | 25 per cent, par. 3. |
| Flavors..... | 30 per cent, Group III. | Not provided for..... | 25 per cent, pars. 3, 65 |
| Acetanilid suitable for medicinal use. | 25 per cent, par. 18.... | 30 per cent and 5 cents, Group III. | 25 per cent, par. 65. |
| Acetphenetidin..... | .....do..... | .....do..... | Do. |
| Acetylsalicylic acid..... | .....do..... | .....do..... | 25 per cent, par. 1. |
| Antipyrine..... | .....do..... | .....do..... | 25 per cent, par. 65. |
| Benzaldehyde suitable for medicinal use. | 30 per cent, Group III. | .....do..... | Do. |
| Benzoic acid suitable for medicinal use. | .....do..... | .....do..... | Free, par. 482. |
| Betanaphthol suitable for medicinal use. | .....do..... | .....do..... | 25 per cent, par. 65. |
| Phenolphthalein suitable for medicinal use. | 25 per cent, par. 18.... | .....do..... | Do. |
| Resorcin suitable for medicinal use. | 30 per cent, Group III. | .....do..... | Do. |
| Salicylic acid suitable for medicinal use. | .....do..... | .....do..... | 5 cents per pound, par. 1. |
| Salicylic acid salts suitable for medicinal use. | .....do..... | .....do..... | 25 per cent, par. 65. |
| Salol..... | 25 per cent, par. 18.... | .....do..... | Do. |
| Other medicinals..... | 30 per cent, Group III. | .....do..... | Do. |
| Sodium benzoate..... | 5 cents per pound, par. 67. | .....do..... | 20 per cent, par. 15. |
| Saccharin..... | 65 cents per pound, par. 179. | .....do..... | 65 cents per pound, par. 218. |

TABLE 1.—*Comparison of rates of duties on articles provided for in present tariff laws (Underwood-Simmons law and act of Sept. 8, 1916), Longworth dyestuff bill, and Payne-Aldrich law*—Continued.

| Articles. | Present laws—Sept. 8, 1916; Oct. 3, 1913. | Longworth bill. | Payne-Aldrich tariff law. |
|---|---|---|---|
| Synthetic phenolic resins | 30 per cent and 5 cents, Group III. | 30 per cent and 5 cents, Group III. | 20 per cent, par. 15. |
| Synthetic tanning materials | 15 per cent and 2½ cents, Group II. | do | Do. |
| Picric acid | Free, par. 501 | do | Free, par. 452. |
| Nitropicric acid | do | do | Do. |
| Trinitrotoluol | do | do | Value 20 cents or less per pound, 2 cents per pound; value above 20 cents per pound, 4 cents per pound; par. 435. |
| Other explosives except smokeless powders. | do | do | Value 20 cents or less per pound, 2 cents per pound; value above 20 cents per pound, 4 cents per pound; par. 435. |
| Natural alizarine | 30 per cent, Group III. | do | Free, par. 487. |
| Natural indigo (solid) | do | do | Free, par. 592. |
| Natural indigo extracts or pastes. | do | do | ½ of 1 cent per pound, par. 25. |
| Natural indigo, carmined | do | do | 10 cents per pound, par. 25. |
| Dyes obtained from natural alizarine. | do | do | Free, par. 487. |
| Dyes obtained from natural indigo (except indigo carmined). | do | do | 25 per cent, par. 3. |
| All stains, color acids, color bases, color lakes, leuco-acids, leuco-bases, indoxyl and indoxyl compounds obtained from natural indigo or alizarine. | do | do | Do. |
| Adonite | 15 per cent, par. [illegible] | do | Do. |
| Arabinose | do | do | Do. |
| Dulcitol | do | do | Do. |
| Galactose | do | do | Do. |
| Inosite | do | do | Do. |
| Inulin | do | do | Do. |
| Levulose | do | do | Do. |
| Mannitol | do | do | Do. |
| Mannose | do | do | Do. |
| Melizitose | do | do | Do. |
| Raffinose | do | do | Do. |
| Rhamnose | do | do | Do. |
| Sorbitol | do | do | Do. |
| Xylose | do | do | Do. |
| Other higher saccharides required for scientific purposes. | do | do | Do. |
| All mixtures including solutions of foregoing. | do | do | Too broad a term to attempt to classify. |

PROTECTION AFFORDED BY THREE MEASURES.

Although Table 1 shows the comparative rates of duty on coal-tar products under the three measures, further analysis is necessary to show the protection afforded and revenue obtained if each of the three measures were in effect.

Table 2 shows the average or composite ad valorem rates of duty (protection expressed in percentage) on coal-tar crudes, intermediates, and dyes if each of the three measures were effective. In the preparation of this table, it was regarded as practicable to use the quantities of coal-tar crudes, intermediates, and dyes imported during the fiscal year 1913–14 (last prewar year) since they are representative of normal consumption. The quantities and values of coal-tar products imported during 1913–14 were obtained from Norton's Dyestuff Census, Department of Commerce, Special Agents Series No. 121. They cover the following:

Ten principal crudes representing 100 per cent by quantity of total importation of crudes during fiscal year 1913–14.

Twenty-two principal intermediates representing 92 per cent by quantity of total importation of intermediates during fiscal year 1913–14.

Fifty principal dyes representing 61 per cent by quantity of total importation of dyes during fiscal year 1913–14.

Inasmuch as the current import prices of coal-tar products are considerably higher than 1913–14 import prices, this table shows the average ad valorem rates of duty on these commodities based on both 1914 and 1921 import prices, normal rate of exchange.

Since the mark, the standard currency of Germany, the country from which a large portion of the coal-tar products would be imported, has depreciated from 23.8 to 1.62 cents, the average rates of duty under these three measures of these commodities predicated on 1921 import prices, using present rate of exchange, are shown in this table.

As a means of compensating for the depreciated rate of exchange between this country and European nations, there is considerable sentiment in Congress and among industrial concerns of the country for the enactment of legislation whereby ad valorem rates of duty will be appraised on American selling prices. This table shows the average or composite ad valorem rates of duty of coal-tar products under these three measures, based on import quantities of fiscal year 1913–14 and on 1921 American selling prices. The average New York wholesale market prices as listed on the day these statistics were compiled, in the several chemical and dyestuff daily publications, were used as the American selling prices.

Indigo, sulphur black, and direct deep black EW comprise 33⅓ per cent of the total importations of dyes during 1913–14. These three dyes are now being produced in this country in quantities in excess of domestic consumption (for they comprise a very considerable portion of the dyes now being exported). These dyes are among the cheapest on the market and because of their cheapness, demand and the present large facilities for their manufacture in the United States, they will undoubtedly never again be imported. In view of these facts, statistics are embodied in Table 2 setting forth the average ad valorem rates of duty or protection under the three measures of 47 principal dyes (excluding these three dyes) imported during 1913–14.

The 10 principal crudes, which comprise 100 per cent by quantity of the total crudes imported during fiscal year 1913–14, are free under all three measures. Inasmuch as practically all the intermediates imported during the fiscal year 1913–14 were for the manufacture of certain azo dyes, they were consequently free of duty under the Payne-Aldrich law. The protection afforded by that act on the 22 intermediates imported was practically nil. Since all intermediates are provided for under the present law and the Longworth bill at a compound rate, 15 per cent ad valorem and 2½ cents per pound, the average or composite rate of duty will depend upon the portion of the total duty represented by the duty derived from specific rates. It is noted that the 22 intermediates based on 1921 import prices, present exchange, would have protection of 158 per cent, while the same intermediates based on 1921 American selling prices, would have a protection of 22 per cent. The amount of duty collected from the specific rates would be the same in both instances, but would represent a larger portion of the total duty collected under the 1921 import prices than under the 1921 American selling prices, consequently the average ad valorem rate of duty based on 1921 import prices would be higher than the average rate based on 1921 American selling prices. Inasmuch as all dyes are provided for under the Longworth bill at 30 per cent ad valorem and 5 cents per pound, and certain classes of dyes are provided for under present law at the same compound rate of duty, the average or composite rate of duty on the dyes under these two measures will also depend upon what portion of the total duty is represented by the duty obtained from the specific rates. You will also observe that the average rate of the 50 principal dyes based on 1921 import prices, present exchange, is 87 per cent, while the average rate for the same dyes based on 1921 American selling prices is only 33 per cent. In addition to showing the average or composite rates of duty on crudes, intermediates, and dyes under the three different measures, the table also sets forth the values of the 10 principal crudes, 22 principal intermediates, 50 principal dyes, and 47 principal dyes imported during the fiscal year 1913–14, and based on 1914 and 1921 import prices and on 1921 American selling prices. These values are subdivided, showing the portions of each represented by the different classifications under the three different measures. For example, of the 9,387,978 pounds intermediates imported during fiscal year 1913–14 and the value based on that year's import prices would be $811,444. Of the 9,387,978 pounds 9,258,496 pounds, valued at $746,915, would have been classified free of duty under the Payne-Aldrich law. Of the 9,387,978 pounds 199,951 pounds, valued at $50,722, would have been classified under the same measure at 20 per cent ad valorem. In addition to this data, the table sets forth the unit prices of the respective quantities of the crudes, intermediates, and dyes classified under the three different measures, i. e., the 9,258,496 pounds, classified under the Payne-Aldrich law as free of duty, would have a unit price of 8.3 cents per pound, and 199,951 pounds, classified under the same act at 20 per cent ad valorem, would have a unit price of 26 cents per pound.

TABLE 2.—*Average ad valorem rates of duty on coal-tar products.*

TEN PRINCIPAL CRUDES.

[Representing 100 per cent by quantity of total importations of crudes during fiscal year 1913-14. 1914 unit price, 6.3 cents; import quantity, 72,310,342 pounds.]

[For footnotes in Table 2 see end of table on page 599.]

| Based on— | Present laws. | Longworth bill. | Payne-Aldrich law. |
|---|---|---|---|
| Import prices of 1914 | Free. | Free. | Free. |
| Import prices of 1921: [1] | | | |
| Normal exchange | Free. | Free. | Free. |
| Present exchange [2] | Free. | Free. | Free. |
| American selling prices of 1921 [3] | Free. | Free. | Free. |

TWENTY-TWO PRINCIPAL INTERMEDIATES.

[Representing 92 per cent by quantity of total importations of intermediates during fiscal year 1913-14.]

| | *Per cent.* | *Per cent.* | *Per cent.* |
|---|---|---|---|
| Import prices of 1914 | 44 | 44 | 1.7 |
| Import prices of 1921: [1] | | | |
| Normal exchange | 25 | 25 | 1.7 |
| Present exchange [2] | 158 | 158 | 1.7 |
| American selling price of 1921 [3] | 22 | 22 | 1.7 |

PRESENT LAWS AND LONGWORTH BILL.

| Prices. | Rate of exchange. | Tariff rate. | Unit price. | Import quantity.[4a] | Value. |
|---|---|---|---|---|---|
| | | | *Cents.* | *Pounds.* | |
| 1914 import | Normal | 15 per cent and 2½ cents | 8.6 | 9,387,978 | $811,444 |
| 1921 import | do | do | 25.8 | 9,387,978 | 2,418,030 |
| Do | Present | do | 1¾ | 9,387,978 | 164,426 |
| 1921 American | | do | 36.1 | 9,387,978 | 3,385,242 |

LONGWORTH BILL.

| | | | | | |
|---|---|---|---|---|---|
| 1914 import | Normal | 30 per cent and 5 cents | 14.6 | 27,822,885 | $4,071,085 |
| 1921 import | do | do | 76.4 | [5] 26,395,215 | 20,152,420 |
| Do | Present | do | 5.2 | [5] 26,395,215 | 1,370,364 |
| 1921 American | | do | 107.0 | [5] 26,395,215 | 28,213,388 |

PAYNE-ALDRICH LAW.

| | | | | | |
|---|---|---|---|---|---|
| 1914 import | Normal | 30 per cent | 14.5 | 17,204,901 | $2,474,707 |
| Do | do | Free | 15.0 | 10,618,984 | 1,596,378 |
| 1921 import | do | 30 per cent | 74.3 | [6] 16,012,412 | 11,896,891 |
| Do | do | Free | 79.7 | [6] 10,382,793 | 8,275,529 |
| Do | Present | 30 per cent | 5.1 | [6] 16,012,412 | 806,983 |
| Do | do | Free | 5.4 | [6] 10,382,793 | 562,736 |
| 1921 American | | 30 per cent | 103.0 | [6] 16,012,412 | 16,655,647 |
| Do | | Free | 112.0 | [6] 10,382,793 | 11,585,741 |

For footnotes see page 599.

TABLE 2.—*Average ad valorem rates of duty on coal-tar products*—Continued.

FORTY-SEVEN PRINCIPAL DYES.[1]

[Representing 29 per cent by quantity of total importation of dyes during fiscal year 1913-14.]

| Based on— | Present laws. | Longworth bill. | Payne-Aldrich law. |
|---|---|---|---|
| | *Per cent.* | *Per cent.* | *Per cent.* |
| Import prices of 1914 | 52 | 58 | 23 |
| Import prices of 1921:[2] | | | |
| Normal exchange | 33 | 34 | 21 |
| Present exchange[3] | 77 | 85 | 21 |
| American selling prices of 1921[3] | 32 | 33 | 21 |

PAYNE-ALDRICH LAW.

| Prices. | Rate of exchange. | Tariff rate. | Unit price. | Import quantity.[4] | Value. |
|---|---|---|---|---|---|
| | | | *Cents.* | *Pounds.* | |
| 1914 import | Normal | Free | 8.5 | 9,258,496 | $746,917 |
| Do | do | 20 per cent | 26.0 | 199,951 | 50,722 |
| 1921 import | do | Free | 23.9 | 9,258,496 | 2,210,961 |
| Do | do | 20 per cent | 103.6 | 199,951 | 207,069 |
| Do | Present | Free | 1.6 | 9,258,496 | 150,345 |
| Do | do | 20 per cent | 7.0 | 199,951 | 14,061 |
| 1921 American | | Free | 33.5 | 9,258,496 | 3,095,358 |
| Do | | 20 per cent | 145.0 | 199,951 | 289,897 |

FIFTY PRINCIPAL DYES.

[Representing 61 per cent by quantity of total importation of dyes during fiscal year 1913-14.]

| Based on— | Present laws. | Longworth bill. | Payne-Aldrich law. |
|---|---|---|---|
| | *Per cent.* | *Per cent.* | *Per cent.* |
| Import prices of 1914 | 51 | 64 | 18 |
| Import prices of 1921:[2] | | | |
| Normal exchange | 34 | 36½ | 18 |
| Present exchange[3] | 87 | 119 | 18 |
| American selling prices of 1921[3] | 33 | 35 | 18 |

PRESENT LAWS.

| Prices. | Rate of exchange. | Tariff rate. | Unit price. | Import quantity.[5] | Value. |
|---|---|---|---|---|---|
| | | | *Cents.* | *Pounds.* | |
| 1914 import | Normal | 30 per cent and 5 cents | 14.4 | 16,908,376 | $2,439,760 |
| Do | do | 30 per cent | 14.9 | 10,914,509 | 1,631,325 |
| 1921 import | do | 30 per cent and 5 cents | 74.4 | [6]15,715,897 | 11,686,358 |
| Do | do | 30 per cent | 78.5 | [6]10,679,318 | 8,486,062 |
| Do | Present | 30 per cent and 5 cents | 5.5 | [6]15,715,897 | 794,672 |
| Do | do | 30 per cent | 5.8 | [6]10,679,318 | 577,052 |
| 1921 American | | 30 per cent and 5 cents | 104.0 | [6]15,715,897 | 16,360,901 |
| Do | | 30 per cent | 111.0 | [6]10,679,318 | 11,880,487 |

PRESENT LAW.

| | | | | | |
|---|---|---|---|---|---|
| 1914 import | Normal | 30 per cent and 5 cents | 16.9 | 10,081,602 | $1,705,296 |
| Do | do | 30 per cent | 22.4 | 2,047,150 | 540,562 |
| 1921 import | do | 30 per cent and 5 cents | 108.0 | [6]8,889,123 | 9,642,079 |
| Do | do | 30 per cent | 195.0 | [6]2,171,959 | 4,232,383 |
| Do | Present | 30 per cent and 5 cents | 7.4 | [6]8,889,123 | 655,661 |
| Do | do | 30 per cent | 13.3 | [6]2,171,959 | 287,902 |
| 1921 American | | 30 per cent and 5 cents | 151.0 | [6]8,889,123 | 13,423,911 |
| Do | | 30 per cent | 273.0 | [6]2,171,959 | 5,925,336 |

For footnotes see page 599.

TABLE 2.—*Average ad valorem rates of duty on coal-tar products*—Continued.

FIFTY PRINCIPAL DYES—Continued.

| Prices. | Rate of exchange. | Tariff rate. | Unit price. | Import quantity. | Value. |
|---|---|---|---|---|---|
| | | | *Cents.* | *Pounds.* | |
| **LONGWORTH BILL.** | | | | | |
| 1914 import | Normal | 30 per cent and 5 cents | 18.0 | 12,458,752 | $2,245,643 |
| 1921 import | do | 30 per cent and 5 cents | 125.0 | [4]11,061,082 | 13,864,462 |
| Do | Present | 30 per cent and 5 cents | 8.5 | [4]11,061,082 | 942,103 |
| 1921 American | | 30 per cent and 5 cents | 175.0 | [4]11,061,082 | 19,396,247 |
| **PAYNE-ALDRICH LAW.** | | | | | |
| 1914 import | Normal | 30 per cent | 15.8 | 10,398,127 | $1,740,043 |
| Do | do | Free | 24.0 | 2,111,625 | 505,605 |
| 1921 import | do | 30 per cent | 107.0 | [4]9,185,638 | 9,852,612 |
| Do | do | Free | 215.0 | [4]1,875,434 | 4,021,850 |
| Do | Present | 30 per cent | 7.3 | [4]9,185,638 | 669,978 |
| Do | do | Free | 14.6 | [4]1,875,434 | 273,486 |
| 1921 American | | 30 per cent | 150.0 | [4]9,185,638 | 13,793,457 |
| Do | | Free | 301.0 | [4]1,875,434 | 5,630,500 |

[1] The import prices for 1921 of dyes and intermediates which are now being imported into the United States were ascertained by dividing the domestic wholesale market prices for these commodities by 140 per cent.

[2] Rate of exchange on the day of compilation of these statistics was 1 mark equals 1.62 cents. It was assumed that in the event of importation these products would principally come from Germany; consequently this rate of exchange was employed in the compilation of these statistics.

[3] The average New York wholesale market prices as listed in the several chemical and dyestuff daily publications were used as the American selling prices.

[4] The import quantity is the sum total of the poundage, as taken from Norton's Dyestuff Census, Department of Commerce, Special Agent Series No. 121, of the 22 intermediates which were imported into the United States in the largest quantities during fiscal year 1913-14. The following is a list of these intermediates and their respective import quantities for that fiscal year:

| | Pounds. | | Pounds. | | Pounds. |
|---|---|---|---|---|---|
| Aniline salts | 3,083,467 | Dinitrotoluene | 547,701 | Toluidine | 108,835 |
| Aniline oil | 1,444,772 | Paranitraniline | 506,931 | Alphanaphthylamine | 112,226 |
| Nitrobenzene | 1,087,911 | Orthotoluidine | 309,595 | Metatoluylenediamine | 133,355 |
| Betanaphthol | 1,030,268 | Benzoic acid | 278,896 | R acid | 46,267 |
| Phthalic acid | 83,574 | Hydroquinone | 66,596 | Dimethylaniline | 48,642 |
| Diphenylamine | 55,556 | H acid | 96,296 | Alphanaphthol | 44,089 |
| Benzidine | 55,245 | Orthotoluidine | 42,482 | | |
| Resorcin | 61,624 | Dinitrobenzene | 164,655 | | |

[5] The import quantity is the sum total of the poundage, as taken from Norton's Dyestuff Census, Department of Commerce, Special Agent Series No. 121, of the 50 dyes which were imported into the United States in the largest quantities during fiscal year 1913-14. The following is a list of these dyes and their respective import quantities for that fiscal year:

| | Pounds. | | Pounds. | | Pounds. |
|---|---|---|---|---|---|
| Indigo | 8,507,359 | Columbia black | 402,997 | Hydron blue | 296,525 |
| Sulfur black | 5,432,300 | Nigrosine water sol. | 398,312 | Alkali blue | 286,531 |
| Direct deep black EW | 1,394,474 | Benzopurpurine 4B | 351,712 | Diamond black | 285,074 |
| Oxamine black | 610,612 | Alizarine blue | 318,894 | Metanil yellow | 284,606 |
| Indanthrene blue GCD paste | 478,080 | Diaminogen | 313,428 | Lithol red R | 281,963 |
| Diamine black | 462,306 | Lake red C extra | 306,607 | Paper yellow | 277,560 |
| Auramine | 449,276 | Alizarine | 202,392 | Chrysophenine | 156,737 |
| Tartrazine | 265,781 | Alizarine black | 199,198 | Acid violet | 155,624 |
| Alizarine black U | 259,991 | Indanthrene blue BS | 187,379 | Naphthylamine black | 152,141 |
| Methyl violet | 255,083 | Double brilliant scarlet | 210,429 | Phosphine | 151,964 |
| Naphthol yellow | 250,409 | Nigrosine spirit solution | 186,540 | Direct black | 151,147 |
| Cotton black E | 248,567 | Methyl blue | 185,738 | Sulfocyanine | 145,694 |
| Salicine black | 246,724 | Malachite green | 183,852 | Alizarine yellow | 144,671 |
| Azo rubine | 230,760 | Acid blue B | 180,423 | Alizarine green S | 135,728 |
| Alizarine black P | 229,500 | Columbia yellow | 175,977 | Patent blue | 144,728 |
| Direct yellow | 225,864 | Bismarck brown 2R | 170,882 | Eriochrome black T | 129,550 |
| Agalma black | 429,056 | Palatine black | 299,274 | | |

[6] The decreased import quantity of dyes for 1921 was due to the fact that no 1921 import prices were available for the following dyes: Lake red C extra, diamond black, paper yellow, salicin black, Columbia yellow, and alizarin green S.

[7] Includes all the dyes enumerated under the 50 principal dyes previously set forth in these statistics except indigo, sulphur black, and direct deep black EW. These three dyes were imported into the United States in the largest quantities during the fiscal year 1913-14. Of the 45,840,866 pounds dyes imported during that fiscal year, 15,334,133 pounds represented indigo, sulphur black, and direct deep black EW; this is approximately 33⅓ per cent of the total importations. These three dyes are among the cheaper if not the cheapest being used. Their import prices for 1914 and 1921 are as follows: Indigo (paste 20 per cent)—1914, 12.8 cents per pound; 1921, 50 cents per pound. Sulphur black—1914, 10 cents per pound; 1921, 23 cents per pound. Direct deep black EW—1914, 13.8 cents per pound; 1921, 51 cents per pound.

Inasmuch as these three staple dyes are now being produced in this country in quantities in excess of domestic consumption (for they comprise a very considerable portion of the dyes now being exported) it is logical to exclude them from the statistical data and the conclusions deduced from such data.

REVENUES OBTAINED BY THREE MEASURES.

The tariff law is one of the two principal sources of revenue necessary for the maintenance of the Federal Government. A tariff law has two functions: First, to afford protection for American industries, manufacturing and agricultural; and, second, to obtain revenue for defraying current Government expenditures. Having determined the average rates of duty (that is, protection) under the three measures, it is therefore essential to know the revenues which would be derived on coal-tar products identical in nature and quantities to those imported during fiscal year 1913-14 (last prewar year). This information amplified to show revenues from crudes, intermediates, and dyes, each based on 1914 import prices, normal exchange, on 1921 import prices, both normal and present exchange, and on 1921 American selling prices, is set forth in Table 3. There is also shown in this table the total quantities of intermediates and dyes imported during fiscal year 1913-14 and the total values of each, based on 1914 import prices, normal exchange, 1921 import prices, both normal and present exchange, and 1921 American selling prices.

TABLE 3.—*Total revenues which would be obtained upon the importations of coal-tar products identical in nature and quantities to those imported during fiscal year 1913-14.*

CRUDES: None.

INTERMEDIATES.

[Representing 10,165,993 pounds, total importations of intermediates for fiscal year 1913-14.]

| Based on— | Present laws. | Longworth bill. | Payne-Aldrich law. |
|---|---|---|---|
| Import prices of 1914 | $476,421 | $476,421 | $14,833 |
| Import prices of 1921:[1] | | | |
| Normal exchange | 655,700 | 655,700 | 49,046 |
| Present exchange[2] | 281,802 | 281,802 | 3,032 |
| American selling prices of 1921[3] | 807,397 | 807,397 | 621,898 |

| Prices. | Rate of exchange. | Value. | Prices. | Rate of exchange. | Value. |
|---|---|---|---|---|---|
| 1914 import | Normal | $1,082,775 | 1921 import | Present | $177,356 |
| 1921 import | do | 2,622,801 | 1921 American | | 3,669,988 |

DYES.

[Representing 45,840,866 pounds, total importations of dyes for fiscal year 1913-14.]

| Based on— | Present laws. | Longworth bill. | Payne-Aldrich law. |
|---|---|---|---|
| Import prices of 1914 | $4,631,846 | $5,875,258 | $1,651,616 |
| Import prices of 1921:[1] | | | |
| Normal exchange | 11,907,623 | 12,783,183 | 6,304,035 |
| Present exchange[2] | 6,232,071 | 2,833,947 | 428,644 |
| American selling prices of 1921[3] | 16,186,410 | 17,167,404 | 8,828,951 |

| Prices. | Rate of exchange. | Value. | Prices. | Rate of exchange. | Value. |
|---|---|---|---|---|---|
| 1914 import | Normal | $9,180,091 | 1921 import | Present | $2,381,468 |
| 1921 import | do | 35,022,421 | 1921 American | | 49,019,727 |

SUMMARY.

| Based on— | Present law. | Longworth bill. | Payne-Aldrich law. |
|---|---|---|---|
| Import prices of 1914 | $5,158,257 | $6,351,679 | $1,665,449 |
| Import prices of 1921:[1] | | | |
| Normal exchange | 12,563,323 | 13,438,883 | 6,353,081 |
| Present exchange[2] | 2,353,679 | 3,115,749 | 431,676 |
| American selling prices of 1921[3] | 16,993,807 | 17,974,801 | 9,453,849 |

[1] The import prices for 1921 of dyes and intermediates which are now being imported into the United States were ascertained by dividing the domestic wholesale market prices for these commodities by 140 per cent.

[2] Rate of exchange on the day of compilation of these statistics was 1 mark equals 1.62 cents. It was assumed that in the event of importation these products would principally come from Germany; consequently this rate of exchange was employed in the compilation of these statistics.

[3] The average New York wholesale market prices as listed in the several chemical and dyestuff daily publications were used as the American selling prices.

DYES NOT MANUFACTURED IN UNITED STATES AND ESSENTIAL TO TEXTILE INDUSTRY.

There are certain dyes essential to the textile industry of the country, which were imported during fiscal year 1913–14 and are not manufactured in this country and most probably will not be for a number of years. In order to determine the nature of these dyes and the domestic consumption during a normal year Table 4 was prepared. In this table there is shown the production of coal-tar dyes by classes in this country during 1919. These are the most recent statistics on domestic production and were obtained from "Census of Dyes and Coal Tar Chemicals, 1919," published by the United States Tariff Commission. This production is compared by classes in the table with imports of coal-tar dyes during 1913–14 and the excess quantities of imports over production shown. It is noted that 11.6 per cent of the dyes imported in 1913–14 were not manufactured in the United States in 1919 and that the domestic production in 1919 exceeds importation in 1913–14 (last normal fiscal year before the war) by 38 per cent.

There were 745 different dyes imported into the United States during the fiscal year 1913–14. Of these 745 dyes, 237 belong to the classes of dyes which were not manufactured in this country in 1919 in quantities equal to the importations during the fiscal year 1913–14. Of the 237 dyes only 48 were manufactured in the United States during 1919. The remaining 189 dyes were brought into the United States during 1913–14 in a total quantity of 5,341,508 pounds. The average annual importation during that year of these 189 dyes was 27,500 pounds. The average annual importation of all the dyes imported during the fiscal year 1913–14 was 61,500 pounds, approximately two and one-fourth times larger than the average annual importation of these 189 dyes. Although these dyes represented only 11.6 per cent of the total quantity of dyes imported during the fiscal year, they constituted over 26 per cent in number of the total dyes imported. These statistics corroborate the fact that the dyes now being manufactured in this country constitute the so-called bulk dyes, which are cheaper in price, more largely used, and represent by far the largest portion of the total value of dyes bought and sold. Also the dyes not manufactured in this country to-day are dyes which are not used in large quantities, are used for special purposes, largely for seasonable purposes, and are not in constant demand. Therefore it is probably not commercially feasible to manufacture them unless the manufacturer can compete in every market of the world selling these dyes. Legislation has closed the English, French, and Italian markets to American dyes. The domestic demand plus the oriental and South American demand for these dyes is unquestionably not sufficient to insure the manufacture of these dyes in the United States for years to come.

TABLE 4.—*The quantities and 1913–14 import prices of the various classes of coal-tar dyes imported during fiscal year 1913–14 and not manufactured in United States during calendar year 1919.*

| Classes. | Production in United States of dyes during 1919.[1] | | Imports during fiscal year 1913–14.[2] | | Dyes imported in 1913–14 and not manufactured in United States during 1919. | |
|---|---|---|---|---|---|---|
| | Quantities. | Values. | Quantities. | Values. | Quantities. | Values 1913–14. |
| | *Pounds.* | | *Pounds.* | | *Pounds.* | |
| Nitroso | 31,606 | $38,831 | 19,146 | $2,902 | | |
| Nitro | 100,121 | 117,172 | 254,517 | 26,596 | 134,396 | $16,057 |
| Stilbene | 440,924 | 767,074 | 380,713 | 68,275 | | |
| Pyrazolone | | | 419,325 | 90,813 | 419,325 | 90,674 |
| Azo | 27,191,371 | 36,416,702 | 17,072,820 | 2,779,153 | | |
| Diphenylenethane | 127,567 | 392,744 | 451,178 | 108,923 | 323,611 | 66,340 |
| Triphenylenethane | 1,761,742 | 6,491,720 | 2,671,130 | 792,820 | 909,388 | 270,088 |
| Xanthone | 190,138 | 1,235,526 | 297,079 | 146,129 | 106,941 | 52,936 |
| Acridine | 14,648 | 56,583 | 286,308 | 93,116 | 271,660 | 88,289 |
| Thiobenzenyl | 325,415 | 608,701 | 289,646 | 54,297 | | |
| Indophenol | 126,611 | 201,737 | | | | |
| Oxazine and Thiazine | 909,75[illegible] | 2,754,677 | 403,321 | 139,987 | | |
| Azine | 2,732,7[illegible] | 2,127,467 | 767,980 | 137,701 | | |
| Sulfur | 17,624,418 | 7,199,688 | 7,151,604 | 791,293 | | |
| Anthraquinone | 40,426 | 63,674 | 3,196,613 | 936,243 | 3,156,187 | 921,853 |
| Indigo | 8,863,824 | 7,233,719 | 8,813,594 | 1,243,564 | | |
| Indigotine | 1,699,670 | 1,093,724 | | | | |
| Unclassified | | | 2,991,104 | 502,151 | | |
| Total | 63,402,194 | 67,598,855 | 45,840,866 | 9,180,091 | 5,341,508 | 1,609,137 |

[1] Obtained from Census of Dyes and Coal Tar Chemicals, 1919, published by U. S. Tariff Commission as Tariff Information Series No. 22.

[2] Obtained from Artificial Dyestuffs Used in the United States, published by U. S. Department of Commerce as Special Agent Series No. 121.

Assuming that domestic manufacturers will continue to produce the dyes they did in 1919 and that the dyes imported in 1913–14 and not manufactured in United States in 1919 will continue to be imported, it is of interest to know the average rates of duty or protection afforded these dyes under the three measures. This information is presented in table 5.

TABLE 5.—*Average ad valorem rates of duty on coal-tar dyes (imported during 1913-14 and not manufactured in the United States during 1919).*

| Based on— | Present laws. | Longworth bill. | Payne-Aldrich law. |
|---|---|---|---|
| | *Per cent.* | *Per cent.* | *Per cent.* |
| Import prices of 1914 | 37½ | 48 | 12½ |
| Import prices of 1921: | | | |
| Normal exchange | 31½ | 33½ | 12½ |
| Present exchange | 51 | 80 | 12½ |
| American selling prices of 1921 | 31 | 32½ | 12½ |

Coal-tar dyes represented 11.6 per cent of the total importations of dyes during 1913–14. The import quantities in excess of 1919 production are listed according to classes and quantities, as follows:

| Class of dye. | Pounds. | Class of dye. | Pounds. |
|---|---|---|---|
| Nitro | 154,396 | Anthraquinone | 3,156,187 |
| Diphenylmethane | 323,611 | Pyrazalone | 419,325 |
| Triphenylmethane | 909,388 | | |
| Xanthone | 106,941 | Total | 5,341,508 |
| Acridine | 271,660 | | |

PRESENT LAWS.

| Prices. | Rate of exchange. | Tariff rate. | Unit prices. | Import quantity. | Value. |
|---|---|---|---|---|---|
| | | | *Cents.* | *Pounds.* | |
| 1914 import | Normal | 30 per cent and 5 cents | 26.0 | 2,285,321 | $595,930 |
| Do | do | 30 per cent | 29.3 | 3,156,187 | 924,763 |
| 1921 import | do | 30 per cent and 5 cents | 134.0 | 2,285,321 | 3,062,330 |
| Do | do | 30 per cent | 156.0 | 3,156,187 | 4,923,652 |
| Do | Present | 30 per cent and 5 cents | 9.1 | 2,285,321 | 208,238 |
| Do | do | 30 per cent | 10.6 | 3,156,187 | 334,808 |
| 1921 American | | 30 per cent and 5 cents | 188.0 | 2,285,321 | 4,297,262 |
| Do | | 30 per cent | 218.0 | 3,156,187 | 6,893,113 |

LONGWORTH BILL.

| | | | | | |
|---|---|---|---|---|---|
| 1914 import | Normal | 30 per cent and 5 cents | 28.0 | 5,341,508 | $1,520,693 |
| 1921 import | do | 30 per cent and 5 cents | 146.0 | 5,341,508 | 7,985,982 |
| Do | Present | 30 per cent and 5 cents | 10.0 | 5,341,508 | 543,047 |
| 1921 American | | 30 per cent and 5 cents | 204.0 | 5,341,508 | 11,180,375 |

PAYNE-ALDRICH LAW.

| | | | | | |
|---|---|---|---|---|---|
| 1914 import | Normal | 30 per cent | 24.4 | 2,581,846 | $630,877 |
| Do | do | Free | 31.1 | 2,859,662 | 899,816 |
| 1921 import | do | 30 per cent | 127.0 | 2,581,846 | 3,272,983 |
| Do | do | Free | 165.0 | 2,859,662 | 4,713,119 |
| Do | Present | 30 per cent | 8.6 | 2,581,846 | 222,354 |
| Do | do | Free | 11.2 | 2,859,662 | 320,492 |
| 1921 American | | 30 per cent | 178.0 | 2,581,846 | 4,581,756 |
| Do | | Free | 231.0 | 2,859,662 | 6,598,367 |

In table 6 are shown the total revenues to be derived upon the importation of the coal-tar dyes (which were imported during the fiscal year 1913-14 and were not manufactured in United States during 1919) under these three measures with the ad valorem rates of duty based on 1914 import prices, normal exchange; on 1921 import prices, both normal and present exchange; and on 1921 American selling prices.

TABLE 6.—*Total revenues which would be obtained upon the importations of coal-tar dyes identical in nature and quantities to those imported during fiscal year 1913-14 and not manufactured in United States during 1919.*

| Based on— | Present laws. | Longworth bill. | Payne-Aldrich law. |
|---|---|---|---|
| Import prices of 1914 | $570,260 | $729,933 | $190,087 |
| Import prices of 1921: [1] | | | |
| Normal exchange | 2,515,584 | 2,675,304 | 998,248 |
| Present exchange [2] | 276,954 | 434,438 | 57,881 |
| American selling prices of 1921 [3] | 3,465,916 | 3,633,622 | 1,397,547 |

Coal-tar dyes represented 11.6 per cent of the total importations of dyes during 1913-14. Import quantities in excess of 1919 production are listed according to classes and quantities, as follows:

| Class of dye. | Pounds. | Class of dye. | Pounds. |
|---|---|---|---|
| Nitro | 154,396 | Acridine | 271,660 |
| Pyrazalone | 419,325 | Anthraquinone | 3,156,187 |
| Diphenylmethane | 323,611 | | |
| Triphenylmethane | 909,388 | Total | 5,341,187 |
| Xanthone | 106,941 | | |

| Prices. | Rate of exchange. | Value. | Prices. | Rate of exchange. | Value. |
|---|---|---|---|---|---|
| 1914 import | Normal | $1,520,693 | 1921 import | Present | $543,982 |
| 1921 import | Normal | 7,985,982 | 1921 American | | 11,180,375 |

[1] The import prices for 1921 of dyes which are not being imported into the United States was ascertained by dividing the domestic market prices for these dyes by 140 per cent.
[2] Rate of exchange on the day of compilation of these statistics was 1 mark, equals 1.62 cents. It was assumed that in the event of importation these products would principally come from Germany, consequently this rate of exchange was employed in these statistics.
[3] The average New York wholesale market prices as listed in the several chemical and dyestuff daily publications were used as the American selling prices.

## IMPORTATION OF DYED ARTICLES IN LIEU OF DYES.

[By E. R. Pickrell, formerly chief chemist, Customs Service, New York, N. Y.]

In the enactment of legislation to protect the American dye industry, the possible contingency of the importation of dyed articles in lieu of dyes should be constantly borne in mind. In the event of the adoption of a licensing system whereby domestic dye consumers would be unduly embarrassed in obtaining for dyes necessary for their needs, or of the passage by Congress of increased tariff rates on dyes without an increase in rates of dyed articles to compensate for increased protection afforded the dyes, foreign manufacturers most probably would export to this country the dyed articles rather than the dyes. In such a possibility the domestic consumer, whether he be dyer or manufacturer of dyed articles, as well as the producer of or dealer in dyes, would suffer from such lack of seriously considering these possible contingencies. Oftentimes certain interests, in their eagerness to enact legislation for their benefit, recommend measures which not only fail to accomplish the purpose desired, but also injure other and associated interests.

Dr. B. C. Hesse in an address before the Franklin Institute on November 6, 1919, entitled "American coal-tar dyes, present and future," stated that "in 1913 about 1,900 tons of dyes came into the United States, not in barrels, tins, or kegs, but on textiles, such as carpets, rugs, tapestries, cloth, yarn, and the like. If in 1920 or 1921 they should jump to 10,000 tons or 15,000 tons, what added remedy would the dye maker then want? If not, should such products also be excluded?"

He also stated in the same address that "coal-tar dyes affected the livelihood of more than 1,000,000 employees in this country, working in upward of 11,000 of our manufacturing establishments, operating in 24 different lines of industry, having an invested capital of more than $2,500,000,000, and producing annually $2,600,000,000 of manufactured products, valued at the true net selling value at the factory." This is about 10 per cent of the corresponding value of our entire products of manufacture in 1914. It is therefore evident that the legislation for the protection of the American dye industry very materially affects 24 different lines of industry, representing 10 per cent of total manufactured products produced in this country. These industries are naturally vitally concerned in seeing that no legislation is enacted which, in overeagerness to protect the American dye industry, will jeopardize their interests.

World-wide commercial competition was keen prior to the recent European war, but since every nation is primarily interested to-day in rehabilitating its financial condition, competition will undoubtedly be keener than ever. Competition shut off on one hand will unquestionably seek an outlet on another. In determining the dyed articles which could be imported instead of dyes, it is of interest to know some of the dyed articles which were imported precedent to 1914 and the reasons for their importations.

Prior to the war cotton yarns were shipped from England to Germany, there dyed and then exported to the United States for domestic consumption. This was owing to the fact that faster dyes were employed in the dyeing of these yarns in Germany than were used either in England or the United States. Owing to this fact, American manufacturers preferred certain cotton yarns dyed in Germany to those dyed in the United States.

Referring to a publication entitled "Cotton Yarns," Tariff Information Series No. 12, published by the United States Tariff Commission, the following excerpts are taken relative to the importation of dyed cotton yarns from Germany during fiscal year 1913-14.

On page 16: "The majority of the dyed yarns were imported because the turkey-red and blue-black colors needed could not be obtained in this country." Dyestuff consumers would be so embarrassed in obtaining dyes necessary for their needs under a licensing system that other dyed cotton goods besides dyed yarns would be imported, although this country produces the greatest quantity of raw cotton in the world and ranks second in manufacture of cotton yarn and cloth."

On page 81: "The domestic market for cotton towels is controlled by American manufacturers, but in order to maintain their hold they have had to import the turkey-red yarns that are required for border stripes and for monogram and name work. They have never been able to obtain fast-red yarns in this country.

"There are two European localities famed for the excellence of their turkey-red dyeing, namely, the Wupper Valley in Rhenish Prussia, of which Barmen is the export center, and the district around Glasgow in Scotland. Before the war American towel manufacturers depended for their red yarns almost entirely on Barmen; in 1918 imports originated almost entirely at Glasgow, but owing to war disturbances a normal supply could not be obtained."

On page 90: "Some hatband manufacturers, however, preferred German-dyed yarns as being more regular in shade than the American dyed. The hatband yarns imported from Germany were mostly blue-black and came from Elberfeld. According to statements made by importers most familiar with the trade, the greater part of the hatband yarns imported from Germany were originally spun in England, only the dyeing and finishing having been done in Germany."

On page 91: "The views of four leading manufacturers of hatbands as to imported cotton yarns are as follows: '* * * Referring to the dyed black cotton, we wish to say that the shade is very irregular, and as to evenness has no comparison with the black or blue-black fast dye we imported from Elberfeld, Germany. The yarn dyed in Elberfeld also came from England originally.' "

On page 94: "One of the largest, if not the largest, users of imported label yarns reports as follows: '* * * The sizes used for lettering in fast-dye red and black are also imported from England, owing to the inability of American dyers to produce an absolute fast dye which will stand the general laundry abuse. * * * Prior to the war, we imported our turkey-red and black yarns from Barmen, Germany, and found them better than what we import now from England.' "

On page 114: "An importer who caters to a special section of the embroidery trade writes: 'We have never been able to procure the required qualities of yarn and establish the turkey-red dyeing in this country.' "

On page 148: "Before the war, some yarn, such as 78/2, was bought in England and shipped to Crefeld to be dyed and mercerized before export to America; the

reason stated is that the Germans mercerized more slowly and carefully than the English and that there was less liability of streaky effects in hosiery or other goods made of the yarns treated in Crefeld."

On page 155: "As the Germans could not compete on the American market with domestic coarse yarns nor with fine or special yarns from England, their sales were mainly due to fast dyeing, to a high-polish finish, or to careful mercerizing. According to the testimony of importers in a position to know, most of the fine yarns from Germany, as well as a portion of the medium counts, such as those used for hatbands, were spun in England and only finished in Germany. The German 'Veredelungsverkehr,' or 'improvement trade,' by means of which yarns were given temporary free admission for the purpose of dyeing, mercerizing, or otherwise advancing in value before reexport, was before the war a factor of increasing importance in the export trade in cotton yarn."

Special attention is directed to the last quotation, for, in the event of the enactment of a licensing system or high protective duties without sufficient differential for the increased protection for dyes, no doubt foreign countries will do as they have done in the past, enact legislation to encourage dyeing of articles entirely for export.

The object of this article is to clearly state for public information that the adoption of a licensing system on coal-tar dyes would so embarrass domestic dye consumers in obtaining the necessary dyes for their industries that dyed articles would probably be imported into the country in lieu of dyes. Also to show that differential rates of duty would have to be adopted which would compensate for the cost of dyeing and increased protection afforded dyes.

### REVIEW OF TARIFF LEGISLATION ON COTTON YARN, THREAD, AND CLOTH.

In order to ascertain whether or not differential duties for dyeing cotton articles has ever been affected by tariff legislation, Table 1 was prepared, showing the rates of duty on cotton yarn, cotton sewing thread, and cotton cloth, under the various tariff measures from the first act, dated July 4, 1789, to and including the Underwood-Simmons law, passed October 3, 1913.

There has never been any differential duty for dyeing cotton yarn. Differentiation for dyeing cotton cloth was first enacted in the tariff act of July 14, 1832, and has been continuously in effect up to and including the Payne-Aldrich law of August 5, 1909. Differential duty has been in most instances a specific rate, although in some cases, ad valorem.

TABLE 1.—*Duties on cotton yarn, thread, and cloth under various tariff acts.*

| Date of acts. | Cotton yarn. | Cotton sewing thread. | Cotton cloth. |
|---|---|---|---|
| July 4, 1789 | Not provided for..... | Not provided for..... | Not provided for. |
| Aug. 10, 1790 | .....do..... | .....do..... | Do. |
| June 7, 1794 | .....do..... | .....do..... | Cotton, linen, and muslin, printed, stained, or colored, 5 per cent ad valorem. |
| Mar. 3, 1797 | .....do..... | .....do..... | Same as June 7, 1794, and adding velvets and velverets, whether printed, stained, colored, or otherwise, 2½ per cent ad valorem; muslin and muslinets and other cottons, not printed, stained, or colored, 2½ per cent ad valorem. |
| Apr. 27, 1816 | Unbleached and uncolored yarn less than 60c. per lb., 25% ad valorem; bleached or colored yarn less than 75c. per lb., 25% ad valorem; for 3 years, then 20%. | Unbleached and uncolored thread less than 60c. per lb. shall be taken as 60c. per lb.; 25% bleached or colored yarn less than 75c. per lb. shall be taken as 75c. per lb.; 25% for 3 years, then 20%. | 25 and 20% from Cape of Good Hope and beyond for 3 years, and then 20% and 20%; 25 and 10% from any other place for 3 years, then 20% and 10%. |
| May 22, 1824 | Same as act of Apr. 27, 1816. | Same as act of Apr. 27, 1816. | Same as act of Apr. 27, 1816. |
| May 19, 1828 | Same as act of Apr. 17, 1816. | Same as act of Apr. 17, 1816. | 20% from Cape of Good Hope and beyond; 10% from any other place. |
| July 14, 1832 | .....do..... | .....do..... | Not dyed, valued at 30c. per sq. yd. or less shall be taken as 30c. per sq. yd., 25%; dyed, valued at 35c. per sq. yd. or less shall be taken as 35c. per sq. yd., 25%; nankins direct from China, 20%. |

TABLE 1.—*Duties on cotton yarn, thread, and cloth under various tariff acts*—Continued.

| Date of acts. | Cotton yarn. | Cotton sewing thread. | Cotton cloth. |
|---|---|---|---|
| Aug. 30, 1842 | Same as act of Apr. 27, 1816, with addition of all other cotton yarn, 30%. | Same as act of Apr. 27, 1816, with addition of all other cotton thread, 30%. | Not dyed, valued at 20c. or less per sq. yd. shall be valued at 20c. per sq. yd.; dyed, valued at 35c. per. sq. yd. or less shall be valued at 35c. per sq. yd., 30%; velvets and other pile fabrics valued at 35c. per sq. yd. or less shall be valued at 35c. per sq. yd., 30%. |
| Mar. 2, 1861 | 30% ad valorem..... | 30% ad valorem..... | Unbleached, 1c.-4c. per sq. yd.; bleached, 1½c.-4½c. per sq. yd.; dyed, 1½c. and 10%, 4½c. and 10%; if value exceeds 16c. per sq. yd., 25%. |
| July 14, 1862 | 10% ad valorem..... | 10% ad valorem..... | Cloth (except jeans, denims, etc.); unbleached or bleached, 1½c to 1½c per sq. yd.; dyed 1½c and 10%, 2c and 10%; if value exceeds 16c per sq. yd., 30%; jeans, denims, etc., not to exceed value of 16c per sq. yd., 2c per sq. yd.<br>All other cotton goods, bleached, unbleached, or dyed, not provided for, 5%. |
| June 30, 1864 | 10% ad valorem..... | 6c per doz. spools on spools containing not more than 100 yds. thread; exceeding 100 yds., for each additional 100 yds. or fraction, 6c per doz. and 30%. | Cloth (except jeans, denims, drillings, bedtickings, ginghams, plaids, cottonades, pantaloon stuff, and similar goods); unbleached, 5c per sq. yd.; bleached, 5½c per sq. yd.; dyed, 5½c and 10%, 5½c and 20%; unbleached, valued over 20c, 35%.<br>Cotton jeans, denims, drillings, bedtickings, ginghams, plaids, cottonade, pantaloon stuff, and similar goods, unbleached, 6c to 7c per sq. yd; bleached, 6½c to 7½c per sq. yd.; dyed, 6½c and 10%, 7½% and 15%; if unbleached and valued over 16c, 35%; if bleached and valued over 20c, 35%; if dyed and valued over 25c, 35%. |
| July 14, 1870 | Not on spools and valued at moret han 40c per lb., 10c per lb. and 20%; valued at over 40c and not over 60c, 20c per lb. and 20%; valued at over 80c per lb., 40c per lb. and 20%. | Same as act of June 30, 1864. | Same as act of June 30, 1864. |
| Mar. 3, 1883 | Valued at not to exceed 25c per lb., 10c per lb.; valued at 26c, 40c per lb., 15c per lb.; valued at 41c to 50c per lb., 20c per lb.; valued at 51c to 60c per lb., 25c. per lb.; valued at 61 c to 70c per lb., 33c per lb.; valued at 71c to 80c per lb., 38c per lb.; valued at 81c to 100c per lb., 48c per lb.; valued at over 100c per lb., 50%. | 7c per doz. spools on spools containing not more than 100 yds. thread; exceeding 100 yds. for each additional 100 yds. or fraction, 7c per doz. | Unbleached, 2½c to 4c per sq. yd.; bleached, 3½c to 5c per sq. yd.; dyed, 4½ to 6c per sq. yd.; if unbleached and valued over (8c to 10c) 40%; if bleached and valued over (10c to 12c), 40%; if dyed and valued over (13c to 15c) 40%. |
| Oct. 1, 1890 | Valued at not to exceed 25c per lb., 10c per lb.; valued at 26c to 40c, 18c per lb.; valued at 41c to 50c, 23c per lb.; valued at 51c to 60c, 28c per lb.; valued at 61c to 70c, 33c per lb.; valued at 71c to 80c, 38c per lb.; valued at 81c to 100c, 48c per lb.; valued at over 100c, 50%. | Same as act of June 30, 1864. | Unbleached, 2c to 4c per sq. yd.; bleached, 2½c to 5½c per sq. yd.; dyed, 4c to 6½c per sq. yd.; if unbleached and valued over 6½c to 10c, 35% to 43%; if bleached and valued over 9c to 12c, 35% to 45%. If dyed and valued over 12c to 15c, 35% to 45%.<br>Plushes, velvets, velveteens, corduroys, and all pile fabrics composed of cloth or other vegetable fibers: Unbleached, 10c and 20%; bleached, 12c and 20%; dyed, 14c and 20%; but none shall pay less than 40%. |

TABLE 1.—*Duties on cotton yarn, thread, and cloth under various tariff acts*—Continued

| Date of acts. | Cotton yarn. | Cotton sewing thread. | Cotton cloth. |
|---|---|---|---|
| Aug. 27, 1894 | Carded, unbleached, not dyed and not above singles No. 1-15, 3c per lb.; No. 16-30, ¼c per No. per lb.; No. 31 and above ⅜c per No. per lb.; combed, bleached, dyed or above singles No. 1-20, 6c per lb.; No. 21 and above, 1/10c per No. per lb.; duty not to exceed 80 per lb. on value not over 25c lb.; duty not to exceed 15c per lb. on value 25c to 40c lb.; duty shall be 40% on value exceed 40c lb. | 5½c per doz. spools on spools containing not more than 100 yds. Exceed 100 yds., for each add. 100 yds. or fraction, 5½c per dz. | Unbleached, 1c to 3c per sq. yd.; bleached, 1½c to 5½c per sq. yd.; dyed, 2c to 6½c per sq. yd.; if unbleached and valued over 7c to 12c, 25% to 35%; if bleached and valued over 9c to 14c, 25% to 35%; if dyed and valued over 12c to 16c, 30% to 35%.<br>Plushes, velvets, velveteens, corduroys, and all pile fabrics composed of cotton or other vegetable fiber: Unbleached, 40%; bleached or dyed, 47½%. |
| July 24, 1897 | Carded, unbleached, not dyed and not above single No. 1-15, ⅜c per lb.; No. 16-30, ½c per No. per lb.; No. 31 and above, ¾c per No. per lb.; combed, bleached, dyed or above singles, No. 1-20, 6c per lb.; No. 21-79, ½c per No. per lb.; No. 80 and above, 1/10c per No. per lb. | Not exceed 100 yds. to spool, 6c per dz.; exceed 100 yds. to spool for each add. 100 yds. or fraction over 100, 6c per dz.; if other than spools or reels, ½c for each add. 100 yds. or fraction over 100. | Unbleached, 1c to 4c per sq. yd.; bleached, 1½c to 6½c per sq. yd.; dyed, 2c to 8c per sq. yd.; if unbleached and valued over 7c to 14c, 25% to 40%; if bleached and valued over 9c to 16c, 25% to 40%; if dyed and valued over 12c to 20c, 30% to 40%.<br>Plushes, velvets, velveteens, corduroys, and all pile fabrics composed of cotton or other vegetable fiber: Unbleached, 9c and 25%; bleached or dyed, 12c and 25%. |
| Aug. 5, 1909 | Carded, unbleached, not dyed and not above single No. 1-15, 2½c per lb. No. 16-30, 1-6c per No. per lb.; No. 31 and above, 1-5c per No. per lb.; shall not pay less than 15%; combed, bleached, dyed or above singles No. 1-24, 6c per lb.; No. 25-79, ¼c per No. per lb. No. 80-199, 3-10c per No. per lb.; No. 200 and above, 60c per lb. and 1-10c per No. per lb. Finer than No. 140 shall not be less than 20%. Mercerized, add. duty, 1-40c per No. per lb. | Not exceed 100 yds. to spool, 6c per doz.; exceed 100 yds. to spool, for each add. 100 yds. or fraction over 100, 6c per doz. If other than spools or reels less than 600 yds. each, ½c for each 100 yds. or fractional part. Shall not pay less than 20%. | Unbleached, 1c-12½c per sq. yd.; bleached, 1½c-12½c per sq. yd.; dyed, 2c-12½c per sq. yd.<br>Plushes, velvets, velveteens, corduroys, and all pile fabrics composed of cotton or other vegetable fiber. Unbleached, 9c and 25%; bleached or dyed, 12c and 25%. |
| Oct. 3, 1913 | Carded, unbleached, not dyed or mercerized: No. 1-9, 5%; No. 10-19, 7½%; No. 20-39, 10%; No. 40-49, 15%; No. 50-59, 17½%; No. 60-79, 20%; No. 80-99, 22½%; No. 100 and above, 25%.<br>Combed, dyed, bleached or mercerized: No. 1-9, 7½%; No. 10-19, 10%; No. 20-39, 12½%; No. 40-49, 17½%; No. 50-59, 20%; No. 60-79, 22½%; No. 80-99, 25%; No. 100 and above 27½%. | 15%..... | Unbleached: No. 1-9, 7½%; No. 10-19, 10%; No. 20-39, 12½%; No. 40-49, 17½%; No. 50-59, 20%; No. 60-79, 22½%; No. 80-99, 25%; No. 100 and above, 27½%.<br>Bleached or dyed: No. 1-9, 10%; No. 10-19, 12½%; No. 20-39, 15%; No. 40-49, 20%; No. 50-59, 22½%; No. 60-79, 25%; No. 80-99, 27½%; No. 100 and above, 30%.<br>Plush, velvets, plush or velvet ribbons, velveteens, corduroys, and all pile fabrics made from cotton or other vegetable fiber, 40%. |

In order to set forth specifically the differential duty and values covering the dyeing of cotton yarn, thread and cloth under the various acts, Table 2 was prepared from Table 1. It is noted that the difference in value of cotton cloth, due to the dyeing, varies from 3 to 5 cents per square yard. Differential duty on cotton cloth is approximately 20 per cent.

TABLE 2.—*Differential values and duties between bleached and dyed cotton yarn, thread, and cloth under various tariff acts.*

| Dates of acts. | Cotton yarn differential. | | Spool cotton thread differential. | | Cotton cloth differential. | |
|---|---|---|---|---|---|---|
| | Value. | Duty. | Value. | Duty. | Value. | Duty. |
| July 4, 1789 | Not provided for.. | Not provided for.. | Not provided for.. | Not provided for.. | Not provided for..... | Not provided for. |
| Aug. 10, 1790 | .....do..... | .....do..... | .....do..... | .....do..... | .....do..... | Do. |
| June 7, 1794 | .....do..... | .....do..... | .....do..... | .....do..... | None..... | 5%. |
| Mar. 3, 1797 | .....do..... | .....do..... | .....do..... | .....do..... | .....do..... | 2½%. |
| Apr. 27, 1816 | None..... | None..... | None..... | None..... | .....do..... | None. |
| May 22, 1824 | .....do..... | .....do..... | .....do..... | .....do..... | .....do..... | Do. |
| May 19, 1828 | .....do..... | .....do..... | .....do..... | .....do..... | 5 c. per sq. yd..... | 1½ c. per sq. yd. |
| Aug. 30, 1842 | .....do..... | .....do..... | .....do..... | .....do..... | .....do..... | 1½ c. per sq. yd. |
| Mar. 2, 1861 | .....do..... | .....do..... | .....do..... | .....do..... | None..... | 10%. |
| July 14, 1862 | .....do..... | .....do..... | .....do..... | .....do..... | .....do..... | 1 c. per sq. yd. and 10%. |
| June 30, 1864 | .....do..... | .....do..... | .....do..... | .....do..... | Cloth (except jeans, denims, etc.), 5 c. per sq. yd. Cotton jeans, denims, etc., 5 c. per sq. yd. | Cloth (except jeans, denims, etc.), 10%-20% and add. value duty 1½ c. per sq. yd. Cotton jeans, denims, etc., 10%-15% and add. value duty 1½ c. per sq. yd. |
| July 14, 1870 | .....do..... | .....do..... | .....do..... | .....do..... | Cloth (except jeans, denims, etc.), 5 c. per sq. yd. Cotton jeans, denims, etc., 5 c. per sq. yd. | Cloth (except jeans, denims, etc.), 10%-20% and add. value duty 1½ c. per sq. yd. Cotton jeans, denims, etc., 10%-15% and add. value duty 1½ c. per sq. yd. |
| Mar. 3, 1883 | .....do..... | .....do..... | .....do..... | .....do..... | 3 c. per sq. yd..... | 1 c. per sq. yd. and add. value duty 1.2 c. per sq. yd. |
| Oct. 1, 1890 | .....do..... | .....do..... | .....do..... | .....do..... | .....do..... | 1½ c.-1½ c. per sq. yd. and add. value duty (1.05 c.-1.35 c.) per sq. yd. Velvets, 2 c. per sq. yd. and 20%. |
| Aug. 27, 1894 | .....do..... | .....do..... | .....do..... | .....do..... | 2 c.-3 c. per sq. yd..... | ¾ c.-1 c. per sq. yd. of add. value duty 0.9 c.-1.05 c. per sq. yd. |
| July 24, 1897 | .....do..... | .....do..... | .....do..... | .....do..... | ¾ c. per sq. yd..... | ¾ c.-1½ c. per sq. yd. and add. value duty 0.9 c.-1.4 c. per sq. yd. |
| Aug. 5, 1909 | .....do..... | .....do..... | .....do..... | .....do..... | None..... | ¾ c. per sq. yd. |
| Oct. 3, 1913 | .....do..... | .....do..... | .....do..... | .....do..... | .....do..... | None. |

Inasmuch as there has been a differential duty on the dyeing of cotton cloth in the tariff acts in this country for the past 75 years and no differential duty for dyeing cotton yarn has been established, the tariff acts of foreign countries were reviewed to see if differential duties in the dyeing of cotton yarn were in effect in foreign tariffs. In order to set forth the results of this review, Table 3 was prepared. Of the 21 foreign tariffs reviewed, 14 contained differential duty for the dyeing of cotton yarn. Although the differential duty varies in the different foreign tariff acts, it is noted that the differential duty in France and Italy is approximately 20 per cent.

The following is an excerpt from a discussion of foreign tariffs on cotton yarn in a publication entitled "Cotton Yarn," Tariff Information Series, No. 12, United States Tariff Commission:

"Dyed yarns more commonly carry a differential than any processed yarns. In several instances they are subject to the same additional duties as yarns when bleached; but more frequently pay a higher differential, which is usually at least double the differential on bleached yarns. The amount added varies from a fraction of a cent per pound over the gray to 8.75 cents over the bleached, the differential of most advanced countries on dyeing ranging between 1 and 3 cents over the basic rates for unbleached yarns. Two countries which increase the duty for bleached yarns by a percentage, add a fixed amount per pound for dyeing (France and Italy). Several (Austria, Belgium, Argentina, and China) levy the same duty on bleached as on unbleached yarns but advance the duty on yarns when dyed. In fact, a rather common method of classifying yarns makes the division as between colored and uncolored yarns, the bleached being included with the unbleached. Belgium removes the additional duty on dyed yarns when 77's or finer."

TABLE 3.—*Differential duties between bleached and dyed cotton yarn in tariffs of principal foreign countries.*

| Country. | Differential duty. | Country. | Differential duty. |
|---|---|---|---|
| Canada | None. | Denmark | 1.82 cents per pound. |
| United Kingdom | Do. | Norway | 1.83 cents per pound. |
| Germany | Do. | Sweden | None. |
| Austria-Hungary | 0.55 cent per pound. | Russia | Do. |
| France | Difference between 15 per cent and 2.6 cents per pound. | Rumania | 0.61 cent per pound. |
| | | Bulgaria | 0.87 cent per pound. |
| | | Serbia | 0.44 cent per pound. |
| Switzerland | 0.18 cent per pound. | Turkey | None. |
| Italy | Difference between 20 per cent and 1.31 cents per pound. | China | 5 per cent. |
| | | Japan | 0.75 cent per pound. |
| | | Argentina | 0.22 cent per pound. |
| Spain | None. | Brazil | 2.7 cents per pound. |
| Belgium | 0.14 cent per pound on 775 and under. | Chile | None. |

IMPORTS OF COTTON YARN AND COTTON CLOTH.

Table 4 shows the total quantities and values of cotton yarn and cloth, unbleached, bleached, and dyed, imported during the fiscal year 1913–14 (last prewar year). The data on the cotton yarn was obtained from the original invoices, representing 91.2 per cent by weight of total imports of cotton yarn for that fiscal year.

The dyed yarns imported were chiefly coarse and medium carded counts. They were mainly of coarse turkey-red yarns for towel stripes, and of medium count polished yarns, black, tan, or russet. In normal times there were also fair amounts of hosiery and embroidery yarns and some imports for weaving silks, velvets, hatbands, and for name work on labels that come in in the dyed state.

Of the 616,381 pounds of dyed yarn representing 91 per cent of the imports for the fiscal year 1913–14, 484,888 pounds, representing 80 per cent, came from Germany; 100,331 pounds, representing 16 per cent, came from England. The balance was imported from Switzerland and France in about equal quantities. Of the total yarn importations from Germany, about 60 per cent were dyed yarns, and this notwithstanding the fact that Germany is quite an importer of cotton yarns, importing far more than she exports.

TABLE 4.—*Total quantities and values of cotton yarn and cloth imported during fiscal year 1913–14.*

| Condition imported. | Cotton yarn.[1] | | Cotton cloth. | |
|---|---|---|---|---|
| | Quantity. | Value. | Quantity. | Value. |
| | *Pounds.* | | *Sq. yds.* | |
| Unbleached | 5,284,384 | ..... | 3,323,408 | $473,696 |
| Bleached | 348,662 | ..... | 16,796,936 | 3,173,037 |
| Dyed | 616,381 | ..... | 41,512,9[illegible] | 8,199,078 |
| Total | 6,247,427 | ..... | 61,631,329 | 11,845,801 |

[1] Obtained from Cotton Yarns, Tariff Information Series No. 12, published by U. S. Tariff Commission and representing 91.2 per cent by weight of total importations for fiscal year 1913–14.

DIFFERENTIAL DUTY NECESSARY TO COVER COST OF DYEING COTTON YARN, THREAD, AND CLOTH.

It is necessary to determine the actual increased cost due to dyes and labor in the process of dyeing cotton goods in order to ascertain what is a logical differential duty to be added. Table 5 shows the cost, in cents, per yard of cotton venetians of a dyeing and finishing plant during 1913 and 1918.

During 1913 the cost of the black dyes was approximately three times the cost of the dyeing of black fabrics. The cost of colored dyes was about three times the cost of dyeing colored venetians. In 1918, although the cost of the black dyes increased, they were only twice the cost of the dyed black venetians, but the cost of the colored dyes increased approximately 400 per cent and was over five times the cost of the dyeing of colored venetians. At the same time the cost of the dye represented 60 per cent of the total manufacturing cost, which shows very clearly the necessity for a proper differential duty on dyeing to compensate for increased protection on dyes. In the history of the protection of industries the amount of the protection is always reflected in the ultimate price of the protected article to the consumer. The dyes represented 60 per cent of the total manufacturing cost of this dyeing and finishing plant in 1918. An increased protection would increase the cost of these dyes, the total manufacturing cost, and the ultimate cost of the dyed article. This increased cost of the dyed article due to the additional protection of the dyes should be compensated for by an equivalent differential duty.

TABLE 5.—*Cost data of dyeing and finishing plant.*[1]

[Cost of finishing, in cents, per yard.]

| Item. | 1913 | | | 1914 | | |
|---|---|---|---|---|---|---|
| | White. | Black. | Colors. | White. | Black. | Colors. |
| By weight of cloth: | | | | | | |
| 2.75 yards per pound | 1.432 | 2.930 | 2.830 | 2.603 | 4.937 | 8.026 |
| 2.75 yards per pound | 1.415 | 2.898 | 2.772 | 2.569 | 4.818 | 7.815 |
| 3.10 yards per pound | 1.383 | 2.865 | 2.740 | 2.482 | 4.550 | 7.340 |
| 3.10 cloth total cost | 1.383 | 2.865 | 2.740 | 2.482 | 4.550 | 7.340 |
| Expense (selling, freight, etc.) | .082 | .082 | .082 | .098 | .098 | .093 |
| Actual manufacturing cost | 1.301 | 2.783 | 2.658 | 2.384 | 4.452 | 7.242 |
| Labor and works expense | .890 | 1.216 | 1.224 | 1.681 | 2.333 | 2.328 |
| Dyeing | ..... | .442 | .396 | ..... | .898 | .806 |
| Materials | .411 | 1.567 | 1.434 | .703 | 2.119 | 4.914 |
| Dyes | ..... | 1.179 | .996 | ..... | 1.434 | 4.167 |

[1] Table 13B, Cotton Venetians, Tariff Information Series No. 10, U. S. Tariff Commission.

In order to ascertain what proportion of the total cost of cotton goods is represented by the cost of dyeing, Table 6 is presented. It is noted that the cost of finishing and dyeing venetians by this large finishing and dyeing plant is approximately 20 per cent of the total cost of the finished article. Most probably the cost of finishing and dyeing of this class of goods by smaller concerns would be considerably more than 20

per cent. Since increased protection on dyes will be reflected in an increased price to the consumer of dyes, it is necessary that a differential duty be imposed to cover the cost of finishing and dyeing of the goods or these cheap-dyed cotton goods, as well as other dyed articles, will be imported from Europe instead of our mills supplying the whole world.

TABLE 6.—*Price paid by converters in New York markets.*[1]

[Cents per yard.]

| Year. | 220 threads single yarn venetian. | | 377 threads ply warp venetian. | | Cost of finishing and dyeing. | |
|---|---|---|---|---|---|---|
| | 35 inches gray (32 inches finished). | 58 inches gray (36 inches finished). | 35 inches gray (32 inches finished). | 36 inches gray (36 inches finished). | Blacks. | White and colors. |
| 1913 | 15 | ..... | 17½-19 | ..... | 3-3½ | No separate rate price for white. |
| 1914 | ..... | ..... | 17-17½ | ..... | 4-5 | |
| 1915 | 13½-16½ | 17½ | 16-23 | 19½-23½ | 6-7 | |
| 1916 | 16½-24 | 19-24 | 23-31½ | 29-33½ | | White 2 cents less, 6 cents; colors 2 cents-4 cents more, 10 cents-12 cents. |
| 1917 | 21½-31 | 23-35 | 27-36 | 27-40 | 8 | |
| 1918 | 32-41½ | 33½-42½ | 40-52 | 41-60 | 8 | |

[1] Cotton Venetians, Tariff Information Series No. 10, published by U. S. Tariff Commission.

On pages 90 and 91 of Cotton Yarn, Tariff Information Series No. 12, there is the following statement: "Prices for dyeing, listed as additional to gray yarn prices on invoices, show that the Germans in the fiscal year 1914 were charging for dyeing blue-black hat-band yarns about 34 pfennigs (8½ cents) a pound for counts under 50's; above 45 pfennigs (11¼ cents) for counts of 50's to 80; and about 60 pfennigs (14¼ cents) for 120/2. The hatband industry uses very few mercerized yarns, but in 1914 invoices show that the Germans were charging 30 pfennigs (7.14 cents) a pound for mercerizing; for instance, in July, 1913, 60/2 combed Egyptian blue-black was invoiced at 2.05 marks yarn price plus 34 pfennigs for dyeing, while 60/2 mercerized, combed Egyptian blue-black was invoiced at 2.05 marks yarn price plus 64 pfennigs (15.23 cents) for mercerizing and dyeing. For Turkey-red dyeing the charge seems to have been 65 pfennigs (15.47 cents) a pound. Invoices were mainly in marks per pound."

Based on the average import price of 58 cents for 1913, the cost of dyeing of the different counts is 15 to 20 per cent. On page 142 of the same publication it is stated that the cost in United States of dyeing cotton yarn with sulphur black in 1914 was 6 cents per pound and 15 cents in 1918. Predicated on average import prices of cotton yarn of 60 cents for 1914 and 132 cents for 1918 these prices expressed in percentages are, respectively, 10 per cent and 11½ per cent. The cost for dyeing direct cotton colors on cotton yarn was 10 cents per pound in 1914 and 14 cents in 1918, which prices, based on average import prices for those years, are equivalent to 10½ per cent and 10 per cent.

The tariff act of 1909 imposes a differential duty of one-fortieth of 1 cent per pound for the mercerizing of cotton yarn, while no differential duty is imposed for the dyeing of cotton yarn. According to Cotton Yarn, Tariff Information Series No. 12, the cost of mercerizing in the United States in 1914 was from 5 to 8 cents per pound and the cost of dyeing yarn was from 6 to 10 cents per pound. In 1918 the cost of mercerizing was from 8 to 12 cents per pound, while the cost of dyeing yarn was from 14 to 15 cents per pound.

If the cost of dyeing is greater than the cost of mercerizing and a differential duty was afforded mercerizing in the Payne-Aldrich law, a differential duty for dyeing should be embodied in the new tariff act. It is quite evident that this differential duty, to compensate for the cost of dyeing and increased protection afforded dyes, should be at least 20 per cent. It is also evident that a licensing system will cause foreign countries to encourage the free importation of goods in the gray in order that they may be dyed and exported in the dyed conditions to the United States where they will compete with the products of domestic manufacturers who have been unable to obtain the dyes necessary for their needs and compete with the foreign product.

CORRESPONDENCE WITH A PROMINENT CONSUMER WHO IS ALSO A MANUFACTURER OF COLORS AND DYES.

APRIL 15, 1921.

Mr. H. A. METZ,
*122 Hudson Street, New York, N. Y.*

DEAR SIR: After all the gossip I have heard concerning you and your connections at home and abroad in regard to the dyestuff industry I am not at all surprised to receive your circular letter of April 12. Judging from all I have heard, your attitude as "an American manufacturer" is a colossal joke.

Please do not send us any more communications of this sort.

Yours, very truly,

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APRIL 21, 1921.

MY DEAR MR. ———: I am in receipt of your letter of April 15. Apparently you must have heard a lot of things, many of which are not so, if you consider my attitude as an American manufacturer a colossal joke.

I have been aware, of course, for some time of the propaganda put in circulation against me by various gentlemen connected with the dyestuff industry whose views I did not share, whose principles I did not indorse, and whose actions I did not follow. I should think, however, you have known me long enough and that our business relations for the last 35 years would have had some weight in determining the truth or untruth of some of the things which you probably heard.

I was manufacturing colors in this country when others were still scheming how to break in. I did all I could, as long as it was possible, to keep the industry supplied with colors from the other side after the war abroad started. I disposed of every pound of stock I had on hand to my old customers without one cent of increased profit. I enlarged the Consolidated plant in Newark during 1915, and became interested in the Central plant, which had been established about 30 years, making colors and intermediates, in 1916. These plants turned out during 1917, 1918, and 1919 about 6,000,000 pounds of color at the Consolidated and about 3,000,000 pounds of azo and basic colors and 3,000,000 pounds of intermediates at the Central plant, and it was not stuff intended for export either, but for consumption in this country, and I feel safe in saying that I supplied more sulphur browns and other colors for dyeing khaki, and alizarine brown and alizarine yellow for dyeing olive drab on wool, than any two concerns put together during the early period of the war.

In addition to these two plants, I had just completed in 1918 a plant at Rahway, N. J., for the purpose of making phosgene so as to enlarge the range of dyes we were making at the Central. That plant I still have on my hands, although it never turned a wheel.

Besides these plants, I established the Brooklyn plant, where I am making salvarsan and novocain since the beginning of 1917, and from which hundreds of thousands of ampules at practically cost were supplied to the Government during the war, and where I am making probably three-quarters of these two products used in the United States at the present time.

The central plant has probably made as much betanaphthol as any other single plant in the country, and as you no doubt know some of my staff assisted with their experience and knowledge in establishing the intermediate plants for some other firms who were better fixed for raw material than I was.

So that when you know the real facts perhaps you will not feel that I am such a "joke as a manufacturer." True, I have not erected plants for certain colors big enough to supply the whole universe. I did, however, try to keep my plants balanced and make sufficient colors to supply the United States without worrying about export, and it seems to me that those people who are shouting so much about what they are exporting, and what they want to do in foreign countries, hardly need any more protection than they have now if they can compete with foreign manufacturers in these other countries.

My object has been from the beginning to keep the faith with my customers with whom I have been in touch for nearly 40 years, and to see that they can get the colors they need, here if possible, but from abroad, if necessary, and thus hold their own against the products of other countries which can and do obtain dyes that are not being made here or at reasonable prices.

It certainly would be no joke to me if between $3,000,000 and $4,000,000 which I and two or three associates have invested in these plants where we are now producing 125 distinct colors should be wiped out because of lack of proper protection. With any reasonable tariff I am willing to take my chances on this investment, and

I have not sold any stock to the public, and, therefore, have not been able to make any profit on dealing in such shares, which no doubt many of those who are shouting for protection have done with their properties. I am enough interested, however, in American industry to want to avoid, for the sake of keeping up the price on a few articles such as indiago, handicapping our consumers by standing for a licensing system, and backing up all the fake arguments that have been put forth by Dr. Herty, Mr. Choate, and others who are practically the paid mouthpieces of a combination of manufacturers.

Yours, very truly,

H. A. METZ.

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APRIL 29, 1921.

MY DEAR MR. ———: I was glad to get your letter of April 25. I am sorry my previous one came to you unsigned.

I know that soon after the war abroad started, when I was doing all I could to keep my customers on this side supplied, and Dr. Norton and other "experts" were telling of the wonders being done here in regard to plants starting overnight and making millions of pounds of colors, and incidentally selling stock to the public, such as the Federal and some others, I did say that we could not produce betanaphthol and other products, having in mind the prices we were paying. At that time betanaphthol sold at about 8 cents with a 10 per cent duty. I remember distinctly that Mr. ——— offered me 30 cents a pound if I would take up the manufacture. As a matter of fact, when American betanaphthol did finally appear on the market it sold for $1.25 per pound.

I did say at that time, and always, that we could make anything on earth as well as anyone else. It was purely an economic question, but at the time you refer to no one thought the war would last five years, and we wanted colors then and not two or three years afterwards. All my efforts, although I did start manufacturing on a larger scale, were devoted to the purpose of getting colors to keep our mills going, and we would have gotten them if it were not for the British order in council in March, 1915, when all shipments of noncontraband, as well as contraband, were held up.

I know of no concerted effort being made on this side to discredit American-made dyes. I certainly have always held that what we make, color for color, is as good as anything made abroad, and I agree with you, and came to that conclusion immediately after the situation in 1914 arose, that we could not be dependent upon any other country for supplies of essential raw materials, and dyes are certainly raw materials.

It was I that called attention to the fact that if we did not obtain dyes a great many of our textile and other mills would have to shut down, and you will probably recall the various pamphlets I published during that time discouraging the optimism of Dr. Norton and others, who in the daily press made the public believe that they would get all kinds of colors in a short time, and thus handicapped the mills just that much.

This is aside from any question of high explosives. Bear in mind that the reason the German color plants made high explosives was because they were also the acid manufacturers of Germany, and that the three big color plants supplied practically all the acids used in that country not only for dyestuffs, but for every other purpose. The same as in this country, the General Chemical Co., the fertilizer plants, and numerous other industries used enormous quantities of acids without regard to the color industry. These plants and the coke ovens supplying benzol are the ones that will supply material for explosives in future. What the dyestuff plants consume in proportion to other industries of this product and of other so-called "poison gases" is a mere bagatelle, and it is the exaggerated claims underlying the propaganda of Dr. Herty, Mr. Choate, and others that make the situation seem so amusing to me. I like facts and want to protect our industry, but I do not like misleading statements, especially when those making them are paid for it. Our breweries, with their enormous tank capacity, could have been converted into explosive and poison-gas plants on a large scale quicker than our dyestuff plants, and no one objected or talked of "national defense" when they were closed up and put out of business, and there were dozens of breweries to one color plant.

With kindest regards, yours, very truly,

H. A. METZ.

APRIL 25, 1921.

Mr. HERMAN A. METZ,
*122 Hudson Street, New York, N. Y.*

MY DEAR MR. METZ: Not until this morning did I receive your favor, dated the 21st instant (which comes to me, by the way, unsigned).

From general information, I implicitly believe the statements made in the third paragraph of your letter, and many of the statements which you make. I recall, though, a visit which you made at our office here in, I believe, the latter part of the year 1915, when you were explaining to us how it was absolutely impossible for anyone to produce betanaphthol in this country, whilst, as a matter of fact, we, ourselves, were then producing a very satisfactory article right along.

I believe there is a tremendous effort being made to discredit American-made dyes and to poison the minds of dyers generally in this country against the domestic products.

I furthermore believe, just as stated when before the Ways and Means Committee at Washington, that this country should be absolutely independent of any and all countries in the matter of aniline dyes, to the end that should the occasion ever arise again we are not caught unprepared for the speedy production of high explosives, etc. There is unquestionably a very specious and insidious attempt being made to the end that the operation of domestic factories should be impossible, and that the Germans should again come in as the supreme supplier, as occurred in 1883. I believe all attempts of this character should be "scotched."

Yours, very truly,

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(The committee thereupon, at 12 o'clock m., recessed until 2:30 o'clock.)

AFTER RECESS.

The committee reconvened, Senator McCumber presiding.

Senator MCCUMBER. Mr. Metz, will you proceed and bring your testimony to a conclusion?

Mr. METZ. Mr. Chairman, just before recess was taken I mentioned paragraph 26 of the bill.

I have here a sample of brown for hosiery. We were asked to match this sample and we were informed that the color must be as fast as a direct color. This is the stock I sent him [indicating]. This is the match. This match that I sent him back to match his stocking is composed of three colors, direct orange, benzo, purpurin 4 B, and a direct black. These three colors will stand the same amount of washing and not change. It is composed of these different proportions, 37.5 direct orange, 17.5 benzo purpurin, 35 direct black, and 10 per cent of salt. I give it a name and call it direct cordovan dyed with 25 per cent salt, and make him a price on it. This is a trade secret and I am entitled to it. If this were manufactured abroad, in sending me this color they would have to give every proportion of the color in there. This enables me to make the color that this man wants and give him the shade that he wants, and I am entitled to the benefit which that gives me. Under the provision of paragraph 26 this information must be given, and they can go into my books and can go into the consumer's books and look up these things. You know you can look up what you want and overlook what you do not want. There is a great chance for discrimination. We saw what discrimination did during the last few years.

Senator LA FOLLETTE. Under the provisions which you refer to here you would be understood as saying that an importer would not import if he were required to give the formula.

Mr. METZ. In the first place, the importer could not import anyway. It must be the consumer. But he sends to me his license for

something and I send it to the manufacturer. Under this law there would have to be stated information as to exactly what is in this thing. He will not do it. We have to do it here as best we can and we can not get what we want. Importers are not all crooked; and the importer has a right to live as well as the manufacturer. Many of the importers have been in business for 50 years in this country. They buy and sell goods all the time here and abroad. Under this proposition they would have to give away all they know to those who want to find out, and it is not fair.

I have here a letter from the G. Cramer Dry Plate Co., of St. Louis, Mo., dated July 22, 1921. This letter is addressed to me and reads as follows:

GENTLEMEN: We have seen notice of what is termed "the Longworth dye embargo," in connection with the new tariff bill, now before Congress, and we write to ask that you kindly give us what information you can in this connection, that is to say, does the tariff or the Longworth Act cover dyes such as are used in photographic processes, and if so, in what manner?

Those people buy their goods in small bottles, half-ounce bottles. To-day I have to get a permit for every one of those little bottles. The War Trade Board lets me bring in 10 or 20 of those little bottles at a time. These are special dyes made in the laboratory for special purposes. They do not amount to anything, but they hold up the industry. We wrote them and they replied, under date of August 3, 1921, as follows:

We are in receipt of your favor of 1st instant, and thank you sincerely for the information contained therein. As we understand it from your letter, the bill in question would make it very difficult to obtain dyes of foreign manufacture, and we sincerely hope that it may be very much modified, or, better still, never passed.

There are dozens of industries in that same position. They want a small amount of color.

Mr. Choate stated that the importer could bring goods in in bond and leave them there. Let us analyze that.

In the first place, we get the goods in kegs and barrels. Suppose I put them in bond and I want 10 or 20 or 50 pounds of a certain color and get a permit. I can not go up there and weigh out 10 pounds from that barrel. I can not take the barrel out because I am a dealer. How are you going to handle this stuff in bond? It is ridiculous. You are interferring with the real channels of trade, and there are many people who send in for 1 pound or 2 pounds of a certain color to finish a special lot of goods. It not only applies to cotton, but to woolens, food products, candy, everything that color goes into.

Senator MCLEAN. If we preserved domestic competition and these things were produced here you would not have to go abroad for your 2 pounds.

Mr. METZ. If you are going to make the mills quit like they stopped on the tanned shoes, all right; let us say so. But do not talk about national defense in a thing of that kind.

Gentlemen, I am now at your disposal, to answer any questions regarding cost of production, capital, salary, or any other details regarding any of my plants or any of the articles I produce; also as to my connection with the Dyes Institute, the Chemical Foundation,

and their connection with the industry so far as it has come under my observation.

I want to say further that Mr. Choate made a remark here about the great number of people employed by the Badische Co. Some people took that matter up and obtained the following reply:

Cable received to-day says number of employees color factory Ludwigshafen nine thousand against ten thousand four hundred August first nineteen hundred fourteen. Nitrogen works Oppau eleven thousand against one thousand; Merseberg seven thousand six hundred against none, works not then in existence. Present work day eight hours against prewar nine and twelve hours besides efficiency now generally less.

That is the reply to that cable giving these figures. The increase is not in the color plants; it is not connected with the color end; but in the nitrates and things of that sort.

Now, I touched upon the question of the dry plate matter. When you get down to medicinals it is a great deal worse, because the psychology of a man wanting what he wants when he wants it is half the cure. There is no reason why if a man has a case of syphilis and wants German salvarsan he should not get it, even though I make a salvarsan. Mr. Cooke, who appeared here appeared as counsel for certain interests and related what they told him to say, like most counsel do. He did not tell you though, that the Bayer people manufactured phenacetin and a dozen other things beside aspirin before the war. The plant was built here because they could make those things cheaper than they could import them even under that tariff. That plant was sold by the custodian to the present Bayer Co. That company is spending $1,000,000 a year for advertising aspirin. They have a trade-mark which also protects them, and there is no occasion for an embargo in this direction.

Now, gentlemen, as I said before, I am ready to answer any questions that you may desire to ask me. I understand, however, that there are several gentlemen here from the textile industries who desire to be heard as promptly as possible, one gentleman particularly, Mr. Brehm of Philadelphia, who desires to leave on the 4 o'clock train. If you will allow me I will yield to them. They are really the people to be considered.

Senator McCUMBER. I will say to the witness that the chairman before leaving asked me to proceed this afternoon, as he is busy. He gave me a list of names and the order in which he desired them called. The next name on the list appears to be Mr. George Demming.

Mr. METZ. Mr. Demming is an attorney for some of these manufacturers.

Mr. DEMMING. I would suggest that Mr. Brehm be called.

Senator McCUMBER. Very well. Then, I will call Mr. Brehm.

Senator LA FOLLETTE. Mr. Chairman, I shall want to ask Mr. Metz some questions, but I am perfectly willing to defer doing that until we hear the gentleman who wishes to get away on an early train this afternoon.

Senator McCUMBER. I thought Mr. Metz had finished.

Senator LA FOLLETTE. No; he is not through. I want to ask him some questions and it will take some time.

Senator McCUMBER. We will hear Mr. Brehm then and after that recall Mr. Metz

STATEMENT OF WILLIAM H. BREHM, OF BREHM & STEHLE, PHILADELPHIA, PA.

Senator WATSON. Mr. Brehm, where do you live and what is your business?

Mr. BREHM. I am in the dyeing business. I am a member of the firm of Brehm & Stehle, Trenton and Allegheny Avenues, Philadelphia.

I am also secretary and treasurer of the Reading Dyeing Co., Reading, Pa., where we do job dyeing for the trade. We have been established for about 15 years.

In my business as a master dyer I am a consumer of dyestuffs. I am here to oppose a licensing system. I am distinctly in favor of an adequate protective tariff to protect the American manufacturers of dyestuffs.

My opposition to an embargo or licensing system is based upon my experience as a consumer of dyestuffs during the operation of the system since its inauguration in this country. I have been using American dyestuffs in my business wherever possible, but, under the licensing system, I have been forced to use them for other purposes for which they were unsuitable. During the period from 1914 to 1919 our customers were satisfied with almost anything, but at the present time they are very particular and exacting in their demands for shades. Under the licensing system it has not been as easy to obtain the colors that we required and which were not manufactured here as has been claimed by the advocates of the bill. I will relate my personal experience along this line. One of the examples is as follows:

On September 23, 1920, we applied to the War Trade Section for a license to import 100 pounds benzo-fast-black L. After considerable correspondence, the originals of which are herewith submitted as exhibits, we received the license March 23, 1921, just six months later. Passing the license on to the Grasselli Chemical Co. to import these goods for us, they were received in Reading June 8, 1921, eight and a half months from the time of the application.

In the meantime we were not able to supply our customers with the material we had previously used and had to make substitutions, from which we received considerable complaints.

Just at this time, on September 23, when we applied for the license to import this 100 pounds of dyestuffs we were referred by the War Trade Board to the American Dyes Institute of New York, to give us the name of the manufacturers of a substitute. Under date of October 7, they write us:

> We regret that at this writing we are unable to give you the names of any domestic manufacturers of these products, but we have included them in our inquiry No. 38, issued to-day to all dyestuff manufacturers in this country, and any reply we receive of interest to you we will immediately pass on to you.

That was on October 7, about two weeks after we had made application. The War Trade Board at that time could not have had a substitute for that color when the American Dyes Institute, to whom we were referred, did not have any themselves.

After considerable correspondence we had to send the War Trade Board a dye sample of stockings on which this benzo-fast-black L is used. It is used to dye slates where the combination of silk and cot-

ton is used. In other words, the body of the stocking is silk, and cuff and heel and toe are cotton. This color is adapted to that particular work because it dyes all in one shade at the same time. After that we had to submit to the War Trade Board a sample of fast-black L. Under date of March 23, 1921, the War Trade Board write us that:

Replying to your favor of March 22, we inclose herewith allocation certificate No. 6267 for 100 pounds of benzo-fast-black L (Bayer) for which you applied on January 19, 1921. We are at a loss to understand why the pontamine LL will not do the same work as benzo-fast-black L and are taking up this question direct with the Du Pont Co., as you may see from the incloseed carbon of our letter of even date to them.

Please note that the issuance of this allocation certificate must not be considered a precedent.

On November 10, 1920, we applied for 100 kilos of soluble blue 3 BB made by Oehler. At the time of making this application we specified that this color has special properties that we required. Up to the present time we have been unable to secure such a license to import this color. The War Trade Section claims that a satisfactory substitute is being made here. The American Dyes Institute, however, on May 16, 1921, advertised that the E. I. du Pont de Nemours & Co. are manufacturing a blue known as soluble blue R and 3R, their representative, however, telling us not over three weeks ago that neither one of these colors would give us the shade we desire. I am submitting herewith to the committee the original letters passing between the War Trade Section and our firm covering this matter.

(The correspondence referred to is as follows:)

WAR TRADE BOARD,
*Washington, November 16, 1920.*

BREHM & STEHLE,
*Trenton and Allegheny Avenues, Philadelphia, Pa.*

GENTLEMEN: On November 10 we received your application for an allocation certificate for 100 kilos of soluble blue 3 BB, Schultz No. 539, made by Oehler. On the bottom of the application you have written: "This color has special properties we require."

You are probably aware that several American producers are manufacturing soluble blues. Therefore, before we can take definite action on your application, we must ask you to advise us what special properties you require for your work. Kindly give us information in as much detail as possible. Upon receipt of your reply we shall be pleased to give further consideration to your application.

Very truly, yours,

WAR TRADE BOARD SECTION,
C. S. HAWES,
*Research Assistant.*

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NOVEMBER 22, 1920.

WAR TRADE BOARD,
*Washington, D. C.*

GENTLEMEN: Replying to your favor of the 16th regarding our application for an import license for soluble blue 3 BB would say this dye produces a very greenish shade of blue and is very necessary for our trade. We have been trying to obtain this shade from domestic sources, but all of the samples we have tried out in our laboratory have been too reddish and not suited at all for our work.

The nearest we have found was a blue CH of National Aniline & Chemical Co. and in placing an order with them they advise us they can not deliver as they are not making this color now.

The soluble blue of Oehler has a peculiar greenish shade and is very clear color. All of the others we have tested are flat and reddish.

Again the price of this color is about $2.75 landed here and the domestic color which has not the shade run from $5.75 to $12 per pound.

We trust our application will have your best consideration and await your reply.

Very truly, yours,

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DECEMBER 11, 1920.

WAR TRADE BOARD,
*Washington, D. C.*

GENTLEMEN: With further reference to our letter of November 22, regarding soluble blue 3 BB, which we applied for to import about 100 kilos, would say we have been trying to get a blue similar, but can not get any of the desired greenish and clear shade.

We are entirely out of this dye and need it for business on hand. Will you not kindly give this your early consideration, and oblige,

Yours, truly,

BREHM & STEHLE.

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WAR TRADE BOARD,
*Washington, December 18, 1920.*

BREHM & STEHLE,
*Trenton and Allegheny Avenues, Philadelphia, Pa.*

GENTLEMEN: Replying to your favor of December 11, in regard to soluble blue 3 BB, we must again call your attention to the fact that according to out information soluble blues are now being made in this country on reasonable terms as to price, quality, and delivery by several manufacturers.

Before we can give your application any further consideration, we must ask that you send us a detailed report concerning the American colors which you have tried to substitute for German dye asked for. Please advise us wherein the properties of the American dye fail to meet those of the German dye. Upon receipt of this information, we shall be pleased to give further consideration to your application.

Very truly, yours,

WAR TRADE BOARD,
C. S. HAWES,
*Research Assistant.*

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DECEMBER 22, 1920.

WAR TRADE BOARD,
*Washington, D. C.*

GENTLEMEN: Replying to your favor of 18th regarding the soluble blue that we wish to import, would say that we have tried to get a domestic color from various manufacturers, but up to the present time have been unable to get the shade we desire.

We are sending you, under separate cover, samples we have made in testing out the color, and you will see from them that there are none that we could use. We desire to cooperate with the domestic manufacturers, and if you can give us any further advice would be pleased to make tests of any other blues, but in the meantime we need material and would appreciate your giving this your early attention.

Yours, truly,

BREHM & STEHLE.

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WAR TRADE BOARD,
*Washington, December 28, 1920.*

BREHM & STEHLE,
*Trenton and Allegheny Avenues, Philadelphia, Pa.*

GENTLEMEN: Replying to your letter of December 22, we beg to advise that we have received the five samples which you sent us and note that one shows the shade of blue desired by you and that two of the dyeings are from colors received from German importers and two from colors received from American producers. You must of course understand that we can not consider the colors that you received from the German importers unless you state that these colors are produced in the United States and advise us as to the name of the concern which produced them. As there are at least three other American producers besides the National Aniline & Chemical Co. and the Calco Chemical Co., which have put soluble blues upon the market, we must again ask you to secure samples from the other American producers.

We might state that we have made a special investigation of the soluble blues that are now being manufactured in the United States, and from information in our files we believe that there is no doubt but that you can secure an American product which will give you the desired shade of blue. We again refer you to the American Dyes Institute for information and suggest that you secure samples from all American manufacturers who report production of soluble blues.

Very truly, yours,

WAR TRADE BOARD,
C. S. HAWES,
*Research Assistant.*

DECEMBER 27, 1920.

WAR TRADE BOARD,
*Washington, D. C.*

GENTLEMEN: Replying to your favor of the 23d, would say you have misunderstood our letter of December 22.

We sent you a sample of the greenish shade we desired and also the other samples (4) which were dyed with domestic dyes. You may have taken it that the sample marked Kuttroff, Pickhardt Co. was a German color, but this is the only shade they can give us of domestic manufacture. They have no foreign color, nor can they give us any.

However, we have this day written the American Dyes Institute for information they have, but we doubt if they can give us further information, as we have taken this up with nearly all of the domestic manufacturers and with the result we gave you in ours of the 22d.

Yours, truly,

BREHM & STEHLE.

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DECEMBER 27, 1920.

AMERICAN DYES INSTITUTE,
*320 Broadway, New York, N. Y.*

GENTLEMEN: We have been referred to you by the War Trade Board for information as to the manufacturers of soluble blues.

We want to obtain a soluble blue greenish shade similar to soluble blue 3 BB of Geiseiheimers before the war, or Badische 3½ blue.

We have obtained a number of samples, but they are all too reddish. We desire the greenish shade and must be clear color.

We trust you will be able to give us the information. Thanking you, we are,

Yours, truly,

BREHM & STEHLE.

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AMERICAN DYES INSTITUTE,
*New York, January 17, 1921.*

BREHM & STEHLE,
*Trenton and Alleghany Avenues, Philadelphia, Pa.*

GENTLEMEN: Referring to your inquiry of December 27, 1920, for the names of domestic manufacturers of soluble blue, Schultz No. 539, we would request that you add to the list of manufacturers of this product already given you, the name of New York Color & Chemical Co., 98 John Street, New York City.

Very truly, yours,

H. E. DANNER, *Treasurer.*

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AMERICAN DYES INSTITUTE,
*New York, May 16, 1921.*

Messrs. BREHM & STEHLE,
*Philadelphia, Pa.*

GENTLEMEN: Referring to your inquiry of December 27, 1920, for the names of domestic manufacturers of soluble blue, Schultz No. 539, we would advise that we are in receipt of information from E. I. du Pont de Nemours & Co., Wilmington, Del., to the effect that they are manufacturing two brands of soluble blue, which they call du Pont Soluble Blue R and 3R, which they have standardized especially for paper.

Very truly, yours,

H. E. DANNER, *Treasurer*

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No. ——.

APPLICATION FOR ALLOCATION OF GERMAN DYES (BOTH VAT AND NONVAT DYES) FOR CONSUMPTION DURING A SIX MONTHS' PERIOD.

READING, PA., *September 23, 1920.*

TO BUREAU OF IMPORTS, WAR TRADE BOARD SECTION,
*Department of State, Washington, D. C.*

We hereby certify that the dyes hereinbelow described are the estimated requirements for consumption in our plant during a six months' period; and we hereby make application for license to import the same for the following reasons (check reason in paragraph 1 below or indicate reason in spaces in paragraph 2 as may be).

(1) Unobtainable from United States sources (check here), or (2) although obtainable from United States sources, are not obtainable because of (*a*) unreasonable prices (check) (*b*) unreasonable delivery (check) (*c*) inferior quality (check).

We undertake and agree that all dyes of German origin which may be secured by us pursuant to the rules and regulations of the War Trade Board Section will be used by us for our own manufacturing purposes and will not be sold or otherwise disposed of except with the approval of the Bureau of Imports, and we further agree to promptly inform the War Trade Board of the actual date of receipt at our plant of the dyes or such part of them for which a license may be granted in accordance herewith.

If more than two dyes are needed securely attach list hereto.

| Designation of dye. | Schultz No. | Pounds. |
|---|---|---|
| Brilliant benzo violet B (Bayer) | Not given | 500 |
| Sambesi black D (Berlin) | do | 500 |
| Fast black L (Bayer) | do | 50 |

If Schultz number is not found in Schultz dye table, 1914 edition, classify if possible under proper group as given by Schultz, or give complete detailed information by which dye in question may be identified.

.....
(Name of corporation, firm, or individual.)

.....
(Name of officer authorized to act for applicant.)

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WAR TRADE BOARD,
*Washington, September 29, 1920.*

READING DYEING CO., *Reading, Pa.*

GENTLEMEN: Referring to your application of September 23, 1920, we beg to inform you that an allocation certificate can not be granted for the importation of Sambesi Black D and fast black L German dyes, investigation having disclosed that these dyes, or satisfactory substitutes, are now obtainable in sufficient quantities from domestic sources in the United States on reasonable terms as to price, quality, and delivery to supply domestic requirements. On inquiry the American Dyes Institute, 320 Broadway, New York, will inform you of the names and addresses of the domestic makers of these dyes.

Very truly, yours,

BUREAU OF IMPORTS,
By OLIVE K. GREBE.

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WAR TRADE BOARD,
*Washington, October 4, 1920.*

READING DYEING CO., *Reading, Pa.*

GENTLEMEN: Referring to your application for an allocation certificate allowing you to import Benzo fast black L, we wrote you that we were unable to grant you an allocation certificate for the reason that this dye is now being manufactured in the United States on reasonable terms as to price, quality, and delivery. We have been reliably informed that this is a fact and that the Quaker City Corporation, of Philadelphia, with an office at 15 William Street, New York City, are the selling agents for this particular color. We are sending you this information for the reason that the American Dyes Institute have advised us that they have no definite information regarding the manufacturers of this particular product.

Very truly, yours,

WAR TRADE BOARD SECTION,
C. S. HAWES, *Research Assistant.*

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AMERICAN DYE INSTITUTE,
*New York, October 7, 1920.*

READING DYEING CO., *Reading, Pa.*

GENTLEMEN: We are in receipt of your letter of October 5, in which you ask for the names of domestic manufacturers of fast black L and Zambesi black D.

We regret that at this writing we are unable to give you the names of any domestic manufacturers of these products, but we have included them in our inquiry No. 38, issued to-day to all dyestuff manufacturers in this country, and any replies that we may receive of interest to you we will immediately pass on to you.

However, for your information, we would advise you that we have in our records the following products:

Zambesi black B. H., Norton No. A-49, made by National Aniline & Chemical Co., 21 Burling Slip, New York City.

Zambesi black V, Norton No. A-55, made by Newport Chemical Works, Passaic, N. J., and National Aniline & Chemical Co., 21 Burling Slip, New York (offer substitute to be ready Sept. 15, 1920).

It may be to your advantage to communicate with the above-mentioned firms.

Very truly, yours,

H. E. DANNER, *Treasurer.*

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AMERICAN DYES INSTITUTE,
*New York, October 26, 1920.*

READING DYEING CO., *Reading, Pa.*

GENTLEMEN: Referring to your inquiry of October 5 for domestic manufacturers of Benzo fast black, Norton No. A-169, we would advise you that National Aniline & Chemical Co., 21 Burling Slip, New York City, and Newport Chemical Works (Inc.), Passaic, N. J., offer their direct black, as being equal in all respects to Benzo fast black.

It may be to your advantage to communicate with these two firms.

Very truly, yours,

H. E. DANNER, *Treasurer.*

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WAR TRADE BOARD,
*Washington, January 27, 1921.*

READING DYEING CO., *Reading, Pa.*

GENTLEMEN: Referring to your application of January 19, 1921, we beg to advise you that an allocation certificate can not be granted you for the importation of Benzo fast black L German dyes, investigation having disclosed that a satisfactory substitute for this dye is obtainable in sufficient quantities from domestic sources on reasonable terms as to price, quality, and delivery to satisfy domestic requirements. On inquiry the American Dyes Institute at 320 Broadway, New York, will inform you of the names and addresses of the domestic makers of the substitute dye.

Very truly, yours,

BUREAU OF IMPORTS,
By L. J. ROBINSON.

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WAR TRADE BOARD,
*Washington, February 19, 1921.*

READING DYEING CO., *Reading, Pa.*

GENTLEMEN: Replying to your letter of February 7, 1920, in regard to Benzo fast black L, we have examined the sample dyeings you sent with much interest and must confess that the American products that you have tested do not seem to do the work of the Bayer product. We note, however, that you have used Erie gray M made by the National Aniline & Chemical Co. According to our information, the dye which they claim may be used in place of the Bayer product is known as Diazine black DR. Will you kindly advise us whether you have tested this American product?

Since writing you we have also learned that the Du Pont Co. manufacture Pontamine fast black LL, which we understand is the same as the Bayer product known as Benzo fast black L. Will you kindly advise whether you are familiar with both of these domestic dyes? Upon receipt of your reply we will take prompt action in regard to your application.

Regretting that there has been any delay in this matter, and assuring you of our cooperation, we are,

Very truly, yours,

WAR TRADE BOARD,
C. A. HAWES,
*Research Assistant.*

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FEBRUARY 25, 1921.

WAR TRADE BOARD,
*Department of State, Washington, D. C.*

GENTLEMEN: Your letter of the 19th instant, relative to our application for an allocation certificate for the importation of Benzo fast black L, duly received, and following out the suggestions we herewith inclose sample dyeings with Benzo fast black L and Du Pont Pontamine fast black L L, which we believe will speak for themselves.

We want this product not for blacks but for grays, something that will go on the cotton and silk fibers alike, and so far as our knowledge goes Benzo fast black L is the only product that will so act. National's diazine black D R is much more unsatisfactory than Erie gray M or Pontamine fast black L L.

In view of the foregoing, we trust you will now see it possible to issue a certificate without delay, as we are in urgent need of the product.

Thanking you for your consideration and awaiting your favorable reply, we are,

Yours, truly,

READING DYEING CO.

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WAR TRADE BOARD,
*Washington, March 1, 1921.*

READING DYEING CO., *Reading, Pa.*

GENTLEMEN: We have read your letter of February 25 with much interest. Inasmuch as the Dupont Co. has advised us that their Pontamine fast black LL is identical with the Bayer product known as Benzo fast black L, we are at a loss to understand why you do not secure the same results with both dyes.

Under the circumstances we believe it would be advisable for you to send us a sample of the Benzo fast black L that was used on the half silk hose that you sent us. We would like to make tests on our account, after which we will be pleased to give further consideration to your application.

Very truly, yours,

WAR TRADE BOARD,
C. S. HAWES,
*Research Assistant.*

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MARCH 3, 1921.

WAR TRADE BOARD,
*Department of State, Washington, D. C.*

GENTLEMEN: In response to your letter of the 1st instant, by Mr. C. S. Hawes, we inclose herewith product samples of Bayer's Benzo fast black L and Dupont's Pontamine fast black LL, such as were used in dyeing up the silk hose sent you on February 25.

Upon receipt and testing of these samples we will be glad to hear from you further.

Yours, truly,

READING DYEING CO.

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WAR TRADE BOARD,
*Washington, March 21, 1921.*

READING DYEING CO. (INC.), *Reading, Pa.*

GENTLEMEN: Referring to recent correspondence in regard to your application to import 100 pounds of Benzo fast black (Bayer), we are at a loss to understand how it happens that Pontamine fast black LL, which the producers claim is identical with the Bayer product, will not do the same work. As we understand that there is some difference in the method of applying this color to cotton and silk, we are writing to ask you to advise us just how you applied the Pontamine fast black LL. Upon receipt of this information we will take prompt action on your application.

Very truly, yours,

WAR TRADE BOARD,
C. S. HAWES,
*Research Assistant.*

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MARCH 22, 1921.

WAR TRADE BOARD,
*Department of State, Washington, D. C.*

GENTLEMEN: We have your letter of the 21st relative to our application to import Benzo fast black L, and in reply would state in dyeing up the samples sent you on February 25 last the same procedure was followed in each case, but with an entirely different result, which conclusively proves that Pontamine fast black LL is not a satisfactory substitute for Benzo fast black L.

The Du Pont people in submitting their sample to us did not mention any special or peculiar way in which their product should be applied, and should any special handling be required we believe they would have so notified us.

It seems somewhat strange to us that we should have so much trouble in procuring an import license for this product when we know of at least two of our competitors who have brought in much larger quantities of this product than we are asking for a license for, and as a consequence our trade is leaving us, as we are unable to meet the requirement.

In view of the correspondence we have had and the samples submitted, we believe a favorable response to our application should now be granted.

Yours, truly,

READING DYEING CO.

WAR TRADE BOARD,
*Washington, March 23, 1921.*

READING DYEING CO., *Reading, Pa.*

GENTLEMEN: Replying to your favor of March 22, we inclose herewith allocation certificate No. 6267 for 100 pounds of Benzo fast black L (Bayer) for which you applied on January 19, 1921. We are at a loss to understand why the Pontamine fast black LL will not do the same work as Benzo fast black L, and are taking up this question direct with the Dupont Co., as you may see from inclosed carbon of our letter of even date to them.

Please note that the issuance of this allocation certificate must not be considered a precedent. If our investigations prove conclusively that the Pontamine fast black LL is identical with the German product, future applications for this color will be refused.

Very truly, yours,

WAR TRADE BOARD,
C. S. HAWES,
*Research Assistant.*

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MARCH 23, 1921.

E. I. DU PONT DE NEMOURS & CO.,
*Wilmington, Del.*

GENTLEMEN: We have recently had some correspondence in regard to an application for 100 pounds of Benzo fast black L. I wrote you on February 26 in regard to this color and you replied on March 1, your file 3065-WVR. Further correspondence with the applicant brings the following information, dated March 22:

"We have your letter relative to our application and in reply would state in dyeing up the samples sent you on February 25 last the same procedure was followed in each case, but with an entirely different result, which conclusively proves that Pontamine fast black LL is not a satisfactory substitute for Benzo fast black L.

"The Du Pont people, in submitting their sample to us, did not mention any special or peculiar way in which their product should be applied, and should any special handling be required we believe they would have so notified us."

On the strength of this letter and the fact that there has been some delay, we have issued an allocation certificate for a special purpose, but have informed the applicant that he must not consider this a precedent.

Very truly, yours,

WAR TRADE BOARD,
C. S. HAWES,
*Research Assistant.*

Mr. BREHM. That application has never been granted, and I gave it up as a bad job and consequently did not go any further with it. I have a letter from one of our customers, for whom I have been dyeing for 32 years, who used this particular blue on their goods. They complain because we can not give them the color because of the refusal of the War Trade Section to grant us the license.

(The letter referred to is as follows:)

PHILADELPHIA, PA. *July 30, 1921.*

BREHM & STEHLE,
*Trenton and Allegheny Avenues, City.*

GENTS: Please advise us at once in regard to your aniline blue shade on cotton. We are having daily complaint on this color. Have been in business some 30 years, and previous to the war never have had any on this shade. Must insist on this being as formerly was. An early reply will oblige.

Yours, etc.,

TINKLER & CO. (INC.).

Mr. BREHM. The illustrations which I have given of the embarrassments and delays in efforts to obtain foreign dyes through a licensing system administered by Government agencies are not isolated or rare.

I could mention a couple of more facts with regard to one color regarding which I had considerable correspondence with Mr. Iser-

mann, one of the witnesses who appeared here the other day, and eventually we secured an application for 50 pounds of fast acid violet 10-B. Mr. Isermann wanted a sample of the dyestuff, of the German dyestuff, and I refused to give it to him and told him that if he had any proof that I was wrong to make his complaint to the War Trade Board. However, the War Trade Board granted my license and I was given 50 pounds. We use only a very small quantity of this particular color for shading purposes. At certain times when you are dyeing a shade, possibly half an ounce to 100 pounds of material, you must throw your color one way or the other, and it was this particular color I had to have; otherwise, if I used something else, it would possibly spoil the other three dyes that I used for producing this shade.

Senator DILLINGHAM. As I understand you, your real objection to the embargo is the difficulty that you and men in the same line of business with you have experienced under the licensing system under the present law.

Mr. BREHM. Yes, sir. Our experience does not stand alone. I have learned from other consumers of dyes that they have had the same trouble.

We must have dyes for special purposes at once. Trade and seasons will not wait six or eight months, and every time we need special dyes we do not want to be compelled to go into court to get them. As an example of the danger which this means to our business, I cite the following:

One of my customers handed me a letter from a New York cotton-goods importer, offering yarns spun and dyed in Germany cheaper than they can buy the yarn and have it dyed in this country, and offering to make delivery within six weeks' time.

It can readily be seen that if we are compelled to wait from six to eight months in order to get our necessary foreign dyes, through a licensing system, we can not compete in the matter of delivery with foreign houses, who offer to deliver the yarns already dyed within six weeks. The textile manufacturers of the United States must have colors equal to the best of foreign goods; otherwise, the consuming public will ask for imported goods to the detriment of the American textile manufacturers.

Senator MCLEAN. Do you mean to say that these yarns were offered at a price less than the dye would cost?

Mr. BREHM. No; the yarns were offered already dyed landed in New York cheaper than we can buy the southern yarns and have them dyed in Philadelphia. We just take the yarn in the gray and put the color on that.

Senator LA FOLLETTE. Are the cases of delay which you have cited the only cases you had delay in?

Mr. BREHM. No, sir; I have had several other applications. I never went any further with it. I simply had to make out the best I could with the substitutes I could get hold of.

Senator LA FOLLETTE. Did you have such delay in all cases?

Mr. BREHM. I have had other delays.

Senator LA FOLLETTE. That caused you to abandon the attempt to get them by licenses through the War Board?

Mr. BREHM. Yes, sir.

Senator SMOOT. Did you ever have any stock come in through license that, after its arrival, you could not use on account of the lateness of its reaching you?

Mr. BREHM. No, sir; I had no cases like that. I never applied for any special colors like that. We did apply for some of a certain color made by the Badische concern, and the War Trade Board refused the application, claiming we could get it from the Newport Chemical Co. or from the Du Pont people. We wrote them back and told them that the Newport's color was too red for our use and the Du Pont color was too flat. They still refused the application, and I wrote back and told them that I had understood that other people were getting the dyestuff in, and why pick on us? They allowed us a 500-pound barrel. But all those things take time and cause delay.

Senator MCCUMBER. It does not take any time to bring in the yarns that are already colored? That is one of the bad features. They delay you in getting the colors?

Mr. BREHM. From six to eight months.

Senator MCCUMBER. But they do not delay bringing in the yarns colored with the same dye?

Mr. BREHM. No, sir.

Senator SMOOT. From Germany or England or any other country?

Mr. BREHM. They are German manufactured yarns of fast color for towel manufacturers. They use certain standard colors. They can bring those colors over, and if one manufacturer can use them another can. They are practically only blue, pink, gold, and violet.

Senator MCCUMBER. Do you know of any method by which all this trouble could be overcome as long as you have a license system?

Mr. BREHM. I do not. That is why I am in favor of a tariff and putting a tariff on that would protect the manufacturers of dyes. That I am heartily in favor of.

Senator LA FOLLETTE. You are not a manufacturer of dyes yourself?

Mr. BREHM. I have absolutely nothing to do with it at all. I am a consumer.

Senator SMOOT. You are not objecting to a sufficient tariff?

Mr. BREHM. I am not objecting to a tariff; no, sir. I approve of a tariff. I am objecting to the licensing system.

Senator WATSON. Did you ever come before Congress before the war to fight a tariff on dyes?

Mr. BREHM. No, sir. This is my first appearance before any committee, either of the House or Senate.

Senator SMOOT. There has not been very much of a tariff at any time on dyes, I will say to the Senator.

Senator WATSON. No; but there has been a terrible fight kept up against a tariff being put on dyes for a great many years.

Senator SMOOT. Yes; that is true.

## STATEMENT OF HERMAN A. METZ, PRESIDENT OF THE CONSOLIDATED COLOR & CHEMICAL CO.—Resumed.

Mr. METZ. Let me just touch on the statement this morning with reference to naphthalene. Crude naphthalene is free and always has been free, and always will be, because it is a waste product. But the

refined naphthalene is not free; and that is what we have got to use. So the interruption with reference to naphthalene was simply another misstatement, and nothing else. I should have said refined naphthalene instead of naphthalene.

I might say, also, in regard to Senator Watson's statement just now, that you will remember that the gentleman who was most active in keeping alizarine and indigo on the free list is the man who is now with the Du Ponts trying to put a duty on. He was the man who went around among the textile manufacturers getting petitions signed with reference to it. Senator Smoot knows him.

Senator SMOOT. I have known him for 30 years.

Mr. METZ. He never shows up in public.

Senator WATSON. I do not know anything about him.

Mr. METZ. I am trying to tell you something about him.

Senator LA FOLLETTE. Have you anything further to say, Mr. Metz?

Mr. METZ. No, sir. I am going to answer any questions that you desire to ask. I trust that other manufacturers will be put in the same position and have to answer questions. I am willing to be put under oath and give the facts. Let us get the facts.

Senator LA FOLLETTE. Who are the largest manufacturers of dyestuffs in the United States?

Mr. METZ. Formerly?

Senator LA FOLLETTE. Now.

Mr. METZ. To-day, the National, or the Allied, as they call themselves in the new combination, and the Du Ponts.

Senator LA FOLLETTE. What is the correct name of the National?

Mr. METZ. The National Aniline & Chemical Co. It was the old Schelkoff plant in Buffalo, and now combined with the National Aniline are the General Chemical Co., the Semet-Solvay, of Syracuse, the General Chemical Co., which are the big acid crude chemical manufacturers, and the Barrett Manufacturing Co., who make coal-tar products. They are coal-tar distillers.

Mr. DEMMING. There are nine of them altogether.

Senator LA FOLLETTE. Let us get them right.

Mr. METZ. There may have been nine of them. The National Company itself combined some other plants before it went into this combination—combined the Beckers plant, the Cassella Co., the Benzol Products. Four big ones now constitute the Allied Chemical Co., and it is a perfectly proper combination, because it is on the same lines as the German combination.

Senator MCCUMBER. What do you mean by saying it is a proper combination?

Mr. METZ. They control it from the raw material up.

Senator MCCUMBER. That combination is able to control the market?

Mr. METZ. Yes, sir. It would be, eventually. That is what I am afraid of.

Senator MCCUMBER. Do you call that proper?

Mr. METZ. I would call it so from the industry point of view. The industry, to be compact, must have all its elements controlled, the same as the Germans did. What they do after they are organized

is another thing. But I say it is proper to have a plant making these things on a large scale and to control these various steps.

Senator McCUMBER. What you mean is that it is proper in order to make a great success of the Allied Co.?

Mr. METZ. I am not criticizing it. That is what I mean. It is a proper step toward a great industrial concern.

Senator McCUMBER. It might not result beneficially to the public?

Mr. METZ. That is another proposition.

Senator LA FOLLETTE. What proportion of the 80 per cent that is now manufactured in this country of the dyes that are used, as I understand it, is produced by the Allied Chemical Co., approximately?

Mr. METZ. That is hard to say, because there are so many bulk colors. Take the direct black and the sulphur black and the indigo. Fifty per cent of all is used in this country.

Senator SMOOT. That is, in pounds?

Mr. METZ. Yes, sir; I am speaking of poundage. Either one of three or four plants here could supply the country with direct black, and on sulphur black they could do the same thing. We are oversupplied; that is what I mean.

Senator LA FOLLETTE. That is the result of——

Mr. METZ. Export trade which they had heretofore, because of the shortage in the rest of the world.

Senator LA FOLLETTE. And the embargo which the war caused?

Mr. METZ. And manufacturing here for the rest of the world, which trade we can not retain entirely, in the nature of things.

Senator LA FOLLETTE. Next to the Allied Chemical Co., which is the largest?

Mr. METZ. I should say the Du Pont make the next largest number of things. That is entirely new, since the war, as far as colors are concerned. The other plant has been here for 30 years and made a very good line of colors before the war.

Senator LA FOLLETTE. Those are two of the largest producers, and you have named them in the order of their production?

Mr. METZ. Yes, sir.

Senator LA FOLLETTE. Name two or three more.

Mr. METZ. Then there is the Grasselli Chemical Co., the dyestuff department.

Senator LA FOLLETTE. That would come next, in your opinion?

Mr. METZ. It should come next, because they are very well equipped for this class of work and a very good able concern to establish the industry, because they also have the acids. They are a very significant factor in the industry.

The next is the Newport Co. I put them next because they also control crudes by having coke ovens in Milwaukee, and they made a lot of money out of phenol during the war. They had ample money to put into it from the coal-tar business.

The next would be between my own plants, the Calco Chemical Co., and Sherwin-Williams and then the smaller ones, down to the plant that the Swiss bought here, which is a Cincinnati plant.

Senator LA FOLLETTE. Have you been in attendance on the hearings before this committee?

Mr. METZ. I was here several days this week, and I was here two years ago. I have heard most of the testimony.

Senator LA FOLLETTE. Do you know whether these large chemical companies have appeared here?

Mr. METZ. They did not. They let Mr. Choate appear for them, usually. Counsel appeared for the Bayer people. Mr. Howard appeared for most of the heavy chemical makers as the chairman of the Manufacturing Chemists' Association, of which I am also a member. I am a member of all of these organizations and have been for years.

I suppose that the best estimate I can give you on the size of the plant would be the basis of assessment I gave you by the dyes institute, giving all the assessments and the proportion in which they are assessed by their executive committee. That is based on their output. I think I am fourth or fifth in the list.

Senator LA FOLLETTE. Have you that list?

Mr. METZ. I gave it to you. I do not think I got it back.

Senator MCCUMBER. It was given to the stenographer, was it not?

Mr. METZ. I am not certain. I do not believe I got it back.

Senator MCCUMBER. It was put in the testimony, I am pretty certain.

Senator LA FOLLETTE. I am not certain, Mr. Chairman.

Mr. METZ. If that particular list was not put in, it is here, giving the proportions of the assessment and the total, and simply showing approximately the size of each of the concerns. They are not all on the list, but it is practically a fair list.

Senator LA FOLLETTE. I think I have found it; is that it [handing a paper to the witness]?

Mr. METZ. That is approximately correct; at least, in the judgment of men who ought to know something about it.

Senator LA FOLLETTE. Will you read from that list a half a dozen of the highest assessments?

Mr. METZ. All right, sir. First, the National Aniline & Chemical Co., 21 per cent. Then we have the Du Pont Co, assessed 20.5 per cent. Then the Newport Chemical Co., 8 per cent——

Senator WATSON. What do you mean by that?

Mr. METZ. Out of a hundred or a thousand. They figure their points here. That is how they get it. It is a sort of a criterion of the size.

The Grasselli Co. is 6.1 per cent. Then the Butterworth-Judson Corporation, 0.02. The Ault & Wiborg—that is the one the Swiss bought—is 5 per cent.

The Atlantic Dyestuff Co. is only 0.02 per cent. I am down for 4 per cent. The Consolidated Chemical Co. is one of my plants. The Dow Chemical Co. is 3 per cent——

Senator WATSON. The Tariff Commission has made out a complete list showing the percentage of each company, has it not?

Mr. METZ. This is an assessment by the Dyes Institute. This is not official. It is by their own little coterie.

Senator SMOOT. They do not all belong to that?

Mr. METZ. No, sir. Sherwin-Williams is 3½ per cent. That is about the basis of the larger ones.

Senator LA FOLLETTE. You might put the entire list in the record.

Mr. METZ. That is the percentage.

Senator LA FOLLETTE. Have you the amounts here?

Mr. METZ. I have the amounts here of each one.

Senator LA FOLLETTE. Put that in instead of the percentages.

(The statement referred to is as follows:)

AMERICAN DYES INSTITUTE.

*Financial statement as of Jan. 1, 1921.*

ASSETS.

| | |
|---|---|
| Bank balance and petty cash | $20,170.14 |
| Accounts receivable (as per attached sheet) | 27,298.17 |
| | 47,468.31 |

LIABILITIES.

| | |
|---|---|
| Accounts payable (as shown below) | 21,864.25 |
| | 25,604.06 |
| David L. Delman | 35.61 |
| General Fireproofing Co. | 88.00 |
| Knickerbocker Ice Co. | 3.24 |
| John G. Mohair (printer) | 55.75 |
| The London Times | 11.20 |
| Western Union Telegraph Co. | 1.15 |
| Crystal Spring Water Co. | 2.00 |
| Evarts, Choate, Sherman & Leon | 21,505.01 |
| Geo. F. Of | 2.00 |
| William E. Rudge (printer) | 22.82 |
| The Clinton Press | 137.47 |
| Total | 21,864.25 |

NEW YORK, *February 24, 1921.*

Examined and found correct.

BARROW, WADE, GUTHRIE & Co., *Auditors.*

INCOME AND EXPENDITURE ACCOUNTS, JAN. 1 TO DEC. 31, 1920.

| | | | |
|---|---|---|---|
| Amount brought forward from 1919: | | | |
| Bank balance— | | | |
| New York | | $3,548.81 | |
| Washington | | 1,111.59 | |
| Petty cash balances: | | | |
| 320 Broadway | $21.33 | | |
| 130 West Forty-second Street | 22.56 | | |
| Washington | 54.74 | | |
| | | 98.63 | $4,759.03 |
| Income received: | | | |
| Annual dues | | 8,500.00 | |
| Assessments for 1920 | | 54,085.93 | |
| Assessments for 1919 | | 4,375.00 | |
| Assessments for trans. Fr. report | | 85.00 | |
| Bank interest | | 223.26 | |
| Assessments for expenses, Yama Farms meeting | | 995.07 | |
| Special assessments, 1920 (attached schedule) | | 53,935.00 | |
| Sundry income: | | | |
| Check returned from Library Bureau | $72.60 | | |
| From furniture sold | 26.40 | | |
| Closing Washington bank account | 276.45 | | |
| Closing Washington petty cash account | 75.93 | | |
| From ventilators sold | 12.00 | | |
| Deposited in Washington (Mr. Corwine) | 74.76 | | |
| Refund on Yama Farms meeting expenses | 8.12 | | |
| From Mr. Corwine, to offset charges paid by institute | 3.03 | | |
| | | 548.99 | |
| | | | 122,748.25 |
| Total | | | 127,507.28 |
| Less refund to members of amounts overpaid | | | 2,404.53 |
| Net total | | | 125,102.75 |

EXPENDITURES.

| | | |
|---|---|---|
| Salaries: | | |
| Clerical | $4,125.78 | |
| H. E. Danner | 3,500.00 | |
| W. R. Corwine | 7,500.00 | |
| Counsel, A. J. Eddy | 51,000.00 | |
| Meeting expenses (monthly meetings and luncheons) | 2,443.43 | |
| Printing, stationery, office supplies, and sundry office expenses | 1,765.82 | |
| Stamps | 615.68 | |
| Legislative expenses | 70,464.33 | |
| Dinner, National Association of Cotton Manufacturers | 40.00 | |
| Rent | 3,251.65 | |
| Telegrams and telephone | 460.10 | |
| Furniture and fixtures | 883.56 | |
| Installation expenses (partition in office, 130 West Forty-second Street) | 434.00 | |
| Christmas gifts | 65.00 | |
| Moving expenses | 162.29 | |
| Contribution to building fund, Chamber of Commerce | 200.00 | |
| Auditor, Barrow, Wade, Guthrie & Co | 200.00 | |
| Premium on bond for Mr. Danner | 50.00 | |
| Publications and subscriptions to trade journals | 846.59 | |
| Typewriter repairs | 4.20 | |
| Press translations and clippings | 907.55 | |
| Dues and membership fees in other associations | 110.83 | |
| Traveling expenses | 87.21 | |
| Expenses at cotton convention | 88.88 | |
| Chemical exposition | 1,261.50 | |
| Cables | 177.72 | |
| Expense, Mr. Eddy's death (flowers and engrossed resolution) | 76.21 | |
| Ice | 37.68 | |
| Towel service | 26.40 | |
| Water | 20.70 | |
| Bank exchange | 1.54 | |
| Sundry expenses, uptown office | 123.96 | |
| | | $104,932.61 |
| Net income | | 20,170.14 |
| Bank balance | | 19,261.50 |
| Petty cash: | | |
| 320 Broadway | | 41.56 |
| 130 West Forty-second Street | | 169.42 |
| Mr. Corwine's Washington account | | 697.66 |
| Total | | 20,170.14 |

*Accounts receivable as of Jan. 1, 1921.*

| Member. | Assessment, 1919.[1] | Dues, 1920.[2] | Assessment, first 6 months.[3] | Assessment, third quarter, 1920.[4] | Assessment, fourth quarter, 1920.[5] | Special assessment, 1920. | Total. |
|---|---|---|---|---|---|---|---|
| American Aniline Products (Inc.) | | | | | $375.00 | $1,050.00 | $1,425.00 |
| Atlantic Dyestuff Co | | | $750.00 | $375.00 | 375.00 | 1,400.00 | 2,900.00 |
| Atlas Color Works | | | | | 37.50 | 140.00 | 177.50 |
| Butterworth-Judson Corporation | | | 750.00 | 375.00 | 375.00 | 1,750.00 | 3,250.00 |
| John Campbell & Co | | | | | 225.00 | 1,750.00 | 1,975.00 |
| Certified Chemical Corporation | | | | 37.50 | | 140.00 | 177.50 |
| Commonwealth Chemical Corporation | | | | | | 210.00 | 210.00 |
| Dicks, David Co. (Inc.) | | | | | 225.00 | 1,050.00 | 1,275.00 |
| Dow Chemical Co | | | | | | 2,100.00 | 2,100.00 |
| Dye Products and Chemical Co | | | | | | 210.00 | 210.00 |
| Essex Aniline Works (Inc.) | | $250.00 | 750.00 | 375.00 | 375.00 | 525.00 | 2,275.00 |
| Gaskill Chemical Corporation | | | | | 75.00 | 140.00 | 215.00 |
| Holland Aniline Co | | | | | | 280.00 | 280.00 |
| Holliday-Kemp Co | | | | | | 350.00 | 350.00 |
| Hydrocarbon Products Co | | 250.00 | 75.00 | 37.50 | 37.50 | 140.00 | 540.00 |
| Monsanto Chemical Works | | | | | | 1,750.00 | 1,750.00 |
| Naugatuck Chemical Co | | | | | | 700.00 | 700.00 |
| Peerless Color Co | | | | | | 350.00 | 350.00 |
| Sherwin-Williams Co | | | | | | 2,800.00 | 2,800.00 |
| Transatlantic Chemical Co | $250.00 | 250.00 | 75.00 | 37.50 | 37.50 | 70.00 | 720.00 |
| United States Color & Chemical Co | | | 300.00 | 150.00 | 150.00 | 280.00 | 880.00 |
| Total | 250.00 | 750.00 | 2,700.00 | 1,387.50 | 2,287.50 | 17,185.00 | 24,560.00 |
| Chemical Foundation (Inc.) | | | | | | | 2,738.17 |
| | | | | | | | 27,298.17 |

[1] Billed Dec. 9, 1919.
[2] Billed Jan. 5, 1920.
[3] Billed Apr. 20, 1920.
[4] Billed July 20, 1920.
[5] Billed Oct. 14, 1920.

*Income from Jan. 1 to Dec. 31, 1920.*

| Member. | Assessment for 1919.[1] | Dues, 1920. | Assessment for 1920. | Assessment for transfers from report.[2] | Yama farms expenses.[3] | Special assessment for 1920. | Total. |
|---|---|---|---|---|---|---|---|
| Althouse Chemical Co | | $250.00 | $300.00 | | | $210.00 | $760.00 |
| American Aniline Products (Inc.) | | 250.00 | 1,125.00 | | | | 1,375.00 |
| Atlantic Dyestuff Co | $750.00 | 250.00 | | | $110.68 | | 1,110.68 |
| Ault & Wiborg Co | | 250.00 | 1,500.00 | | | | 1,750.00 |
| Atlas Color Works (Inc.) | 250.00 | 250.00 | 112.50 | | | | 612.50 |
| The Barrett Co | 1,250.00 | 250.00 | 1,875.00 | | 110.66 | 2,100.00 | 5,585.66 |
| Butterworth-Judson Corporation | 1,375.00 | 250.00 | | | | | 1,625.00 |
| John Campbell & Co | | 250.00 | 675.00 | | | | 925.00 |
| Calco Chemical Co | | 250.00 | 2,250.00 | | | 4,200.00 | 6,700.00 |
| Certified Chemical Corporation | | 250.00 | 112.50 | | | | 362.50 |
| Chemical Co. of America | 250.00 | 250.00 | 450.00 | | 109.36 | 525.00 | 1,584.36 |
| Commonwealth Chemical Corporation | 250.00 | 250.00 | 150.00 | | | | 650.00 |
| Consolidated Colors & Chemicals | | 250.00 | 3,000.00 | | | 2,800.00 | 6,050.00 |
| Dicks, David Co. (Inc.) | | 250.00 | 675.00 | | | | 925.00 |
| Dow Chemical Co | | 250.00 | 2,250.00 | | | | 2,500.00 |
| E. I. du Pont de Nemours & Co | | 250.00 | 11,531.25 | $28.34 | | 11,900.00 | 23,709.59 |
| Dye Products & Chemical Co | | 250.00 | 300.00 | | | | 550.00 |
| Essex Aniline Works (Inc.) | | | | | 54.68 | | 54.68 |
| Grasselli Chemical Co | | 250.00 | 4,575.00 | 28.33 | 219.80 | 4,900.00 | 9,973.13 |
| Heller & Merz Co | | 250.00 | 1,687.50 | | | 2,800.00 | 4,737.50 |
| Holland Aniline Co | | 250.00 | 300.00 | | | | 550.00 |
| Holliday-Kemp Co | | 250.00 | 600.00 | | | | 850.00 |
| Merrimack Chemical Co | | 250.00 | 750.00 | | 51.68 | 700.00 | 1,751.68 |
| Gaskill Chemical Corporation | | 250.00 | 225.00 | | | | 475.00 |
| Metals Disintegrating Co | 250.00 | 250.00 | 112.50 | | | | 612.50 |
| Monsanto Chemical Works | | 250.00 | 900.00 | | | | 1,150.00 |
| Geo. H. Morrill & Co | | 250.00 | 150.00 | | | | 400.00 |
| National Aniline & Chemical Co | | 250.00 | 9,750.00 | 28.33 | 226.27 | 17,500.00 | 27,754.60 |
| Naugatuck Chemical Co | | 250.00 | 300.00 | | | | 550.00 |
| Newport Chemical Works (Inc.) | | 250.00 | 6,000.00 | | 54.68 | 5,600.00 | 11,904.68 |
| Organic Salt & Acid Co | | 250.00 | | | | | 250.00 |
| Peerless Color Co | | 250.00 | 300.00 | | | | 550.00 |

[1] Billed Dec. 9, 1919.
[2] Billed June 23, 1920.
[3] Billed Oct. 11, 1920.

*Income from Jan. 1 to Dec. 31, 1920*—Continued.

| Member. | Assessment for 1919. | Dues, 1920. | Assessment for 1920. | Assessment for transfers from report. | Yama farms expenses. | Special assessment for 1920. | Total. |
|---|---|---|---|---|---|---|---|
| Sherwin-Williams Co. | | $250.00 | $1,679.68 | | | | $1,929.68 |
| Tower Manufacturing Co. | | 250.00 | 450.00 | | | $700.00 | 1,400.00 |
| United States Color & Chemical Co. | | 250.00 | | | | | 250.00 |
| Newport Co. | | | | | $54.68 | | 54.68 |
| Total | $4,375.00 | 8,500.00 | 54,085.93 | $55.00 | 995.07 | 53,935.00 | 121,976.00 |
| Bank interest | | | | | | | 223.26 |
| Sundry income | | | | | | | 548.99 |
| Amount brought forward from 1919 | | | | | | | 4,759.03 |
| Grand total | | | | | | | 127,507.28 |

Mr. METZ. The disbursements of the Dyes Institute which Senator Smoot read into the record showing that 75 per cent went to counsel fees I have brought with me because it was asked for. I suppose that the institute itself could give it to you just as well. It gives detailed expenses, office expenses, salaries, and everything else.

(The statement of disbursements referred to is as follows:)

*Details of legislative expenses for period of Jan. 1 to Dec. 31, 1920.*

| | January. | February. | March. | April. | June. |
|---|---|---|---|---|---|
| Tips, meals, hotel, etc. | $159.73 | $110.36 | $138.19 | | $414.77 |
| Stenographic work | 185.54 | 63.12 | 5.06 | | 232.34 |
| Postage | 8.22 | 28.11 | 17.47 | | 27.11 |
| Telephone and telegrams | 11.69 | 4.80 | 2.07 | | 38.28 |
| Sundries | 3.00 | 7.16 | 1.10 | | 19.80 |
| Public Printer | 426.41 | | | | |
| Congressional Record and publications | 17.50 | 13.60 | 176.55 | $13.77 | 99.49 |
| Hotel bills | 991.37 | 1,911.42 | 1,180.50 | | 2,962.54 |
| Supplies, postals, and envelopes | 240.00 | | | | |
| Printing, photography, etc. | 176.55 | | | | |
| Colgo-Brown Co., various expenditures incident to distribution of A. D. I. pamphlet | 33.75 | | 839.18 | | |
| Press Clipping Service (H. Romeike) | 125.00 | | 125.00 | | |
| B. Brown, expenditures incident to circularizing done by legislative committee | 497.12 | | | | |
| Article prepared and published by Mr. Adams in General Federation Magazine | 301.29 | | | | |
| Rapid Addressing Machine Co., supplying, printing, addressing, and mailing postals and envelopes in connection dyestuff hearings | | 459.82 | | 100.00 | |
| Traveling expenses | | 38.94 | 58.38 | | 87.59 |

| | July. | October. | November. | December. |
|---|---|---|---|---|
| Tips, meals, hotel, taxi, etc. | | | | $53.61 |
| Stenographic work | | | | 18.75 |
| Postage | | | | 1.50 |
| Telephone and telegrams | | | | 6.01 |
| Congressional Record and publications | | | | 8.00 |
| Hotel bills | $21.00 | | | 603.45 |
| Supplies, postals, and envelopes | | | | 4.60 |
| Evarts, Choate, Sherman & Leon | 1,020.98 | | | |
| Covington & Burling | 915.76 | | | |
| Checks closing Washington account | 352.38 | | | |
| Evarts, Choate, Sherman & Leon, fee to Jos. H. Choate, jr., up to Oct. 10, 1920 | | $25,000.00 | | |
| Judge J. Harry Covington | | | $25,000.00 | |
| Evarts, Choate, Sherman & Leon, Jos. H. Choate, jr., traveling expenses to Paris | | | | 1,503.01 |
| Payment on account Paris trip Jos. H. Choate, jr. | | | | 3,494.99 |

*Totals of legislative expenses by months.*

| | |
|---|---|
| January | $3,177.37 |
| February | 2,637.33 |
| March | 2,541.50 |
| April | 113.77 |
| June | 3,881.92 |
| July | 2,310.10 |
| October | 25,000.00 |
| November | 25,000.00 |
| December | 5,802.34 |
| Total | 70,464.33 |

*Totals of items on account of legislative expenses.*

| | |
|---|---|
| Tips, meals, hotel, taxi, etc | $876.66 |
| Stenographic work | 504.81 |
| Postage | 82.41 |
| Telephone and telegrams | 63.05 |
| Sundries | 31.06 |
| Public Printer | 426.41 |
| Congressional Record and publications | 328.91 |
| Hotel bills | 7,670.28 |
| Supplies, postals, and envelopes | 244.60 |
| Printing, photography, etc | 176.55 |
| Colgo Brown Co., various expenses incident to distribution of A. D. I. pamphlet | 872.93 |
| Press Clipping Service (H. Romeike) | 250.00 |
| B. Brown, expenses incident to circularizing done by legislative committee | 497.12 |
| Article prepared and published by Mr. Adams in General Federation Magazine | 301.29 |
| Rapid Addressing Machine Co., supplying, printing, addressing, and mailing postals and envelopes in connection dyestuff hearings | 559.82 |
| Traveling expenses | 289.33 |
| Evarts, Choate, Sherman & Leon | 1,020.96 |
| Covington & Burling | 915.76 |
| Checks closing Washington account | 352.38 |
| Evarts, Choate, Sherman & Leon, fee to Jos. H. Choate, jr., up to Oct. 10, 1920 | 25,000.00 |
| Judge J. Harry Covington | 25,000.00 |
| Evarts, Choate, Sherman & Leon, Jos. H. Choate, jr., traveling expenses to Paris | 1,505.01 |
| Payment on account Paris trip, Jos. H. Choate, jr | 3,494.99 |
| Total | 70,464.33 |

Mr. METZ. While we are speaking of the Dyes Institute, let me say that the institute was formed originally as an open-price proposition. In other words, it was a system of comparing prices.

Senator LA FOLLETTE. That was the purpose?

Mr. METZ. That was the purpose; and, as I understand it, Mr. Bennett, who was here this morning, was at that time the secretary and he had charge of it; at least, it was to compare prices, and they did that right along.

Senator LA FOLLETTE. Was that with a view of making their prices uniform?

Mr. METZ. I think that would be the natural inference. The open-price question has been before various bodies.

Senator LA FOLLETTE. Is that a scheme to evade prosecution under the Sherman antitrust law?

Mr. METZ. I said it was, and I would not go into it. I have here the records of those who did, and the articles they reported and the

sales they reported from time to time and the prices. That was the original object of the Dyes Institute.

Senator LA FOLLETTE. What was the date of its original organization, if you know?

Mr. METZ. I do not know exactly. These dates are reports in March to December, 1919. I just picked them up. Mr. Eddy, the lawyer who had this in charge, died. He was the great open-price man. When he died the thing was abolished. Very few firms came in. Those that did came in to find out what the other fellows were doing; that is all. I made the statement one day in a meeting that unless their reports were false I sold four times as much as all of those that did report. They questioned my statement, but I proved it by my books.

Senator LA FOLLETTE. Have you a list of those who were members at the time you were requested to come in?

Mr. METZ. I have a list of those who reported their contracts. I have not all the records. It simply shows the purpose and the prices reported and the sales reported and the quotations. What the purpose was I do not know. They were supposed to be confidential with the secretary; but if I were chairman of the executive committee I would have found out what the secretary had or I would know why. If the chairman did not know, he is not the kind of a chairman I think he is.

Senator LA FOLLETTE. Will you state the commodities which you produce as a manufacturer?

Mr. METZ. I produce, in the dyestuff line, 125 colors and quite a large number of intermediates, some of which I sell to the trade and others I use myself in manufacturing. I have two plants, both of which were in existence before the war on a small scale.

Senator LA FOLLETTE. If this committee were to adopt a protective tariff for the industry in which you are engaged, have you any suggestions to make as to the rates of duty that should be imposed upon these various manufactures of yours?

Mr. METZ. I have worked out several schedules through Dr. Pickrell, who was formerly chief chemist in the Customs Service, New York. He has been with me for some time. I put them in the record this morning, showing ad valorem and specific rates that I think would amply cover it.

Senator LA FOLLETTE. Did you include them in your testimony this morning?

Mr. METZ. I included them in the testimony. Mr. Choate referred to this as propaganda; that it was my propaganda. I have not sent copies to the Senators, but I would be very glad to send it to each one and have them go into the record.

Senator LA FOLLETTE. Well, I mean did you put them in with your testimony this morning?

Mr. METZ. Yes, this morning.

Senator SMOOT. Do I understand you to mean that that was a complete report as to what you think ought to be done, as to all dyes?

Mr. METZ. It was a complete analysis of prewar duties, of the duties when we had the industry here, and of what the prices would represent, etc. It shows what percentage of protection there would be under those figures.

Senator SMOOT. Does it cover the whole schedule?

Mr. METZ. It covers the entire schedule. Dr. Pickrell was one of the tariff administrative officers, and he knows all about that.

Senator SIMMONS. You do not mean an entire schedule of the things you produce?

Mr. METZ. Oh, no; it is not a personal thing at all. I told him to make up schedules in accordance with his experience. I wanted him to do that. He came down here at the request of the Tariff Commission to assist them. They were in my office with him consulting on the administrative features.

Senator SIMMONS. Are there any special dyes made in Germany that we can not produce in this country?

Mr. METZ. We can produce anything on earth. The question is, does it pay to do it. If we had to build plants——

Senator SIMMONS. Why doesn't it pay?

Mr. METZ. Because there are not enough of some goods used. They are used for what are known as seasonable goods, such as silk shirts with stripes, for instance.

Senator SIMMONS. My point is if Germany can make it pay why can't we make it pay?

Mr. METZ. Because Germany made them for the whole world.

Senator SIMMONS. We have coal and the raw products. Why can't we make them?

Mr. METZ. We can make them. We have made them in the laboratories. But the point is that there is not enough sale for them. We do not care to bother with them. There are only small quantities used. They are essential for certain things, for certain purposes, and therefore we ought to get them; but they are made in such small quantities that it is a question whether it would pay.

Mr. Thompson, for instance, does printing for outsiders. He is not a manufacturer. He does job work for the mills. The mills want some particular color. However, it does not pay us to make those things. They are merely odds and ends. It is something that will run for one season and them it dies out.

Germany supplied them before the war. They do not amount to enough, and they are sold in minor quantities.

Senator LA FOLLETTE. Mr. Metz, would you be willing to answer fully questions with respect to your capital investment, your dividends, what you carried to surplus, profits that you have made, and all things pertaining to your business that could have a direct bearing upon the question of cost of production in this country?

Mr. METZ. Yes, sir; I am willing to give any information connected with my business in any shape or form.

Senator LA FOLLETTE. I want to submit to each one of these witnesses a series of questions that I have prepared covering those subjects. I think that it would be only just and fair, Mr. Chairman, that it should be taken up in the committee so that we may have a determination by the committee as to whether the witnesses are to be required to answer those questions. I am unwilling to propound them to one witness who is willing to lay all of the facts pertaining to his business before the committee, before the country, and before his competitors, if others engaged in the same line of business are not likewise to be required to answer them. I think that is a matter that the committee should take up and settle before the questions are propounded.

Senator McLEAN. Do you mean propounded to such witnesses as appear here?

Senator LA FOLLETTE. Yes; if they appear here as witnesses or if they file briefs.

Senator McLEAN. Yes.

Senator LA FOLLETTE. I believe that this committee should work out a set of interrogatories that would give the committee the information that any committee making a just and fair and scientific tariff bill ought to have in order to make it, and that the testimony of no witness ought to be accepted unless he is willing to submit to those questions.

Senator SIMMONS. Not alone as to dyestuffs, but as to all?

Senator LA FOLLETTE. As to all.

Senator SIMMONS. I want to say that when we framed the present law we did exactly that thing.

Senator LA FOLLETTE. Yes.

Senator SMOOT. You did?

Senator SIMMONS. Without question.

Senator SMOOT. But they were not such questions as the Senator is now speaking of.

Senator SIMMONS. Oh, I did not say that.

Senator LA FOLLETTE. I do not care to have my remarks put into the record at this point. This is simply a matter to be decided upon by the committee.

(Informal discussion occurred which the reporter was directed not to record.)

Senator LA FOLLETTE. I do not believe the testimony of any witness who is not willing to submit the facts of his case—the justice and equity of it—to this committee, which is engaged in preparing a tariff bill, ought to have his testimony considered. I think that neither the briefs nor the testimony of witnesses should be received unless they are willing to submit the facts with regard to their business to the committee.

Senator McCUMBER. I suppose that is a matter to be taken up later and decided by the committee in executive session.

Senator LA FOLLETTE. Yes. I want to ask the committee to take it up to-day.

Senator McCUMBER. I think that since it is such a momentous question, each one of the members of the committee ought to know that that question is to come up and is to be decided when it does come up, so that we can hardly do that to-day. The witness may, if he wishes, defer his statement until the committee arrives at a decision in the matter.

Senator McLEAN. You stated awhile ago that the Du Pont and the National Co.——

Mr. METZ (interposing). Yes, sir.

Senator McLEAN (continuing). Formed a combination and that together they maintained what is called a self-contained trust.

Mr. METZ. Oh, I did not say that they formed a trust.

Senator McLEAN. Well, a combination.

Mr. METZ. No, no; they have not. I did not say so. I said that the Dyes Institute was formed as a sort of organized price-fixing proposition.

Senator McLEAN. I suppose the fact that they have what is called a self-contained industry helps them suppress domestic competition, so that they can really fix prices.

Mr. METZ. Yes, they certainly can.

Senator McLEAN. And that is the reason you brought that matter to the attention of the committee, is it not?

Mr. METZ. It was because of the possibility of that being done.

Senator McLEAN. The purpose being to stifle competition?

Mr. METZ. Well, it could be done.

Senator McLEAN. An embargo would not do that, would it?

Mr. METZ. An embargo would give them more of a chance.

Senator McLEAN. An embargo stifle domestic competition.

Mr. METZ. Yes, sir. That would not let anything come in here at all.

Senator McLEAN. On the other hand, it would stimulate it, would it not?

Mr. METZ. It might, unless they held back with the intermediates, which is what they can do to-day. They can, if they want to, make the selective attacks that Mr. Choate talked about. They can say to you that if you do not buy indigo they will not sell you anything. They will not say it in so many words; but they will have no stock of anything else if you do not buy indigo, for instance. It is being done to-day.

When the War Trade Board worked in cooperation with the Dyes Institute they would send the inquiries to the Dyes Institute, and within two days a salesman would call to sell dyestuffs to these inquirers. Later on they sent out a request to consumers telling them to "Go to the institute before you come to us." I explained to the board the effect of this and to-day the War Trade Board sends directly to the consumer and gives the name of the domestic manufacturer. This removes the inside track some makers had.

Senator McLEAN. This is the first time that I can recollect that I ever heard the proposition advanced that an embargo would stifle domestic competition.

Mr. METZ. I think it is a big proposition and that under certain conditions——

Senator McLEAN (interposing). You just stated the experience which you have had in which you, as I understood it, were prosecuted by somebody representing the Government for maintaining a combination in restraint of trade. You said that you walked up and laid your cards on the table and settled it.

Mr. METZ. I said that in 1913 there were suits brought because of the German cartel. I considered them blackmail suits.

Senator McLEAN. The instance that I refer to was something in which you personally were interested, and you stated that you laid your cards upon the table.

Mr. METZ. Yes; because I was buying goods from one of these concerns.

Senator McLEAN. The action was brought under the antitrust law, was it not?

Mr. METZ. Yes; on the theory that the American agents were a part of the foreign trust.

Senator McLEAN. And neither the Clayton Act nor the Sherman Antitrust Act was invoked or was effective in that instance?

Mr. METZ. They do not need to make a combination. They can have a sort of gentleman's agreement.

Senator MCLEAN. If all they need is a gentleman's agreement, they can make such an agreement with the exporter to divide the market, and then where are you?

Senator LA FOLLETTE. That is just what was done before.

Mr. METZ. Yes; they did that once before.

Senator MCLEAN. It seems to me the only thing for us to do is to use the Sherman Act to stimulate domestic competition.

Senator SIMMONS. This is about the situation.

Mr. METZ. By that time the little fellow is dead.

Senator SIMMONS. If you do not impose an embargo or a sufficiently high tariff to prohibit importations into this country and then attempt to form a trust that would be effective, you would have to take in the foreigner.

Mr. METZ. Yes; eventually.

Senator SIMMONS. But if you put an embargo on or a protective tariff on, then the domestic consumer must take the things that the trust makes itself.

Mr. METZ. Yes; but the point is that you can put a sufficient tariff on. If we put a sufficiently high tariff on to protect, the mill man can still get his stuff, because if they form a trust he can still bring in his stuff. These people are not philanthropists. What did they do when they wanted to finance themselves? Look at the statements they made for the last few years. I made something myself. I profited by it a great deal, and I do not claim to be a philanthropist, but do not need an embargo personally.

Senator MCLEAN. Under a low tariff a big combination in this country has the advantage, does it not?

Mr. METZ. Under any kind of a tariff it has the advantage, because it has the material.

Senator MCLEAN. If I were counsel for the Du Pont Co., I should advise them to ask for a low tariff.

Mr. METZ. But bear in mind, Senator, the conditions are abnormal. Normally I would say that is true, but we have now before us the problem of meeting the depreciated currency. There is no question about that. That has to be met.

Senator MCLEAN. That is but one feature that we are talking about.

Mr. METZ. But that is a very important feature. If you make the tariff meet that, you have all the protection you need.

Senator WATSON. If you have to have a monopoly, hadn't you better have an American monopoly than a German monopoly?

Mr. METZ. But why have a monopoly at all?

Senator WATSON. I know that, but if we are going to have a monopoly at all, I would rather have an American monopoly than a German monopoly.

Mr. METZ. We have never had a monopoly, except so far as patented colors are concerned. Why have any kind of a monopoly? You do not have to have one.

There was another feature I did not touch on. I spoke of my two plants making colors. I have a third plant making salvarsan and medicinals. I would like to give you now, without entering upon the profit question, which I understand you do not want now, the cost of production in my plant.

In order to show you what a small item the labor cost is as compared with the rest, on sulphur colors my average cost runs from 3.5 to 5 cents a pound.

Senator LA FOLLETTE. That is labor you are now speaking of?

Mr. METZ. The labor cost only.

Senator LA FOLLETTE. What per cent is that of the total?

Mr. METZ. That depends somewhat on the color. On sulphur black, for instance, selling at 20 cents, 3 cents would be a high percentage. On a color selling for a dollar, 5 cents would not be high.

Senator LA FOLLETTE. By that you mean 3 cents out of 20 would be for labor?

Mr. METZ. Yes.

Senator LA FOLLETTE. That would be about 7 per cent.

Mr. METZ. Eight per cent, we will say, for 20-cent goods.

Senator WATSON. What would it be in Germany for the same kind of product?

Mr. METZ. The proportion will be about the same except as to values as they stand to-day. The Germans are paying 50 or 60 marks per day for labor to-day, whereas I am paying from $32 to $35 a week. It is not skilled labor, either; it is the cheapest kind of labor that we can get. It is the dirtiest, meanest, and hardest kind of labor imaginable.

Senator LA FOLLETTE. You are not speaking now of trained labor.

Mr. METZ. Oh, no; not of the chemists. Many of those to whom I refer were Negroes. We could not get white men during the war to do this kind of work; that is, we could not get them at one time. They were glad to do anything rather than go into the color shop.

Senator LA FOLLETTE. In normal times is that the kind of labor employed?

Mr. METZ. Absolutely. It is the lowest class of labor we can get. because it is about the only kind that we can get to work in the dye. plants.

Senator LA FOLLETTE. It is little more than what we call common labor?

Mr. METZ. Yes; common labor.

Senator LA FOLLETTE. Outside of manufacturing.

Mr. METZ. Outside of the men in charge of the factory—the chemists overseas.

Senator SMOOT. And you pay them as much as $5 per day?

Mr. METZ. We pay them 60 cents an hour. We could get them for that during the war.

Senator SMOOT. And how much are you paying them now?

Mr. METZ. I am still paying them the same wage.

Senator SMOOT. How long are you going to keep that up?

Mr. METZ. As long as I can. It is worth it. They ought to be paid. It is a dirty, mean kind of work.

Senator LA FOLLETTE. You have given us the labor cost of one product.

Mr. METZ. Yes. I will take up others now.

Senator LA FOLLETTE. Take up some of the others, please.

Mr. METZ. Those are the bulk products. I produce 20,000 or 30,000 pounds at a time. We have azo colors that are diazotized and take two or three other processes.

Senator LA FOLLETTE. What is the labor cost to the total cost there?

Mr. METZ. Take just one, chrome black, of which I make about 50,000 pounds at one plant, making all the raw material and starting with refined phenol. The entire labor cost is 7 cents a pound. The stuff costs 68 cents finished, with 20 per cent overhead. That is, the finished price of the material with overhead at 20 per cent is 68 cents. We figure overhead at 20 per cent for the factory; that is, steam, labor, coal, outside work, such as is done by carpenters and coopers, etc. That is overhead in the factory. Then, there are the factory salaries outside of the wages of the chemists.

Senator LA FOLLETTE. In this particular case you have included the raw material leading up to the finished product?

Mr. METZ. Yes; those are the figures.

Now, take gallocyanine.

Senator LA FOLLETTE. Is that a bulk product?

Mr. METZ. That was a bulk product. It is falling off now because it is being replaced. The color was used years ago. It dropped out, and then it came in again. In small lots that costs 12 to 14 cents for labor on a 100 per cent product. That sells also as a 20 per cent paste. It is easier to handle that way for the consumer.

Senator SMOOT. What is the cost?

Mr. METZ. One hundred per cent paste costs about 12 cents for labor on $1.75 for the finished gallocyanine.

Senator LA FOLLETTE. That is 12 cents out of a dollar?

Mr. METZ. Twelve cents out of $1.75. So the labor itself is small compared to the final product, say, 10 per cent.

Senator SIMMONS. Is that 100 per cent product?

Mr. METZ. I mean to say the color is made 100 per cent and reduced or brought down.

Senator SMOOT. Then the actual cost in the manufacture of chemicals is much less than the labor cost in most any other manufacture?

Mr. METZ. Certainly, because it is largely automatic. The azos colors——

Senator MCCUMBER (interposing). I understand you do not include chemists, etc.?

Mr. METZ. Oh, no; I am coming to that. That is expensive.

Senator MCCUMBER. You call that overhead?

Mr. METZ. I call that overhead. This is purely labor.

Senator MCCUMBER. This is one class of labor.

Mr. METZ. Yes. On azo colors I show 6 to 8½ cents a pound. Direct black, which we hear so much about, can be made for 3½ to a cents a pound for labor, and is being made for that.

Senator LA FOLLETTE. You do not help us very much at that, unless you give us at the same time the selling price per pound, because your statement of just how much the labor costs is not giving us any information.

Mr. METZ. The labor cost averages somewhere between 5 and 10 per cent, 5 and 10 per cent of the selling price, not over that, the actual labor cost.

Senator MCCUMBER. What would it be if you included all of your employees under the head of labor?

Mr. METZ. That comes high. I have not got that on the color line, but I have it on the medicinal line. I went home, and for the pharma-

ceutical department I got the whole statement, and they had it worked out. The labor plays a much greater part——

Senator LA FOLLETTE (interposing). Now, have you included in that all the salaries you pay—your own salary, for example?

Mr. METZ. I have the whole thing on that particular item. But the proportion is not the same on colors as on pharmaceuticals, which are handled a great deal more than dyestuffs.

Senator WATSON. Just take the 606, for example.

Mr. METZ. Dyestuffs are shoved into a barrel; these things [exhibiting samples of salvarsan to the committee] are packed up. You take salvarsan [indicating]. It costs money to pack it. That is made in bulk in about 20-pound lots, and then it is packed like that [illustrating]; about 8 grains is a dose; that is how it is sold. Salvarsan is put in these ampules, a "shot," it is called; and then it is either evacuated—and before doing so they have got to be constricted, so that the whole powder is not sucked out when you seal it. Every time you do that it costs a half cent; and then after it is constricted and the air drawn out it is heated and sealed up, then comes the file and circular, and packing and labor, and that is expensive.

When I sold to the Government I made the price 27. We can not afford to do that on all sales. The Government buys in bulk packages, a hundred in a box, without all this rigmarole; that is saved.

I have here also the overhead and the labor costs, which is a question of quantity of output. When you have a large output in a month your cost per ampule is lower, and if you have a small output it is higher; and I can give you some idea of what this stuff costs before it leaves the factory. The proposition of unproductive labor per ampule—and by that I mean engineer, fireman, watchman, cleaner, etc., who do not supervise, but are necessary in a plant—amounts to an average of 0.37 of a cent, one-third of a cent, practically, per ampule for three months. It varies from 31 to 43.27, according to the monthly production. If you make more you get a lower average. In June the production was very high. The superintendence, etc., was 1.78 cents per pound. Rent, power, light, water, etc., 2.20 for a package. Maintenance of machinery, etc., was 1.3, which is, of course, very heavy in a thing of this kind. Insurance was 0.53 cent; depreciation, 0.97; and miscellaneous charges, 0.83.

That is 7.71 for the manufacturing overhead. The general overhead includes office expenses and biological department. I mention these, because it has to be tested on rats. That is a very serious proposition and one that is expensive. That costs on the average 0.66 cent per ampule.

And for the outside testing, I mentioned sending to Columbia College, we pay so much for each test. That cost 0.85 cent more to test these various batches.

Laboratory expenses, for arsenic tests, etc., requiring high-priced chemists, 2.35 per ampule.

Senator WATSON. Is the Government the greatest purchaser?

Mr. METZ. Oh, no. The Government purchases a lot; it is the largest individual purchaser; put it that way; 4.25 cents are for general overhead. So that the total factory overhead is 12 cents per ampule.

Senator SMOOT. Twelve cents per package?

Mr. METZ. That is the factory average. Then we have the selling organization in New York. Administration, 1.79—that includes my salary as president of the company and the other officers of the company. The office expenses include bookkeepers and typewriters, 2.32. Medical department—we have physicians, two of them in the office, who answer correspondence of physicians all the time, and that amounts to 1.04 cents per ampule. Then there is the sales department, and that is expensive, because we have about 8 or 9 detail men, physicians, out introducing this product, showing the doctors how to use it, who are trained physicians in nearly every instance, and their traveling expenses are very heavy. That is 10.33 cents per ampule.

The royalties average 3 cents per ampule—royalties we pay to the Alien Property Custodian through the Federal Trade Commission for the license under the foreign patents; 5 per cent of the total sales we pay to the Alien Property Custodian through the Federal Trade Commission because of this license. That averages 3 cents on an ampule. Shipping expenses are 1.20 cents; general expenses, postage, literature, printing, etc., 1.44 cents, and taxes, 1.7. So that the New York overhead is 22.29, making about 34.80 per ampule for this product.

Senator MCCUMBER. Outside of the stuff itself?

Mr. METZ. Yes. Now, then, directly labor for the product—this is all indirect labor [indicating]—covers your point—the direct labor on the product—production labor is 8.46 cents, packing labor 4 cents, which included labeling, putting in the packages and everything connected with that, which costs 4.68. That is the average price on this stuff.

Senator LA FOLLETTE. For what price does this sell to the general public? The Government does part of this work. You send it to them in bulk.

Mr. METZ. Yes; in bulk containers, so I don't have all that expense. The Government gives it away, and they buy at practically cost price, because the more I can put out the more my general average cost decrease. The price to the retail druggists, to hospitals, and to the trade is higher—the 27 cents price—is made for contracts, 30,000 or 40,000 ampules at a time.

Senator LA FOLLETTE. Do you make that price to private purchasers if they purchase in large quantities?

Mr. METZ. No; I could not—not for physicians' cases, because they get the money back from the patient. But the Government gives it away and charges nothing.

Senator LA FOLLETTE. What is the price to the regular trade?

Mr. METZ. To the drug trade the price on the .06 size—that is the average—$1.20 per ampule, and in 100 ampule lots, $1; that is the retail dealers' price.

Senator WATSON. What does the whole thing cost you, everything considered?

Mr. METZ. The whole thing actually costs on the basis of my production for the .06, 51.44 cents, including all expenses I have given you, overhead and everything else.

Senator LA FOLLETTE. At how much does that sell to the general public?

Mr. METZ. The general public pays the retailer's price. We sell it through the druggists.

Senator LA FOLLETTE. What is the wholesale price?

Mr. METZ. I gave it to you.

Senator LA FOLLETTE. I know, but I did not hold the figures in my mind.

Mr. METZ. The wholesale price in 100 ampule lots to the druggist is $1, an average dose, higher and lower according to the quantity in dose.

Senator LA FOLLETTE. And it cost you——

Mr. METZ (interposing). 51.44 cents.

Senator WATSON. It costs you 51 cents plus to make?

Mr. METZ. Yes.

Senator WATSON. What does it cost the Germans to make the same thing?

Mr. METZ. I do not know what its cost is. I know I imported some at a cost of 54 cents laid down here recently.

Senator MCLEAN. Then is it your idea that this same rule applies to anything you make?

Mr. METZ. Certainly, of course, on anything.

Senator MCLEAN. And there is no trouble getting the American valuation on which to apply the tariff?

Mr. METZ. If the selling price is $1, that is the American price. But you don't handle this by the pound.

Senator MCLEAN. It is, you say, very difficult to get the foreign valuation?

Mr. METZ. I have not got it. I paid so much in dollars for it. It is not impossible to get it.

Senator LA FOLLETTE. Is it an easy matter to get the foreign valuation?

Mr. METZ. It is reported every month to the American Reparation Commission. The foreign manufacturing cost, as I had the figures—given in the Reparation Commission statement—is one and a half times the cost before the war, based on American prices.

Senator LA FOLLETTE. Take this same product you have just given us, the prices on 606, what are the figures as furnished by the Reparation Commission of German cost, if you know?

Mr. METZ. I have not got them; they can be obtained. I do not see those figures.

Senator LA FOLLETTE. What were the lowest figures you did have of the German cost of producing that article?

Mr. METZ. I have not had any, except that I used to pay $2.50, and now I pay 54 cents, and that was within the last month, at 30 per cent duty, and nothing further.

You see, putting this as a general proposition, this can not be brought in in bulk, but must come in this way, and I am not afraid of the Germans on this, but if a man wants the German product he ought to have the opportunity to get it, or any other drug. A man should get the drug he wants, and he can not get it with the embargo. We have people writing all the time for the German stuff.

Senator MCCUMBER. You think yours is very much purer than the German product?

Mr. METZ. Only because in the tests by the Public Health Service we can go to a higher injection than the Germans.

Senator McLEAN. If a man is in trouble, if he had not any faith in either prescription, it would not cure him?

Mr. METZ. There is a good deal to that.

Senator McLEAN. I did not know that. I thought there was something inherent in the remedy.

Mr. METZ. Yes; but also in faith. Some people do not know what they are getting, but with others there is a feeling that they want the German product.

Even at those prices, I do not hesitate to tell you, gentlemen—because this is not interesting to my competitors at large, as I only have one real competitor, and I do not worry about him much—these laboratories that I established to make this stuff—I also make novocaine—and to show you there is some money in these things, and that we have some leeway against the Germans still, I started that plant with $50,000. I sent my brother over there in 1916, and they showed him the process. The reason for that was that under the British order in council we could not import any more stuff, though the Germans never refused to give us the material. I got busy with the State Department and the British allowed us to receive the German salvarsan as late as November, 1917, on the British permits. But in order that we might be sure of this supply—and the British Government did refuse to pass it at one time, but the State Department stood up for our rights to get the German product, which was at that time available, and I continued to get our supply on British permits.

In the meantime, I had already began to work out the process. I started in 1916, at a cost of $50,000, and to-day the assets are $867,000, with liabilities of $486,000—that includes $400,000 capital stock issued. I increased that capital stock from time to time by the issue of stock dividends, and left the money in the plant. And I have a surplus of $381,000, besides the $400,000 capital stock.

Senator McLEAN. And in that plant you make only salvarsan?

Mr. METZ. Oh, no; I make novocaine also. I also make a few other things that do not count; those are the two big things.

I want to say that the laboratories paid as income tax during that period—an excess-profits tax—in 1917 of $6,764.10. That was when we had the low tax. In 1918 the excess-profits tax was $48,762; for 1919 I paid $154,424; and for 1920 I paid $213,178, or a total of $425,939 in tax. The Philadelphia people recently presented themselves——

Senator McLEAN. Wait, before you go onto that. Could it have been possible for you to have built up this if it had not been for the war prohibition?

Mr. METZ. No; because it was patented here.

Senator McLEAN. Aside from the manufacturing.

Mr. METZ. The war gave us that chance. But we have got the plant now. The Philadelphia concern who did the same thing presented themselves, and they claimed work entirely on humanitarian grounds—they presented themselves with one-half million dollars of bonds accumulated during the same period. I do not know whether that is in lieu of excess or income tax, as they, not being organized as a commercial concern, perhaps can save that, and can claim this is for the public good. I had to pay the tax.

Senator McCUMBER. To what extent has the price of this salvarsan increased since the war?

Mr. METZ. I beg your pardon.

Senator MCCUMBER. To what extent has the selling price of this salvarsan increased since the war?

Mr. METZ. It has not increased; it has decreased since we have been making it here.

Senator MCCUMBER. It has not increased at all?

Mr. METZ. Oh, no; it has decreased. The imported article was being cornered by everybody and held up to $50 early in the war.

Senator MCCUMBER. Then you are selling it for less than you got it from Germany before the war?

Mr. METZ. Less than half. The Germans had a patent. The Germans worked eight or nine years before Ehrlich discovered it, before it came into the market. Nobody criticized the price at that time. We have been able with a 5 per cent royalty to sell away below that. But we got the benefit of that patent, and that is one of the patents taken over by the Foundation.

Senator MCLEAN. Outside of that, in contradistinction to German concerns, you paid $400,000 into the Treasury of the United States?

Mr. METZ. Yes, sir; and other concerns should have paid it also. Perhaps they did. On the German we would have paid duty.

Senator LA FOLLETTE. In your opinion, what is the salvarsan patent worth?

Mr. METZ. Judging from what I have made, it paid in royalty about $75,000, on the basis of 5 per cent on the selling price.

Senator MCCUMBER. That is the royalty?

Mr. METZ. Under the license fee.

Senator LA FOLLETTE. You paid them $75,000?

Mr. METZ. No; I paid them about $50,000. That patent had 10 years to run, or did have when they were taken over. I suppose it has eight or nine years still.

On the basis of $75,000 on a 5 per cent royalty and the profit they made here, anybody that paid $5,000,000 for that patent would have a very cheap bargain, because they would have a monopoly, and with a monopoly I could on the present output make a great profit. I would gladly have paid $5,000,000 for it if I could have gotten it. Yet that was one of the 4,500 that was sold for $250,000. Another one was indigo, which also sold in the batch for $250,000.

I was requested by the Chemical Foundation to surrender my license. I have a letter from their counsel, which poses as a quasi Government institution, that they could give a better license than the Federal Trade Commission, but the Federal Trade Commission said that they did not ask anyone to transfer. I understand very few licenses have been transferred, except on the indigo patent. That has been transferred by the Du Ponts to the Chemical Foundation.

Senator LA FOLLETTE. Do you know why?

Mr. METZ. I don't know why, but I suppose the Chemical Foundation needs the royalty on it. In some cases the fee is 2 per cent. I think indigo was licensed for 2 per cent by the Federal Trade Commission, and I am quite sure it paid over $100,000 on that basis. You can figure what that is worth.

Senator WATSON. To whom did you pay the royalty?

Mr. METZ. I pay it to the Alien Property Custodian under my license. I was requested to surrender the license, but I didn't do it.

I have no quarrel with the Chemical Foundation. I am willing to abide by its terms as owners.

Senator McLEAN. How much 606 do you import?

Mr. METZ. None; recently I got a comparatively small amount. The Public Health Service has stopped the importation and sale of anything that does not pass their test. They went to Europe and arranged with the manufacturers to get licenses for serums and toxins and give licenses to German and French manufacturers that they could bring goods in on the same basis the American manufacturer does his. We have to submit a test of every batch to the Public Health Service. They have 1 per cent of our output in their possession.

Senator McLEAN. You imported some recently?

Mr. METZ. Yes; the stuff has been coming in under cover right along in enormous quantities.

Senator McLEAN. From Germany?

Mr. METZ. Yes; every steward on the steamers brings it in and the Government gets nothing out of it.

Senator McCUMBER. They are smuggled in?

Mr. METZ. Yes; they are smuggled in. The Government has fixed the conditions under which they can put the label on under the test of the Government, and it can come in under those conditions. My license gives me the right to make, vend, and manufacture it. I may have to pay a royalty on it. If I do, well and good. It is not that I want to bring it in; it is not that it is necessary; but some doctors want it, and I suppose the doctors will get a little more money for using it. There may be something in that. I am not criticizing that. That is their business.

But making it is a complicated proposition and requires skill and care, and if we can do all that we can do it with stuff made 40,000 pounds at a clip in this country. I know I can. I am not afraid. Give me a half way respectable and specific duty with an ad valorem, and I am not afraid to do it, and a chance to get my crudes somewhere else, if they hold it up. When we do want it, we want it right away. I think every other manufacturer is in the same position, if he is honest with you. I don't want to see the interest scrapped. I want to get a fair deal and I am willing to give any figures you want. I don't hesitate to say I draw $20,000 a year as president of that company, and I don't work for the others for nothing, either.

Senator McLEAN. Are you a competitor of the Du Ponts?

Mr. METZ. In colors.

Senator LA FOLLETTE. Do you know the total assets of the Du Pont Co.?

Mr. METZ. I do not. I am not interested in that company. I have seen their statement. I congratulate them.

Senator LA FOLLETTE. Do you remember seeing their recent statement of May 1?

Mr. METZ. I don't recall.

Senator LA FOLLETTE. That may be of interest to you.

Mr. METZ. The Du Ponts run everything now.

Senator LA FOLLETTE. I understand that, and that adds to their financial strength and power.

Mr. METZ. They probably will drive everybody else out before they get through.

Senator LA FOLLETTE. In the middle of the page there is the total.

Mr. METZ. Of course, that is done for stock purposes. When these companies come in for one purpose it is very low, and when they sell stock it is very high. I have seen that with various companies.

Senator LA FOLLETTE. Just state the figures.

Mr. METZ. I don't know what you mean. Do you mean profits?

Senator MCLEAN. Have you any idea that your German connections might help you in the event the Du Pont competition is very severe?

Mr. METZ. I don't know and I don't care. I don't know what arrangement they have. I know American manufacturers were sitting at the back door the moment the armistice was signed waiting to break in. The Bayer Co. has an agreement that the people abroad will make the things they are not making here. I know they have that arrangement, and others are seeking to make the same arrangement. I saw an interview in the paper about the Germans coming here, and a combination of American manufacturers trying to sell what the Germans were bringing in, and a lot of bunk about what the Germans are doing to the Americans. They are trying to do it to them.

Senator MCLEAN. I hope you will never reach the condition where you will be the tail to the German dog.

Mr. METZ. I have not got in that position.

Total assets, $280,359,871.03. Is that what you mean?

Senator LA FOLLETTE. Yes.

Mr. METZ. I am quite prepared, as I was the last time, to meet the facts that certain gentlemen will take very great pains to discredit a good deal I have said. They did before the Ways and Means Committee of the House and before this committee of the Senate. I would like to have an opportunity to answer them. I did in the previous hearings. I wrote a letter to Senator Watson at that time that can be found in the hearings, and also to Chairman Fordney. My letter to Senator Watson is on page 473 of the Senate hearings, and to Chairman Fordney on page 715 of the House Ways and Means Committee hearings. I think that is all, unless you wish to ask something further.

Senator MCLEAN. Have you finished?

Mr. METZ. I have, if you have.

Senator MCLEAN. Mr. Thompson is here and I think he is very anxious to be heard.

Mr. METZ. I will be very glad to give way to him.

The CHAIRMAN. Do you want Mr. Thompson called now?

Senator MCLEAN. I would like to have him called at this time.

The CHAIRMAN. At the request of Senator McLean, Mr. Thompson will submit his views to the committee.

## STATEMENT OF HENRY B. THOMPSON, GREENVILLE, DEL., REPRESENTING THE NATIONAL ASSOCIATION OF FINISHERS OF COTTON FABRICS.

The CHAIRMAN. Mr. Thompson, will you state your full name to the committee for the record?

Mr. THOMPSON. Henry B. Thompson.

The CHAIRMAN. Where do you reside?

Mr. THOMPSON, Greenville, Del.

The CHAIRMAN. What is your business?

Mr. THOMPSON. I am president of the United States Finishing Co., a Connecticut corporation. We have five plants, two of which are in Connecticut, one at Norwich, and one at Sterling; two in Rhode Island, one at Pawtucket, and one at Providence.

Senator MCLEAN. What do you mean by "finishing plants"?

Mr. THOMPSON. We are printers and finishers and bleachers of cotton fabrics. We have an output of about 300,000,000 yards a year. We employ about 3,500 people. The bulk of the stuff that we finish is the finer quality of cotton goods.

I came here to-day principally as a representative of the advisory committee to the State Department on the importation and licensing of German dyes. I have been chairman of that committee from the start, and I want to give the committee some evidence which is more or less in rebuttal of complaints that have been submitted before the committee. In addition, I can give my personal experience in the use of the German dyes, and in addition, further, I would like to speak for the National Association of Finishers of Cotton Fabrics, of which I am president. That is an association of 70 or more corporations and firms which really represents almost the entire industry in this country.

Senator MCLEAN. The cotton textile industry?

Mr. THOMPSON. The finishing, not the textile. We are not manufacturers of the goods. We bleach the goods and print them and dye them.

That association is made up largely of New England manufacturers; some in New Jersey and Pennsylvania, and several in the Southern States.

Senator LA FOLLETTE. Do I understand there are any manufacturers in that organization that are manufacturers of the cloth itself?

Mr. THOMPSON. No. The cloth is sent to us on consignment and we charge so much a yard to bleach and print. Most of the business is done in that way in this country.

Senator LA FOLLETTE. So that you do not represent any of the textile manufacturers?

Mr. THOMPSON. Not the weavers or the spinners of the goods; no.

Senator SMOOT. You do no work for the Interstate people?

Mr. THOMPSON. No.

Senator SMOOT. Nor the Merrimack?

Mr. THOMPSON. I have done work for the Merrimack. I have had an inquiry in the last two weeks for prices from them.

I will give you very briefly the modus operandi of our committee in the way in which it works, in view of the criticisms that have been made against it. As you know, the committee was made up to represent the consumers of dyestuffs and manufacturers of dyestuffs and the chemists. The members of the committee were Mr. Cheney, of Hartford; Mr. Hobbs, of Arlington Mills, Mass.; and myself. The dyestuff representative was Mr. Poucher, of the Du Pont Co.; Mr. Baldwin, of the National Co.; and Mr. Mertz and Dr. Herty, representing the Chemical Society.

Originally we met very frequently on the question of these licenses with the War Trade Board which then took the place now occupied by the State Department, and they used our advice very largely as to who were genuine importers of these dyestuffs and who were not,

and we met every two weeks. We naturally had to sift out a good many bogus applications. After some four or five months the matters were so simplified that they did not ask us for any advice in the matter of who was a genuine manufacturer and who was not.

While there have been some complaints, I think, generally speaking, the work has been very well handled. There were complaints that were justified, which were uncontrollable. These were not complaints against the licensing, but they were in reference to delays, but I think during the last year there has been very little criticism of any delay in getting a license. The criticism has been in the importing of the goods. I am perfectly frank to say that we got more or less criticism at the beginning of our work about delays for four or five months on account of the dock strike. The goods were ordered and put on the dock and laid there four or five months before we could get them into this country. I think that was one of the principal causes of criticism.

Senator SMOOT. Some of the witnesses here testified that after making an application to the board it was months and months before they got any action on the part of the board.

Mr. THOMPSON. I heard one gentleman testify to that. There have been very few instances. In our meeting which we hold now about every six weeks in connection with members of the State Department and members of the Textile Alliance there is a review of every complaint, and considering the number of colors, some 900 colors, and the numbers of importers, the mistakes and delays are really very few, and I think are generally due to misinformation. I can give you a case that illustrates this point. I was reminded of it by something that Mr. Metz said.

Mr. Metcalf, who is a large manufacturer of worsted coating, like the sample we had here this morning, said to me some six weeks ago, "I don't think the Textile Alliance are acting promptly in giving us just the stuff we want." He referred specifically to the shipment of one article of which they are very large importers. He was naturally dissatisfied. I immediately called up the Textile Alliance and said, "I know nothing about this, but Metcalfs are very large users, and what is the trouble?" They said, "We will send you down a letter that explains the whole circumstances." It was a mistake in consignments. They shipped single strength, and we billed double strength. Mr. Metcalf was justified in his criticism, but we explained the circumstances to him and sent him a check for $25,000, the difference between the two strengths, and Mr. Metcalf was entirely satisfied that he had received just treatment.

I don't think on the whole that the War Trade Board or the State Department is open to criticism. They are open to some. There is no question that it is an inconvenience to look ahead six months for your colors where you can send around the corner and get a package, but I think the average manufacturer—and I am quite well aware there have been a number of gentlemen who have appeared before you who are entitled to full credence—will give you the impression that the manufacturing community as a whole are opposed to a licensing feature. Now, I can speak for the National Association. The matter has been brought up twice in that association. The record appears in the hearing of the Longworth bill before the House committee. The question had been debated at length and

the license feature was unanimously approved, and the members voting were representatives of the very large interests in the country.

Senator McLEAN. What does the National Association include?

Mr. THOMPSON. It includes people like the Sayles, of Rhode Island, the Aspinook Co., all the large printing concerns in the country, with the exception of the American Print Works and the Pacific Mills. It embraces virtually the entire printing industry.

Senator McLEAN. This complaint comes, as I understand it, so far from the textile men, who claim that when they send the goods to you or concerns that you represent to be colored the delays are occasioned which interfere with the market.

Mr. THOMPSON. Yes. I do not doubt the gentlemen who have appeared before you have probably had a complaint, but I base it on my own experience. I know we are handling the thing, and we represent the largest printing industry in America. We have a trade that is represented by the very best trade. We are open to competition of the whole world, and frankly we have not met with inconvenience or suffered any losses through our inability to get these German colors. Of course, there was a period during the war when we got none of them, but since the licensing system has been established we have been enabled to get everything that we wanted in good time and in reasonable time.

It is perfectly possible for me to come here and show you that you could not do that with this color. I will take this coat that was submitted to the committee this morning. Such a statement is misleading. I could show you a coat just as bad as that, and it was dyed that way because the manufacturers did it in the cheapest manner possible. I could also show you a coat dyed by the American Woolen Co., or by the Metcalfs, dyed with the colors which have been imported through the Textile Alliance, through license, which is absolutely fast and one of the best colors; in fact, is the same color as you got 10 years ago or 8 years ago.

Senator SMOOT. What position do you hold? You are chairman, you say, of the license board?

Mr. THOMPSON. I am chairman of the advisory committee. We are simply an advisory committee of the State Department.

Senator SMOOT. Is it not more than likely that your request would be acted upon at once as against that of anybody else?

Mr. THOMPSON. Absolutely not.

Senator SMOOT. Why do you say that?

Mr. THOMPSON. Because, as far as the State Department is concerned, our request goes in the same as that of anybody else.

Senator SMOOT. But you advise them, do you not, as to whether they should have this license issued or that license issued?

Mr. THOMPSON. We did at the start, and we have been very liberal in our interpretation of who should get color and who should not. The only people we have turned down were those that were manifestly—well, for instance, we had one request for a great many thousand pounds, and when we traced it back we found that the applicant kept a livery stable in Schenectady.

Senator SMOOT. You do not think the State Depratment would discriminate against you because you happened to be chairman of that board?

Mr. THOMPSON. No. I think the licenses have been treated as they have been received in order.

Senator MCLEAN. Would these complaints as they are brought in be brought to your attention? Would you in your position know about them?

Mr. THOMPSON. We knew about a great many of them. A great many of them were discussed in committee meetings.

Senator MCLEAN. How extensive were they as applied to the whole business throughout the country?

Mr. THOMPSON. No more than you would find mistakes in any business. I believe I run a well-managed concern, and yet I could bring many gentlemen here to tell you that we have made mistakes in our business. But that does not prove that we do not know our business.

Senator SMOOT. Do you think the treasurer of the Merrimac Mills cited a typical case when he reported to this committee that dyestuffs were ordered after considerable trouble in securing the license and month's delay and then the dyestuffs did not arrive here for months after that and then when they did arrive that the season had passed and they were no good to them at all?

Mr. THOMPSON. I do not remember that specific case, but I do know of similar cases where the trouble was attributable entirely to the dock strike. It did not make any difference whether there was an embargo or license. The goods were on the wharf and there was nobody to put them on the ships, and that did cause trouble.

Senator SMOOT. But the dock strike had nothing to do with the issuing of a license, did it?

Mr. THOMPSON. He got his license in time. Or does he claim that he did not?

Senator SMOOT. I think he claims that he did not.

Mr. THOMPSON. I do not know of that specific case. Mr. Greene, the treasurer of the Pacific Mills, whose company is also an agent for the Merrimack Mills, within the last three weeks said to me, "I have just come back from abroad. I am a little skeptical of this licensing system due to delays." I looked up his criticisms and found they were captious. Mr. Greene said, "Do not misunderstand me and think I am opposed to this system; I think it is worth looking into." Under your new bill I think the experience of the last two years has been of great value. You see, under this present bill you have an importable list and a nonimportable list. No license is required. It is possible to keep the goods in bond, and the textile alliance has requested the State Department to keep the goods in bond, so they could make just as quick delivery as the German importers could in the old days.

Mr. Metz has made the point that it would be brought over in barrels. You can bring it in in 10-pound packages and take care of this specific case that he quoted.

Senator MCCUMBER. Is there anything in the claim that the commission is liable to hold that some American product is just as good as that which is imported and compel the American user to use the American product which he finds is not as good? Have you had any complaints along that line?

Mr. THOMPSON. Personally I have not.

Senator McCUMBER. I mean, has the commission had any complaints?

Mr. THOMPSON. Do you mean the State Department?

Senator McCUMBER. Your particular bureau.

Mr. THOMPSON. No; we have not had brought to us any such statement.

Senator SMOOT. Would such a statement come to you?

Mr. THOMPSON. Those cases are reviewed by us.

Senator LA FOLLETTE. That is on appeal, do you mean?

Mr. THOMPSON. No; but at our meetings. For instance, Dr. Pennyman, who was the chemical adviser to the State Department, has generally been responsible for the analysis to show that the American product is equally as good as the German product. I question whether anybody has suffered any serious loss.

Senator McCUMBER. Take a case like this that was mentioned by the last witness: A manufacturer of fabrics gives him the color that he desires the fabric to be dyed. He receives that and the manufacturer of the fabric desires to use a certain particular German dye that he is acquainted with. He applies for the right to import that. He is denied that right upon the ground that the Du Ponts or some other company produce the same thing. He uses the same thing and he finds that it will not give the same results under artificial light, as one would have a reddish cast and the other, perhaps, a greenish cast under the artificial light, and that he has not got what his customer demanded of him.

Mr. THOMPSON. Well, those criticisms really from a practical point of view are due to the personal equation of your dyer. I know just the experience the gentleman has had. Certain of our mills can not use certain colors which we use in other mills. As a matter of fact, there is no reason why they should not, but we humor them. I know the very color that this gentleman complained of. I think it was a direct black.

At our Norwich plant we have an Austrian chemist and he has insisted that we want to get back to the German color. We can not get the German color and we get along all right with the American color. We have delivered the goods. It is a question of manipulation. If you are going to meet all the whims of your dyer you are going to be in hot water from start to finish.

I will admit that there have been inconveniences, but I think I voice the sentiment of most of the big users in saying that we are willing to submit to those inconveniences to see this business thoroughly established. We know perfectly well that previous to 1914 we were absolutely in the hands of the German monopoly. We took what they gave us. There was no appeal. There is no use going over that; you gentlemen are thoroughly familiar with that story. We believe now with the progress that has been made in this country, if given an opportunity we will have a self-sustaining industry which will meet the needs of the American consumer. Of necessity we have to have the cheapest stuff we can get. We want it. We realize that we have to meet export trade competition. The British have put on the embargo. That takes care of that end of it. France, I believe, has done the same. Mr. Metz gave you several instances this morning in his testimony where competition has already brought down the prices of the American dyestuffs to a fairly reasonable level.

The things that are not made to-day are largely the vat colors. They are fast colors that are used in cotton printing for shirtings and ginghams. The Amoskeag Mills use them mostly. I am convinced that if you give these people an opportunity for a year or two they will manufacture them and give them to us as cheaply as the Germans can, because if they can not do that the Germans will have a monopoly and they can and will charge anything they want.

It is probably the most difficult branch of chemistry that has ever been developed in this country. We are short of trained organic chemists. We have to have a higher staff of them until we can meet the Germans in certain fields. We issued licenses—I say "we," meaning the State Department, we acting as advisers—for 1,600,000 pounds of dyestuff in the six months ending June 30. The records will show, but I assume that the bulk of that are these so-called vat colors, and a color which we get very largely from Switzerland, Rhodamine 6–G, which is not made in this country. It is those colors that the dyestuff manufacturer has to have protection on, because he has not made them yet in sufficient quantity or at a price that we would touch them. We have been able through the license system to get all we need. Frankly, we have suffered no inconvenience.

Senator McLEAN. Is there necessity for a six months' delay in securing any dyes?

Mr. THOMPSON. No; and there is not any six months' delay to-day. If the State Department will grant the request of the Textile Alliance to carry stuff in bond, we can get the stuff very quickly.

Senator SMOOT. Is it not required at the State Department in asking for a license that they shall name how much of a certain dyestuff they will use within six months?

Mr. THOMPSON. Yes. You are not allowed to import over a six months' amount. Outside of these bogus applications which we got, I think the manufacturers played very fair. Naturally, we do not see the applications now, but as they ran originally they lived right up to the State Department's request.

Senator SMOOT. Yes; and many of them when they got the goods in could not use them.

Mr. THOMPSON. Well, that happened to all of us.

Senator SMOOT. But if you can buy and get your goods within 30 days that would not happen.

Mr. THOMPSON. No; but we have gone through an abnormal condition.

Senator SMOOT. We are back now where we can do that.

Mr. THOMPSON. Exactly, but this time last year we were all running full; but since the 1st of October up to about six months ago we ran about 40 per cent. We naturally had not any use for a good deal of the stuff brought over. In our particular instance we got permission to resell. I think we sold to the Amoskeag Mills stuff which we did not need.

Senator SMOOT. There is no necessity of that now?

Mr. THOMPSON. No; but that would happen under any conditions.

Senator SMOOT. That is one reason why the license system is altogether wrong in principle. Considering the way the system has worked in the past, to compel it now, when a manufacturer of this

country can get almost anything he wants at any time, I think is unreasonable.

Mr. THOMPSON. You do not have a licensing system. You have an importable list.

Senator MCCUMBER. Another question I wanted to ask is this: I think Mr. Metz made the statement, in substance, that where he desired to get a special color he had to unite, say, two or three or four different colors. If he had to make his order through this board he would then be giving away his trade secret as to how to get that particular color, which would work to his detriment?

Mr. THOMPSON. Well, I did not see the specific color. I heard his statement, but, as a matter of fact, those trade secrets do not amount to a hill of beans. There are a great many of the smaller dyers who have not sufficient knowledge to combine the colors in the right quantity. We make our own combinations. I heard Mr. Metz quote the different colors that he used. Our chemists and our own dyers make that combination for us; whereas some little fellow who owned his own plant and has not sufficient knowledge to make them, wants to buy what he calls a direct color to dye that particular shade.

Senator MCCUMBER. But I think his testimony was, for instance, that he or his brother or someone else obtained from the German manufacturer of dyes of a particular shade just the shade that he wanted, the number of pounds, or by liquid measure, whichever was used, of each of may be a half dozen different dyes and had to mix exactly in those quantities; that that then became his own trade secret on this side of the ocean, and if he ordered that through this board every competitor could immediately take advantage of what he had secured in Germany and make the same shade.

Mr. THOMPSON. I could not follow him in that line of reasoning.

Senator MCCUMBER. I may not have it exactly right, but it was something along that line.

Mr. THOMPSON. All the browns and slates and drabs are a combination of three colors, generally speaking. You can buy a direct color for a specific shade, but somebody like Mr. Metz mixes it for the manufacturer instead of letting the manufacturer mix it for himself. We do our own mixing.

Senator MCLEAN. Do you have any difficulty in getting shades?

Mr. THOMPSON. No; not the slightest.

Senator MCCUMBER. Can you match in your establishment any shade that is produced in Germany?

Mr. THOMPSON. I should say within reason; yes.

Senator MCCUMBER. And get it exactly true with a fast color?

Mr. THOMPSON. Our colors are sent to us. Take a printing combination. There may be 23 colors in the combination. The designer draws the design and he paints it in water color or oil color. We have to match that with the dyestuff that we have. And I can not say that we would absolutely match the paint on that sample, but we would come so close to it that in trade usage it is entirely acceptable.

Senator SMOOT. Mr. Thompson, printing cotton goods is quite different from dyeing wool piece goods; not only that, but your business is sufficiently large, so that you can have the very best of chemists, and no doubt you do, but an ordinary woolen plant or an

ordinary cotton plant can not afford them. They not only need American dyes, but they need foreign dyes, as referred to by Mr. Metz. Those sample books are sent to all of the manufacturers—in fact, I am quite sure that none escaped receiving them, and a formula is given, just as Mr. Metz says. I have seen thousands of them myself.

Mr. THOMPSON. That is given by the American manufacturer just the same.

Senator SMOOT. I say, just the same as the foreign manufacturer. That, of course, is done and assists the small manufacturer in securing the shades that he really desires.

Mr. THOMPSON. But he has no more trouble than he had in the old days. I mean, the American dyestuff manufacturer will render the small woolen manufacturer the same assistance as he got in the old days.

Senator SMOOT. I suppose he would. I do not think there is any question about those colors being greater in number, and I think you will say so too, that are manufactured by the Germans, and the combinations of color that the Germans manufacture are many, many times as many as the American manufacturer has.

Mr. THOMPSON. There are a great many colors sold by the Germans, one color being under four or five names. They wanted to put a mystery around it so they could control a certain field. A man would call for a Six B-G, and ABC would be the same thing.

We are getting rid of that sort of thing. I think that the American manufacturer is selling his stuff, as far as I know, in a perfectly straight manner.

Senator SMOOT. I never said anything to the contrary.

Mr. THOMPSON. Oh, I understand that.

Senator MCLEAN. The firm that you represent does not take orders from the Amoskeag Co.? You do not work for them?

Mr. THOMPSON. We probably could.

Senator MCLEAN. But you have not?

Mr. THOMPSON. Some of our associates have.

Senator MCLEAN. Have any complaints come to you direct from the Amoskeag Co.?

Mr. THOMPSON. I know Mr. Demain has been dissatisfied with the system from the start, and nothing will reconcile him to it. That is his personal equation.

Senator SMOOT. He has a reason for it.

The CHAIRMAN. I would like to interrupt the committee for a moment. Excuse me, Mr. Thompson. How much more time do you desire?

Mr. THOMPSON. I am through, Mr. Chairman.

The CHAIRMAN. Word has just been conveyed to me from Senator Lodge that he would like the committee over on the floor of the Senate to vote on a motion that is coming up and a call for a quorum. It is a matter of some importance. In view of that fact, perhaps we ought to adjourn the committee for the day.

What is the pleasure of the committee?

Senator MCLEAN. If the witness can conclude his reply to this last question, I am through. I would like to have him complete his reply.

The CHAIRMAN. Will you answer Senator McLean's question, Mr. Thompson?

Mr. THOMPSON. If the Senator will repeat the question.

Senator MCLEAN. In reply you said it was a matter of the personal equation with Mr.—somebody, whose name I have forgotten——

Mr. THOMPSON. Mr. Demain.

Senator MCLEAN. I would like to have you explain what you mean by that.

Mr. THOMPSON. I think it is perfectly well known that Mr. Demain wants protection on what he sells and he wants free raw materials; and he considers dyestuffs free raw materials.

Senator SMOOT. I think you are doing him an injustice. He does not say he wants free trade in dyestuffs at all.

Mr. THOMPSON. Then we simply get back to the question, Senator, Will a tariff protect against the German cartel? There is the crux of the whole thing. I can not believe that it ever will. It never did.

I think that this dyestuff industry has got to be placed separately from all other industries, due to the competition of the German cartel, which was a very ruthless system. It is not necessary to go into that. It is simply a question whether you believe that this industry can be fostered under a protective tariff. Personally, I do not believe it can.

Senator SMOOT. I do, and I have every reason to believe that it can.

Senator WATSON. Have you any investment at all in the dye industry in the United States?

Mr. THOMPSON. I have some shares in the Du Pont Co. I have owned them for a good many years. It is a very small investment in 6 per cent debentures. But I have no interest; no. As a consumer, my interest is to get dyes.

Mr. CHOATE. Before we adjourn, Mr. Chairman, I would like to have incorporated in the record, in view of the incorporation of Senator Thomas's speech, the answering speech of Senator Wolcott, delivered in the Senate on the Du Pont-Levinstein agreement, which appears at page 8991 of the Congressional Record, volume 59, No. 152.

The CHAIRMAN. Most of us heard that speech, and it certainly is "crowding the mourners" to republish articles from the Congressional Record. If you desire to make a statement, calling the attention of the committee to Mr. Wolcott's speech, we will embody your statement in the record.

Mr. CHOATE. I only thought that if one speech went in it was only fair to have the answering speech go in.

The CHAIRMAN. The other speech is not from the Congressional Record and not already printed.

The stenographer will make a memorandum that Mr. Choate calls attention of the committee to Senator Wolcott's speech, which will be found on page 8991, and following, of the Congressional Record of June 3, 1920, volume 59, No. 152.

The committee will stand adjourned.

Senator LA FOLLETTE. I desire to ask Mr. Thompson some questions when the committee meets here to-morrow.

The CHAIRMAN. The committee will stand adjourned until to-morrow morning at half past 10 o'clock. The witnesses are excused and the room will be cleared for the use of the Treasury experts.

(Whereupon, at 4.40 o'clock p. m., the committee adjourned until to-morrow, Tuesday, August 9, 1921, at 10.30 o'clock a. m.)

## Tuesday, August 9, 1921.

The committee met, pursuant to adjournment, in room 312, Senate Office Building, at 10.30 o'clock a. m., Senator Boies Penrose presiding.

Present: Senators Penrose (chairman), McCumber, Smoot, La Follette, Dillingham, McLean, Watson, Calder, Curtis, Sutherland, Simmons, and Jones.

The CHAIRMAN. The committee will be in order. Senator Curtis desires to make a statement to the committee in open session.

Senator CURTIS. Mr. Chairman, it is perfectly obvious from the length of time that has been already consumed that it is impossible, unless some new plan is adopted, to get this bill reported out and to act upon the revenue bill within any reasonable time. I have taken the trouble to look over the hearings of the House, having read all the hearings, some 36 reports, and I noticed in the House they adopted the plan of allowing each witness 10 minutes and permitting the witness to file a brief.

In view of the urgency of this matter, and the importance of getting this legislation through at an early date, I propose the following resolution:

*Resolved*, That hereafter no witness shall be heard on any one subject longer than 15 minutes and that every such witness shall have a right to file a brief.

The CHAIRMAN. Has any member of the committee any comment to make on the resolution offered by Senator Curtis?

Senator LA FOLLETTE. I think, Mr. Chairman, you might just as well adopt a resolution to hold no hearings whatever as to adopt that resolution. That will afford just about time enough for gentlemen to make their demands with no opportunity to sift them out, subject them to cross-examination, or get at the facts. It would reduce the hearings before this committee to a mere special pleading on the part of the interests. I suppose if this matter is to be taken up it ought to be taken up with some notice to the committee, so that all members of the committee may have an opportunity to be present and express themselves upon it.

The CHAIRMAN. The Chair is greatly impressed with the fact that these hearings are spreading like a forest fire, and if the conflagration is not stopped the whole country will be consumed, in a sense. We will never get through. Already there are nearly 300 requests for hearings, many of them duplications, which it seems impossible to consolidate. I figure that if the hearings already requested are granted and interminable time is taken in their statements, and, what is a still worse, abuse, the tendency of the members of the committee to interrogate without limit and to get into arguments with the witnesses, it will easily take two or three months to get through with the hearings already in sight. Certainly, the American people and the public and the committee do not want that condition to arise.

Senator CURTIS. I would like to state, Mr. Chairman, that I notice in the House hearings a good deal of the 10 minutes allowed a witness was consumed by questions of the members of the committee, and in one or two instances where the subject was very important and they had not gotten through, the time was extended. It seems to me that ought to be left to the committee to determine.

The CHAIRMAN. I assume that in a special case unanimous consent or even a majority vote would permit an extension of the hear-

ings. Certainly the members of the committee ought to check themselves and refrain from getting into arguments with the witnesses and bulldozing them. Something has got to be done or we will never get through.

Senator McLEAN. Certainly, as far as this particular matter now under consideration is concerned, it seems to me we ought to attempt to limit the hearings. What may be necessary when we come to the schedules I do not know.

Senator SMOOT. Is there any reason why they should be extended any further?

Senator McLEAN. I do not know that there is, but there might be an instance where it would be valuable to the committee. As suggested by the Senator from Wisconsin, there might be a case where a statement of a witness ought to be investigated in order that we might get at the cost and all that sort of thing.

Senator CURTIS. That could be done at the time. That was done in the House. There is no intention on my part to shut off anybody from getting all the information necessary, but I do know from the way the hearings have gone on, and I know from our experience in the dye hearings before, that unless you apply some rule of this kind you will not get this bill out for four months.

Senator LA FOLLETTE. You had better not get it out for four months than to get it out on an imperfect statement of the facts.

Senator CURTIS. Senator, there has not been anything new developed at all.

Senator LA FOLLETTE. The hearings before the Ways and Means Committee on the Payne-Aldrich bill, as I remember it, covered some 12 or 14 volumes of printed testimony.

Senator CURTIS. There are 36 in this.

Senator LA FOLLETTE. And that was taken up, in considerable portion at least, by questions propounded and answered. It was not simply a compilation of special pleading in the form of briefs.

Senator DILLINGHAM. What was the extent of the hearings on the Payne-Aldrich bill in the Senate?

Senator LA FOLLETTE. They lasted for many weeks.

The CHAIRMAN. They lasted for six months, according to my recollection.

Senator SMOOT. They were not open hearings.

The CHAIRMAN. In the House they were; in the Senate there were no public hearings.

Senator DILLINGHAM. I said in the Senate.

Senator LA FOLLETTE. In the Senate the hearings were private and lasted 48 hours, and the manufacturers were let in at the back door. The public was not permitted to appear and was not represented at all.

The CHAIRMAN. I do not remember any back door. There was only one door, according to my recollection.

Senator WATSON. Mr. Chairman, I think we ought to consider the business of this committee in connection with the business of the Senate. The situation is such that if we are asked to pass the railroad bill, the foreign funding bill, the tax bill, and the tariff bill, and to consider the Newberry case, which is one of the highest privilege, it would be impossible for us to do all those things even if we were to begin now, and it is quite evident that if we go on with these hearings

the way they have been going on this bill will not be reported from this committee in the next two months, and it will be impossible for us to pass it and the tax bill before the 1st of December.

Senator LA FOLLETTE. Unless you can adopt cloture in the Senate, Senator, you will not expedite the passage of this bill by cutting off these hearings. That is my judgment about it, and I do not believe you can adopt cloture in the Senate on a tariff bill.

Senator WATSON. I think we can meet that situation when we come to it. I think ways and means can be found for a majority in the Senate to legislate and have hearings that are reasonably fair and an opportunity given for such examination as may be necessary on the things that are most important; certainly that is all anybody has a right to ask, at least, from my viewpoint. I am not seeking to speak for anybody else. But the cross-examination of any witness can be made interminable; there is no limit to the questions that can be asked; then members naturally get into debate among themselves and consume more time than they do in talking with the witness or the witness does in his examination. I think the thing to do is to adopt some cloture, and therefore I second the motion made by Senator Curtis.

The CHAIRMAN. Of course, here is this embargo question. We all recognize the widespread interest in it, and yet we have spent several days conducting hearings, with no new light that I can see on anything that is not contained in the voluminous hearings held within a very short period by a subcommittee of this committee. The situation is becoming intolerable and will be a just subject of criticism on the part of the American people. Hence, I have permitted this discussion to be held in open session in order that the public may know that the committee is impressed with the importance of restricting these hearings, without any desire to suppress the truth, of course, but with a desire of permitting all the illumination possible consistent with reason and good sense. I will therefore put the question in open session.

Senator LA FOLLETTE. I ask for a roll call.

The CHAIRMAN. A roll call has been requested and the clerk will call the roll.

Senator SMOOT. I want to say, Mr. Chairman, that I recognize the fact that if we are going to get this bill out, and if we are going to take each of these schedules up, there has got to be some kind of a limitation made. You are making a limitation, though, upon the most vital questions just the same as you would upon any one little unimportant item, and I think that we ought to wind up these hearings, as far as the American valuation and the embargo questions are concerned, that we ought to have a meeting of the committee, that then we ought to decide what we are going to do with those two questions, and then start the hearings. Then there would not be so very much trouble.

The CHAIRMAN. I will state, and I have already announced, that it is the purpose of the committee, when these hearings on the embargo and American valuation are closed, which will be to-day, the committee will proceed in executive session and in conference with the Government experts to determine the policy of this committee on these questions. Then having provided the basis for the calculation

of duties, we will proceed to hold a limited number of hearings on the duties.

Senator DILLINGHAM. Mr. Chairman, if it is the intention of the committee to close these hearings on the embargo to-day——

Senator LA FOLLETTE. It is closing the hearings on the bill, not the embargo. That is the purpose of this resolution, as I understand it.

Senator DILLINGHAM. Will you permit me to complete my statement?

Senator LA FOLLETTE. I beg your pardon.

Senator DILLINGHAM. If it is the purpose of the committee to close the hearings on the embargo to-day it might be well to let this resolution go over until the next meeting, in order that there may be a full committee, because then we will be facing a new situation. We shall have before us everything that has been said on the question of American valuation and on the question of the embargo, and if we can dispose of those two questions the whole question of taking up the schedule will be before us and we can intelligently adopt a rule.

Senator CURTIS. Let us vote on this and make it applicable after the disposition of the valuation and embargo questions.

The CHAIRMAN. Let us vote on this to-day to go into effect after those questions are decided.

Senator MCLEAN. Or you might amend your resolution to read "until otherwise ordered."

The CHAIRMAN. If there is no objection, that will be the understanding, that the rule shall not apply to the pending hearing.

Senator LA FOLLETTE. That is, it does not apply to the hearings on embargo and valuation, but it does apply to the hearings upon the bill which we have not yet taken up, the schedules?

The CHAIRMAN. Yes. It is there that we will be protected from delay caused by absent Senators on other matters.

Senator LA FOLLETTE. I want a roll call on that.

Senator CALDER. I shall vote for the resolution with the understanding that if an extraordinary case should arise where it might become important to extend the hearing of an individual witness that may be done.

The CHAIRMAN. It has just been stated by myself, and I think by others, that in extraordinary cases unanimous consent at any time can waive the rule, or a vote can suspend the rule or repeal it. The clerk will call the roll.

The clerk called the roll; and there were—yeas, 7; nays, 1; not present, 8, as follows:

Yeas: Calder, Curtis, Dillingham, McLean, Smoot, Watson, and Penrose—7. Nays: La Follette—1. Not present: Gerry, Jones, McCumber, Reed, Simmons, Sutherland, Walsh, and Williams—8.

The CHAIRMAN. The motion is therefore agreed to, and the rule will stand as the rule of the committee until otherwise ordered.

Has Mr. Thompson finished his statement?

Senator SMOOT. I understood he was through last night.

Senator WATSON. I think Senator La Follette asked him to be present to-day in order that he might ask him some questions.

Senator LA FOLLETTE. I did.

The CHAIRMAN. Mr. Thompson, are you prepared to go on?

Mr. THOMPSON. Yes, sir.

STATEMENT OF HENRY B. THOMPSON, REPRESENTING THE NATIONAL ASSOCIATION OF FINISHERS OF COTTON FABRICS—Resumed.

The CHAIRMAN. You are here this morning, Mr. Thompson, after closing your statement yesterday, as I recollect, at the request of Senator La Follette, who desires to address certain inquiries to you.

Mr. THOMPSON. Senator, before I answer any inquiries, I would like to supplement a statement that I made yesterday afternoon. One of your members asked me if I had any interest in the stock of any company manufacturing dyestuffs, and my answer was that I owned 200 shares of the 6 per cent debenture stock of the Du Pont Co. In addition to that I had overlooked the fact that I do own 150 shares in the Newport Co., and I would like to explain, if you will permit me, exactly the way I owned these stock.

I suppose about 10 years ago I purchased $10,000 worth of 4 per cent bonds in the Du Pont Co., and probably a year later an equal amount of the preferred stock in the Hercules Co., when that was issued. Later I sold both of those securities and put the money, or the equivalent of the money, into the 6 per cent debenture bonds which I now own.

Senator SMOOT. What is the amount of the bonds, the face value of the bonds?

Mr. THOMPSON. To-day I suppose they would be worth about $15,000. I acquired the Newport stock in this way: I have for a period of about 10 years been in the habit of buying in a small way certain securities of a young man, who is an intimate friend of my children, Mr. Mathey, who is connected with the firm of William A. Reed, of New York.

About 18 months ago he came to my office and stated that the company was selling a new industrial stock which he thought would interest me, which was this Newport stock. After reading their prospectus I told him to put me down for 150 shares. That was the first time I had known of the company, and my interest is simply the amount that I purchased. The reason I have gone into these details is that I would not want you to think that my ownership of these securities influenced me in any way in my attitude toward this legislation, because if it did I think my directors would be entirely justified in firing me, and I think they would fire me. I do not think they would keep me in my position, because my real interest in this thing—I can put it very briefly—is this: I think it was in answer to a question yesterday that Mr. Metz stated that he believed 80 per cent of the dyestuffs used in this country was now manufactured here and that the Germans were supplying us 20 per cent. It is really that 20 per cent that most of us are interested in to-day, and it is really vital to the perpetuation of a great deal of our business.

I will take one of our plants, the Pawtucket plant, as an illustration. Our printing there is on shirtings which have to be printed in these fast colors, the vat colors, and prints which require rhodamine 6-G, which is not made in this country.

Now, what is true of our Pawtucket branch is true of all our competitors—the American Printing Co. at Fall River, the Pacific Mills, and it is true of other mills, such as the Amoskeag and the Lancaster Mills and every Southern gingham mill. We are dependent to-day for all our supply of colors on a German monopoly. Frankly,

I do not feel that that is a healthy condition. We can not get those colors to-day, except in a very limited way and at a very high price, from the American manufacturer. They are not made in quantity. The result of that is that it leaves us open to these possibilities. One we have arrived at already. The German manufacturer, knowing that he has lost a large part of this market, has naturally advanced his price very radically on the colors that he is selling to us. I can not say exactly, but offhand I should say the prices that we pay for these vat colors are four times what we were paying before the war. I question very seriously if their manufacture has advanced in the same ratio. Of course their cost of manufacture has advanced. The German cartel have the privilege of putting those prices to any figure they want.

Here is a possible danger, and I do not think it is an imaginary danger: They have a right not to sell us at all, and enable the German manufacturer of ginghams and of fast color prints to export his goods into this country and sell their colors through the German manufacturer. In that way they would kill two birds with one stone; they would sell their color and the cotton mill products of Germany to this country in a very large way because the gingham industry and the percale industry and the shirting industry form a very large part of the cotton business. I think that is really a source of danger.

There seems to be some fear expressed by some of the gentlemen here about a monopoly. We are to-day living by the grace of a German monopoly for a large part of our business, and it is that idea that I am interested in, seeing the whole dye industry perpetuated here. I could not think of this legislation being anything more than temporary. If these gentlemen can not manufacture goods in competition with the Germans in the next three or four years, they had better throw up their hands.

Senator LA FOLLETTE. Mr. Chairman, I am obliged to leave the committee room to attend upon a meeting of the Committee on Interstate Commerce that takes up at 11 o'clock the Townsend bill to further finance the railroads. I am, therefore, obliged to forego the opportunity to ask any questions of this witness or any other witness that may attend during the morning hearings.

Senator SMOOT. Will you be here this afternoon?

Senator LA FOLLETTE. I will be here this afternoon if this committee is in session and the other committee is not in session.

Senator SMOOT. Is there any other member of the committee who desires to ask Mr. Thompson any questions as to this embargo proposition? If not, Mr. Thompson, we will excuse you. We will now call Mr. G. E. Hayward.

## STATEMENT OF GEORGE E. HAYWARD, MARIETTA, OHIO, REPRESENTING THE MARIETTA REFINING CO.

Senator SMOOT. Mr. Hayward, will you please state for the record your name, your residence, and whom you represent?

Mr. HAYWARD. George E. Hayward, Marietta, Ohio. I represent the Marietta Refining Co., of Marietta, Ohio.

Senator SMOOT. You may proceed.

Mr. HAYWARD. We have been engaged in the dyestuff business. The Marietta Refining Co. was formerly a company engaged in refining

petroleum. Their works were destroyed by a disastrous flood in the Ohio Valley, and by a set of circumstances they engaged in the manufacture of aniline dyestuffs in the latter part of 1918. There are only a few persons interested in this company. We regarded the business as rather hazardous and we did not invite very much public participation. The community, however, has some interest in this matter. We disbursed in our town $83,000 in labor pay rolls last year and about $30,000 in salaries. So that the public of our community has some little interest, and we feel that in view of the intermediates that we are manufacturing, or one intermediate especially, and the fact that our apparatus is adaptable to it, there might be some national interest in this matter on account of national defense.

Senator SMOOT. What are you making in the way of intermediates?

Mr. HAYWARD. We are making dimethylanilin. That is one of the important intermediates in making basic colors and other colors. We also make three basic coal-tar colors of what are regarded as some of the higher classes of basic coal-tar products; malachite green, brilliant green, and auramine.

Aside from the community interest, I perhaps would not ask to be heard before this committee, except for one particular reason, which I will get to in just a moment.

We feel that under normal conditions we would not fear German competition if a reasonable tariff were maintained on the aniline products, about the same as there is now or possibly some increase according to the present condition, but our greatest concern is on account of the foreign exchange situation.

You perhaps are well acquainted with the fact that the present German currency is only one-sixteenth of its normal value; and that the German laborer, although highly paid at the present time in their currency, the dyestuff laborer is only receiving now 56 cents a day on an average in our currency; and, as we have to pay our laborers according to our own currency and sell in the same market with the German who pays in his currency, we are in the same predicament that Switzerland is in who has an appreciated currency with reference to Germany, although we are in a worse position of any of the countries because our currency is the most appreciated. Therefore, coming in competition with a country, or any number of countries, that has a depreciated currency we are at a great disadvantage, because the cost of many of the so-called raw materials depends upon the cost of labor. For example, dimethylanilin is a raw material, or has been a raw material to us, but it represents the element of manufacture which goes back to labor, and its real cost is finally largely labor. Therefore, Germany with this depreciated currrency trading with neighbor countries also with depreciated currency can supply this material without dealing with us. Therefore the current is all against us. Not only the dyestuff manufacturers, but other manufacturers will in course of time feel the effects of this.

Senator SMOOT. I have a letter here from an importer in which there appears a statement which I would like to read to you. I wanted to ask you whether you had any experience in your line that would justify any such statement. The statement is:

> The theory that exchange cheapens the product is not in accord with the facts, as in our experience we have paid in many instances over 2,000 per cent higher cost than those of prewar times, and on many invoices this rule has been so positive that it is almost a truism.

Do you think that that statement is correct?

Mr. HAYWARD. I still think it will hold.

Senator SMOOT. Do you not know that it is not correct?

Mr. HAYWARD. No; I do not.

Senator MCLEAN. It would depend on the degree of competition that this particular article would meet with, would it not? If they are making something that we do not make here they could fix the price, could they not?

Mr. HAYWARD. The cost of the making, however, all depends on how much they paid out for labor.

Senator MCLEAN. I am not speaking of the cost of making. I am speaking of the price that the importer paid. However, that is all right. Proceed.

Mr. HAYWARD. We made our calculations in entering this business that there would be no advance whatever in the tariff, and, therefore, were it not for this exchange situation we feel we could compete.

A statement was made by a witness here yesterday, a man well informed in the business——

Senator SIMMONS. Pardon me. Then, it must be your opinion that if the tariff were increased to the point where it would overcome this exchange business that would be all that would be necessary?

Mr. HAYWARD. Yes, sir.

Senator SIMMONS. Have you any definite idea of how much your present duty would have to be increased in order to accomplish that result?

Mr. HAYWARD. Of course, there are financial and economic forces at work in the world and no one knows how they will work out, but if this exchange situation works out as I think it will it would take a very large tariff. As the exchange works higher the necessity of a high tariff will diminish. If the exchange were normal I do not think we would need very much more tariff.

Senator SMOOT. The American valuation would help that.

Mr. HAYWARD. The American valuation would help very greatly, of course.

Senator SMOOT. Proceed.

Mr. HAYWARD. A witness yesterday made the statement that the larger manufacturers in the United States would monopolize the business through the fact that they control the intermediates. So far as our plant is concerned, which involves only a capital of $150,000, it does not fear that situation at all. There was a tremendous shortage of dimethylanilin and we put in our plant and made our own, and we can go back further than that if necessary. I do not think there is anything real about that menace. The only thing that causes us not to continue to develop our business in a larger way is the fact that we feel we are up against an impassé in this exchange situation, which is only beginning to work out. We have developed three important basic colors, but we are right on the edge of a half dozen more.

Senator SIMMONS. Have you made any investigation with a view to ascertaining the value at which the products you make are invoiced when imported into this country?

Mr. HAYWARD. I could give you some figures as to the invoices——

Senator SIMMONS. I am not talking now about the price at which they sell in the foreign country, but I am talking about the invoice

prices when they are imported into this country. There seems to be, from the testimony that we have had heretofore, some difference between the foreign selling price and the invoice price, the price at which the importer values his goods for the purpose of the application of the tariff. That is what I would like to ascertain, whether you are comparing your cost of production, or the market price of your product, with the foreign cost of production, or rather the German cost of production, and the German selling price, or have you been comparing it with the actual price at which the German exporter invoices his goods?

Mr. HAYWARD. We take account of both the American valuation——

Senator SIMMONS. I am not talking about the American valuation; I am talking about the value that is actually placed upon the goods by the importer for purposes of assessing the duties against those goods.

Mr. HAYWARD. I am not posted on that subject.

Senator SIMMONS. I am asking that question because witnesses have testified here, not in this hearing but in the hearings upon the emergency tariff, that the invoice prices of German goods now are higher than they were before the war, and that the duties are being paid in New York upon German goods at a higher valuation than that upon which they were paid before the war.

Mr. HAYWARD. That may be true. I do not have any experience along that line.

Senator SIMMONS. That, if continued, would seem, so far as you are concerned, to remove your trouble about this exchange situation. You are only interested in the exchange situation to the extent that it affects the value upon which the duty is levied. Now, if that price, that value, is as high as it was before the war and higher—and that is what the witness said—I do not see how you would suffer by this low exchange rate; that is, if that continues. I do not know whether that is a permanent condition or not, but the customs officials testified that it was an actual condition.

Mr. HAYWARD. We are obliged, however, Senator, to base our calculations on what they can do rather than what they have done, because they are only just getting ready with this campaign.

Senator SIMMONS. The value of German goods upon which duties are being paid, is not that the question? Of course, assuming always that that is to continue.

Mr. HAYWARD. Of course, in cutting prices they do not do it all at once. They do it so they can get a little under the price until the other fellow gives out. That is all that is necessary. They naturally want to make all the money they can.

Senator SIMMONS. You have not looked into that situation that I am discussing?

Mr. HAYWARD. I have made some inquiries.

Senator SIMMONS. Did you get any facts as the result of such inquiries?

Mr. HAYWARD. They are furnishing auramine in bond at about the same price we are selling it for in New York City.

Senator SIMMONS. You mean to say, then, it is invoiced when imported at about the same price at which you are selling it?

Mr. HAYWARD. Yes, sir.

Senator SIMMONS. And the duty is paid upon that invoice price?

Mr. HAYWARD. Yes, sir.

Senator SIMMONS. So you are not hurt if the foreign market price is falling?

Mr. HAYWARD. It is my opinion that unless this embargo is placed that any American color over 40 cents a pound will disappear. That is, the American manufacturers will be driven out of business. I give you that as my opinion after a careful investigation.

Senator SIMMONS. I did not catch that statement.

Mr. HAYWARD. I said that any manufacturer producing any color costing over 40 cents a pound will be driven out of business.

Senator SIMMONS. Unless the duty is increased.

Senator MCLEAN. He did not say that.

Mr. HAYWARD. Any reasonable ordinary duty that has been considered for any time. For instance, the present duty would not enable any modern color to be manufactured in the United States that costs over 40 cents a pound.

Senator SIMMONS. But you did not express the opinion that it would be necessary to have an embargo?

Mr. HAYWARD. I do think an embargo is the only effective thing at the present time. I would not ask for it for any longer than three years, and I believe by that time the exchange situation will have righted itself partially and the Americans will be able to compete.

Senator SMOOT. With an American valuation and a rate of duty to protect the industry, do you think that would reach the same end as an embargo?

Mr. HAYWARD. It would have to be what might be regarded as ridiculously high.

Senator SMOOT. You need not say what it would be regarded as having to be.

Mr. HAYWARD. It would answer the same purpose if it were high enough.

Senator SIMMONS. You admit that a great many of the products of the dye industry can now compete, do you not?

Mr. HAYWARD. There are quite a number of things that could compete, even under the present conditions, but they are the cheaper things.

Senator SIMMONS. What percentage of the products?

Mr. HAYWARD. Take the acids and the reagents and the cheaper colors; they will come very near competing under the present schedule.

Senator SIMMONS. If you adopt the embargo system the imports of those things would be embargoed, would they not?

Mr. HAYWARD. I presume they would.

Senator SIMMONS. What reason can you assign for embargoing the importation of a product where you say there is no trouble about competition?

Mr. HAYWARD. It is a difficult thing, of course, for me to speak for the whole chemical and dye industry. I am only posted on the part that I am interested in.

Senator SIMMONS. Suppose there is a part of the products, we will say 25 per cent of the products of the dyestuffs industry in this country that can compete upon the present tariff rate, with the present tariff protection; and there is another 25 per cent of it that can compete if you would give a reasonable increase in the present

rates. Would you think with 50 per cent that could either compete upon the basis of the present rate or with a reasonable increase in that rate that you ought to adopt an embargo system that would embargo the importations of that 50 per cent in order to protect the other 50 per cent? Would not the more reasonable thing be to differentiate the two? If you are going to impose an embargo impose it upon those things and only those specific things where a tariff would not adequately protect or a reasonable tariff would not adequately protect.

Mr. HAYWARD. Yes; that seems reasonable.

Senator MCLEAN. With the dyes that are made in this country, 25 per cent, being made so cheaply now that there is no difficulty in supplying the domestic demand, the embargo would not injure any consumer in this country, would it?

Mr. HAYWARD. They competed before the war and before any of these conditions changed.

Senator MCLEAN. How do your prices now compare with your prices before the war or when you began to produce?

Mr. HAYWARD. They are about half.

Senator MCLEAN. Does that reduction largely apply to these standard dyes that have been perfected in this country?

Mr. HAYWARD. The cost of all raw materials have come down very greatly, of course. There was a tremendous fall right after the armistice, and then there was a starvation boom, and after that the price was forced up by scarcity of supply. Dimethylanilin is only half the cost it was a year ago. It was practically unobtainable then. That is when we were forced into making it.

Senator SMOOT. Proceed.

Mr. HAYWARD. We feel that we can go along, even in a small way, in spite of the statement of the witness yesterday that we are dependent on the grace of the larger manufacturers of this country. We do not feel that there is any particular menace to us; and so far as our plans are concerned, we have perfected three colors which are as good as any made in the world, in spite of the fact that there is a superiority claimed for German dyes. We have four more that we would bring out right away if we felt that there was any security in the matter. We have not proceeded at all to bring out any of those colors, and we do not expect to until we have some assurance that we will be able to continue in business.

Senator MCLEAN. That is, unless you have a tariff that will appear to be ridiculously high, or an embargo, you will not invest the capital that will be necessary to develop these other colors that you believe you have perfected?

Mr. HAYWARD. No, sir. We would not be willing to go any further in development work.

Senator SIMMONS. You said a little while ago that your apprehension grew altogether out of the exchange situation.

Mr. HAYWARD. Yes, sir.

Senator SIMMONS. If this committee should adopt the American valuation plan, that would be overcome, would it not?

Mr. HAYWARD. No. It would not alter the cost of the products abroad at all. The application of the duty, of course, would be another matter altogether.

Senator SIMMONS. It would greatly increase your protection?

Mr. HAYWARD. It would increase the protection, to be sure; but the initial cost over there would not be altered by the American valuation.

Senator SIMMONS. If they continue their present plan of trying to get the benefit of the higher prices in this country, that would help you, would it not?

Mr. HAYWARD. Oh, yes; certainly. But so long as they sell a little under us, so it is money in their pocket for us to expire slowly, but just the more certainly, than if they cut it down to the very bedrock in the beginning.

Senator MCLEAN. Would you rather take your chances with domestic competition than you would with the German monopoly?

Mr. HAYWARD. I have no particular fear of the domestic competition. If we can not take care of ourselves with domestic competition, as the witness said yesterday, we are in an impossible position and not entitled to go on, if we have invested our money on false premises. We feel that our calculations are based on sound principles were it not for the exchange situation. That is something that has come up that has entirely upset all our calculations.

Senator MCLEAN. You do not fear domestic competition that maintains the same standard of wages and costs?

Mr. HAYWARD. We pay $6.50 a day on an average to our employees, and if we are to compete with a man who can hire his employees for 56 cents a day we do not see any chance whatever.

Senator SUTHERLAND. Have you made any adjustment of your wages since the war?

Mr. HAYWARD. No, sir; we have had to employ fewer laborers, but we pay the same price.

Senator SUTHERLAND. You are continuing your scale of wages?

Mr. HAYWARD. I do not think we can, but we did not feel that a readjustment is workable at this time. As the witness said yesterday, it is a disagreeable and dirty job working in dye work, and we have sifted these men down until they are the most skilled men we have, and we feel that we ought to maintain the same schedule.

Senator SMOOT. Is your plant running full?

Mr. HAYWARD. No, sir; only about one-third.

Senator SIMMONS. You said a little while ago that prices were very much less than when you began?

Mr. HAYWARD. Yes, sir; that is all due to reduction in the cost of raw materials.

Senator SIMMONS. You began in 1918 when we had the high prices in this country for everything?

Mr. HAYWARD. Yes, sir.

Senator SIMMONS. And since then you have lost a large number of customers, have you not?

Mr. HAYWARD. Yes. In the last five or six months our business has been very much diminished by the fact that there is a world-wide reduction in purchases of everything.

Senator SIMMONS. In the purchasing power. And then, of course, the dye industry has probably lost more heavily than most other industries because the demand during the war was abnormal as compared with the demand for many other things.

Mr. HAYWARD. The paper trade, for example: If you have noticed the press reports, you have found that the paper trade has been very

much depressed for a good many months and strikes have prevailed. We manufacture a color that is largely used in the paper trade.

Senator SMOOT. Mr. Hayward, if you can get through in a few moments we have another witness with whom we would like to finish before 12 o'clock.

Senator SIMMONS. I will not ask him any more questions.

Mr. HAYWARD. So far as the superiority of the German dyes, as we have found them, is concerned, we do not think there is anything to that. A fostered idea has been going around that the German dyes are superior. But the American dyes are catching up with that idea very fast, and we think if there is any real "pro bunco publico" matter, as mentioned by the witness, it is the talk that the German dyes are so much superior to the American dyes.

I will say that our list of dyes is as good as any made in the world. We do not think that the race is always to the strong, although we have come into a field of action that we regard as a very hazardous one. There were five or six of us that went into this dyestuff matter with our eyes open, and if we lose all the money that we have put into it there will not be very much whimpering done about it. Our local public has an interest, and we believe that there is a national interest in having our business maintained.

Senator SIMMONS. We are producing, I believe they say, about 90 per cent of all the dyes we need. When the war began we were producing only 10 per cent. You say that what we are producing is as good as can be produced anywhere else in the world?

Mr. HAYWARD. I said ours were. I can not answer for all of them.

Senator SIMMONS. Oh, yours. I thought you spoke generally of the dyestuffs.

Mr. HAYWARD. I am not well enough posted to make that statement, but I do know that our own are as good as can be produced anywhere else in the world.

Senator SIMMONS. Assuming that other people's are as good as yours—and that is generally the case, although a man may be disposed to think his is a little the best——

Mr. HAYWARD. Naturally.

Senator SIMMONS. It strikes me as a little bit remarkable that an industry that is producing 90 per cent of what we consume in this country, if its products are as good as any produced in the world, should not be able to get along with the same rate of protection that is accorded other industries.

Mr. HAYWARD. If you will investigate the effect of this exchange situation——

Senator SIMMONS. That seems a right favorable situation to me, producing 90 per cent of all that we need and still exporting large quantities, and producing as good things as are produced practically anywhere else in the world. That is a right favorable position. I do not see that that position would entitle you to any more consideration in connection with the tariff than any other industry in this country doing likewise.

Mr. HAYWARD. We have been driven out of the Chinese and Japanese markets already. A great deal of our stuff was exported. We have been driven out of there. We are selling goods there at a loss in order to unload them and get out of the business. That is just

exactly where we are heading—out of the business—unless there is something done that will help us to remain in it.

Senator SIMMONS. That is because Germany is underselling you there?

Mr. HAYWARD. Yes, sir.

Senator SIMMONS. May not Germany or some other country in Europe, where they have this same exchange situation, be underselling other manufacturers in this country in China?

Mr. HAYWARD. Yes, sir; I think they are.

Senator SIMMONS. So far as the Chinese market is concerned, you are just on a parity with the balance of them?

Mr. HAYWARD. Yes, sir.

Senator SIMMONS. Why are you asking for more than the balance? Nobody is asking an embargo here except the dyestuff people.

Mr. HAYWARD. We are driven out of that market. We know there is going to happen in this country exactly what has happened there.

Senator SIMMONS. Say that other industries are being driven out for the same reason and in the same way——

Mr. HAYWARD. To be driven out of a foreign market would not drive us out of the business entirely if we have a domestic business. We can switch over into other colors. But if we are driven out of both foreign and domestic markets, we are through.

Senator SIMMONS. That is true of other businesses as well as yours.

Mr. HAYWARD. Yes, sir.

Senator SIMMONS. I do not see in what special particular you differentiate your case from the case of the other industries in the country. If they can get along with the tariff, why can not you? You may need a little bit more.

Mr. HAYWARD. The only thing is the German cartel.

Senator SIMMONS. You would not think of standing here and advocating an embargo upon all foreign manufactures.

Mr. HAYWARD. The cartel is the best organized of all the German industries.

Senator SMOOT. That applies to the steel trade and others.

Senator DILLINGHAM. Mr. Witness, I have been a good deal confused because of the interruptions that have occurred. Three times you made the statement that you were making three dyes that were absolutely satisfactory to you.

Mr. HAYWARD. Yes, sir.

Senator DILLINGHAM. And that you have in mind the purpose to protect other colors that will be equally good, but that there are certain conditions upon which that depends?

Mr. HAYWARD. Yes, sir.

Senator DILLINGHAM. I would like your judgment on that.

Mr. HAYWARD. I would like to know that for a temporary period the German dyes will be excluded.

Senator DILLINGHAM. Why do you think that is necessary?

Mr. HAYWARD. On account of the fact that the manufacturing costs will be such that we will be driven out of business.

Senator DILLINGHAM. That is all.

Senator MCCUMBER. Can you not have a tariff high enough to protect you?

Mr. HAYWARD. Yes, sir.

Senator MCCUMBER. Then if you have a tariff that is high enough you will not be driven out of business, will you?

Mr. HAYWARD. That is true.

Senator MCCUMBER. Would you not rather have a sufficiently high tariff than an embargo?

Mr. HAYWARD. I consider that for the onslaught of the cartel it is necessary to have an embargo for a short time.

Senator MCCUMBER. That is what I am trying to get at. Why is it necessary to have an embargo instead of a high protective tariff?

Mr. HAYWARD. The exchange situation will right itself presently, but I do not know how soon that will be. When it rights itself a reasonable tariff is all that is necessary.

Senator SIMMONS. Suppose it should right itself in a year and you have an embargo for three years. What sort of an injustice do you think will be worked among the people of this country for the next two years?

Mr. HAYWARD. It might be regarded as an injustice if we are charging too much for our dyestuffs.

Senator SIMMONS. Most people charge all they can get.

Mr. HAYWARD. Competition among American dyestuff manufacturers has already brought it down a very great deal.

Senator SIMMONS. I do not know whether it has or not. I do not know whether that is the cause of the slump, or other things. You can assign a great many causes now for slumps.

Mr. HAYWARD. That is very true.

Senator SIMMONS. Demand is the chief cause, or lack of demand.

Senator MCCUMBER. I wish you would make a little more clear your point that it is better to have an embargo than a high protective tariff to protect yourself from this German cartel.

Mr. HAYWARD. I would consider that it would be impossible to get a tariff through high enough to answer the purpose, because if it were made so it would be ridiculously high. I have called the attention of the committee to the difference in the cost of raw materials, and it is largely based on labor in Germany and other foreign countries. The Swiss works right now are idle.

Senator SMOOT. What percentage of the cost of your three dyes that you make is labor?

Mr. HAYWARD. About 15 to 18 per cent, under present conditions. But as the price of raw materials goes down, the cost of the labor increases very rapidly.

Senator SMOOT. But does that 15 per cent include the salaries paid you and the others?

Mr. HAYWARD. No, sir. For example, on sales of something over $600,000 our labor was about $70,000.

Senator SMOOT. If we gave you protection twice the amount of all your labor cost, why would the German labor interfere?

Mr. HAYWARD. German labor, however, enters into the cost of the intermediates and raw materials.

Senator SMOOT. You are making intermediates yourself, and that is 15 per cent on intermediates. This will be 15 per cent not only on them but on the finished product.

Mr. HAYWARD. Of course, we step back from these intermediates we are making, to wood alcohol, the cost of which is largely labor. That is produced very cheaply in Europe. The cost of that is largely labor, woodcutting and wood handling, and all those things.

Mr. METZ. Wood alcohol is being shipped abroad and has been for many years.

Mr. HAYWARD. All the same a good part of the cost is labor.

Senator SMOOT. If it is just as dear to manufacture in Germany as it is in the United States, then labor does not cut any figure.

Mr. HAYWARD. But Germany, in this particular instance, does not have much wood to spare. They do not manufacture much, but they can buy it from other countries that have depreciated currency.

Senator SMOOT. They do not buy it any cheaper than the American mills do.

Mr. HAYWARD. Right now, they do not, but it remains to be seen. I could tell you of the prospects we have for expanding our business, but you have asked me to limit my time. I could show you that we are on the edge of a great development in our business, certain colors and many things which are closely allied to these colors which we are making. The fact is that this German formula that was given out by the Foundation does not affect us a particle. We do not consider that the formula itself is so important. I presume that there are a thousand chemists in the United States that, in a laboratory, can make malachite green. There are only three companies that have perfected it where it will enter into large competition, where a foreign crystal is necessary. Many hundreds of thousands of dollars have been spent in developing it, and it cost us a great many thousand dollars to develop it, and about two years' time. But the formula itself has very little value. It is a mechanical problem, largely, in manufacturing these dyes. It is necessary to have the formula, but its value is insignificant; but to be able to work out laboratory results in a factory and perfect them so that you can compete is a very expensive matter, as we have found out to our sorrow.

Senator SIMMONS. What is it that you said only three people make?

Mr. HAYWARD. Malachite green.

Senator SIMMONS. Do you manufacture it?

Mr. HAYWARD. Yes, sir.

Senator SIMMONS. But there are only two others who make it?

Mr. HAYWARD. Yes, sir; in a large way.

Senator SIMMONS. In the United States?

Mr. HAYWARD. Yes, sir.

Senator SIMMONS. You think that the competition that will likely occur between you three will be sufficient to protect the American public against high prices?

Mr. HAYWARD. It has so far. We have been compelled to reduce our prices.

Senator SIMMONS. It might be an easy thing for you three to have a little agreement by which you would maintain those prices.

Mr. HAYWARD. Others by spending the necessary money can develop these goods, but they felt that it did not pay to do so.

Senator SMOOT. There was no demand for it, either.

Mr. HAYWARD. This gentleman on my left here [indicating] yesterday said that we are overproducing on malachite green. Right at the present time we are, and we have got to use that machinery for some other color or else put part of it out of business.

Senator SIMMONS. You made a statement in the beginning about your labor cost and your salary. I think I understood you to say that your labor cost was about $70,000?

Mr. HAYWARD. About $82,000 we paid out last year.

Senator SIMMONS. What did you say you paid out in salaries?

Mr. HAYWARD. About $32,000 in sales and salaries.

Senator SIMMONS. Is not that a very large proportion to pay for salaries?

Mr. HAYWARD. You take two selling agencies maintained in New York City, and they require considerable money.

Senator SIMMONS. Are you the president of the company?

Mr. HAYWARD. No, sir.

Senator SIMMONS. The head of it?

Mr. HAYWARD. Yes, sir.

Senator SIMMONS. What salary do you get?

Mr. HAYWARD. I got $6,000 last year. I don't get anything now.

Senator SIMMONS. You are economizing?

Mr. HAYWARD. Yes, sir; we are compelled to.

Senator SMOOT. What were your sales last year—the amount of goods manufactured by you?

Mr. HAYWARD. I could give you the exact figures, but they run about $650,000.

Senator SMOOT. Then, your labor cost is about 13 per cent?

Mr. HAYWARD. Yes, sir. It will run nearly double that now, because of the fact the raw materials have gone down so greatly.

Senator MCLEAN. I understood you to say it did not include your salary cost?

Mr. HAYWARD. The $82,000; but the $32,000 covers all salaries, sales, and everything else.

Senator SMOOT. What I was getting at was the labor in the cost. He said it was $82,000 that he paid for his labor, and the sales were $650,000, which is virtually 13 per cent of the cost of the goods.

Senator MCLEAN. What we want to get at is the cost of production.

Mr. HAYWARD. I can give you figures along that line.

Senator MCLEAN. No; I do not want the figures necessarily. If it is deemed material they ought to be had.

Mr. HAYWARD. As the price goes down the proportion of labor goes up, because it remains practically stationary. As the raw materials descend in value, then the proportion is doubled.

Senator DILLINGHAM. Have you finished your statement?

Mr. HAYWARD. As I say, I could give you something in regard to our prospects for development, but you do not care to go into that.

Senator SIMMONS. We do not want to go into every possible phase of this question. We will never get through if we do.

Mr. HAYWARD. I came here prepared to give costs, but the Senator requesting the figures I believe is absent at the present time. I am prepared to give any further information that you wish.

Senator MCCUMBER. If the Senator desires to call you again to cover that point we will suggest it to you.

Senator MCCUMBER. The next witness is Mr. George Demming, of Philadelphia.

## STATEMENT OF GEORGE DEMMING, PHILADELPHIA, PA., REPRESENTING THE NATIONAL ASSOCIATION OF HOSIERY AND UNDERWEAR MANUFACTURERS.

Mr. DEMMING. I appear on behalf of the National Association of Hosiery and Underwear Manufacturers, and also to present to you gentlemen the views of between 40 and 50 other textile mills which are not knit-goods mills, located in and about Philadelphia, and which are opposed to embargo and licensing.

As Senator Watson well said on Wednesday, when the hearings began, very complete hearings were had in the fall of 1919, in the latter part of December, 1919, and early in January, 1920. I want just briefly to direct the attention of you gentlemen to certain things which have happened since then and which I think will throw a little more light on the situation. Two main things have happened. First, the mill men have found out the heavy burden of embargo and licensing. Second, many things have happened which, in our estimation, refute the arguments of the exponents of embargo and licensing.

On behalf of these mill men in Philadelphia and other places, I may say the national association has about 500 active members, mills, partnerships, and men engaged in the knit-goods business, and between 400 and 500 associate members. Their mills are located in 17 of the States. We have a capital of about two hundred millions. We have a pay roll in normal times of about $196,000,000, and we produce about three-quarters of a billion in value of knit goods at the mills.

Ever since one of these men brought this question to my attention in either May or June of 1919—I have forgotten which month it was; it was either May or June—with an amazing story as to the difficulties he was having in his dye factory at that time, we have very carefully considered this whole proposition and tried to do it from all angles. We have tried to put ourselves in the position of the dye manufacturer as well as the consumer and the user of dyes. We tried to see their troubles as well as our troubles, and as a result of that careful, and, we think, unbiased, examination of the subject we have consistently and conscientiously opposed embargo and licensing, and we do so up to the present time. We are just as emphatic in our position now, if not more so, than we were two years ago.

Let me briefly advert to the testimony that Mr. Thompson gave yesterday and to-day. Mr. Thompson was on the stand—I remember his sitting right over there [indicating] about a year and three-quarters ago, and he testified in almost exactly the same way as he testified here yesterday. I am just reverting to this as an illustration of the position that we are in as consumers.

Mr. Thompson said then, in almost the identical language that he used yesterday, "It is true we do not make the vat dyes in this country, and it is true that the mill men should have them. They must have them. But we expect to have them in six months or a year."

He said that a year and three-quarters ago, and he says the same thing now.

I want to say to you gentlemen that while I am a lawyer and do not consider myself a technical expert, I am very familiar with the difficulties of the mill men in their dye houses, and I have been so since early in 1912 by reason of representing a large number of these millmen, these consumers, and manufacturers.

In 1919, and at the time Mr. Thompson testified, these millmen whom I represent were then getting representations from different manufacturers of dyes, including the Du Ponts, that the vat dyes were on the way of being produced, and that samples would be sent to them at a very early date. Some samples were sent to them later on, but the samples did not work out right, and they never have worked out right, and we have never gotten those vat dyes up to

the present time. Whether we ever will get them I do not know. The chances are that we will get them some time in the future.

Mr. Thompson said yesterday that it is true that the mills had certain difficulties in getting licenses through, but he did not think they were great difficulties. It was a notorious fact, gentlemen, among the millmen—and I do not know whether it was justifiable or not; I think it was—it was a notorious fact among the millmen that at the time the War Trade Board was having its hearings down here you had to have a friend in court. You had to have somebody with a pull or somebody who was close to the Dye Advisory Committee, which was really the War Trade Board, in order to get a permit to get these particular dyes that certain of the mills needed.

I say that, whether that was justified or not, it goes to prove, to my mind and the minds of these millmen, one of the very evils of licensing that you can not get away from, and that is that when one mill has a suspicion in its mind, whether well founded or not, that another mill has, on account of some particular or peculiar influence, gotten some dyes that this mill ought to have and which it can not get, it breeds envy and discontent among the millmen. I want to tell you gentlemen—and you know it as well as I do and probably better—that discontent is one of the things we want to eliminate in this country to-day——

Senator McCUMBER. Let us be definite on that. If I understand you correctly, certain mills can get certain dyes which other mills can not get through the War Trade Board?

Mr. DEMMING. Senator, that was the feeling among the mill men at that time.

Senator McCUMBER. I am not asking whether it was the feeling or not. I am asking whether it is a matter of fact that that was the case.

Mr. DEMMING. That feeling existed, and a great many mill men believed it was the case, and I think they were justified in that feeling, that the men who got to the ears of the men on the Dye Advisory Board could get their permits and get their licenses through and the other men would have difficulty in doing it.

Senator McCUMBER. Mr. Demming, have you any proof, any concrete case, where one firm was able to get dyes and another one was not able to get them?

Mr. DEMMING. All I can say, Senator, about that is this: The shirt men—I do not mean the shirt association, but some of the shirt manufacturers—confided their troubles to me, in Philadelphia. I knew some of them were members of the Shirt Association. I remember that one man said to me:

> I have got $600,000 worth of shirts made up, in my loft, and I am sure in my own mind that the second time those shirts go to the laundry the colors are all going to come out of them. I am worried to death over the thing. If my customers ever find out about it I am ruined. But it is no fault of mine. I made up my shirts from the best shirtings I could get, but I am, nevertheless, worrying over the situation because the public is beginning to find out that the colors in our shirts are not fast.

Senator McLEAN. What happened to those shirts?

Mr. DEMMING. I do not know. I suppose they were disposed of in the regular order.

Senator DILLINGHAM. Can you answer Senator McCumber's question concretely?

Senator McCUMBER. That rather gets away from my question. It is such a serious charge that the result ought to be the abolition of that board or the removal of some members of the board.

Mr. DEMMING. Senator, I do not say that as a charge against the integrity of the board, but I say it in this respect that a man who was on that board would unconsciously, you might say, be inclined to favor a man who was a particular friend of his and whose story he thought he could believe implicitly when he asked him for a license, but if a stranger came to him he would be inclined to say, "Well, you can get along with the dyes you can get in this country."

Senator McCUMBER. These dyes are all described. They have a name or a designation for a particular color or character, and if the board receives an order from one person and an order from another describing exactly the same kind of dyes, what excuse on earth could the board or any member of it make to granting the application in one instance and refusing it in the other?

Mr. DEMMING. I do not know of any excuse, sir. I do not think there was any legitimate excuse; but the fact is that such excuses were made, and I think I will show you later on by some papers that I have here that those very things are happening to-day.

Senator McCUMBER. I do not see how it could be even unconsciously done and honestly done.

Mr. DEMMING. For a long period of time, Senator, to answer your question, in 1919, beginning some time in the spring of 1919 until the fall, the attitude of the War Trade Board was that no dyes whatever needed to be imported into this country; that all the necessary dyes, all the requisite dyes, were made here. I think that the board itself will admit that letters were sent to that effect to different mills, and that was the answer the mills received when they applied for licenses to import various dyes.

Senator SMOOT. Do you not mean that conditions such as existed led competitors to believe that there was a discrimination? For instance, Mr. Thompson is a member of the advisory board. Mr. Thompson is a finisher, and there are other finishers in the United States. They all had to ask for licenses. Any finisher that did not get his license within a reasonable time would at once feel like Mr. Thompson had every advantage of him in the world, being a member of that board. Mr. Thompson comes and says that he has never had any trouble at all——

Mr. DEMMING. I think every other member of the board will say that.

Senator SMOOT. There were many other finishers who have had trouble, and all they can say is that it does not look altogether right. "There is a member of the advisory board who has never had any trouble. How did it happen?" Of course it is natural for them to think that there was some kind of a discrimination made.

Senator McCUMBER. Why should the other one have trouble if Mr. Thompson did not have trouble? That is the point.

Mr. DEMMING. Properly he should not have.

Senator McCUMBER. And if Mr. Thompson, or whoever is in charge, is acting squarely and honestly——

Senator SMOOT. I do not say there is dishonesty, but I can see just exactly how a finisher would feel if he did have trouble when Mr. Thompson did not have any trouble.

Mr. DEMMING. I do not charge, Senator, that there was any dishonesty, but I do say that that feeling prevailed among the mills, "We can not get the dyes. That other mill, a competitor of ours, is turning out perfect stuff. How do they do it? They must have access to dyes that we can not get."

That feeling prevailed through the trade at that time in 1919.

In other words, any licensing system, I do not care how well conceived or how perfected it may be, in its very nature, Senator, is bound to play favorites, or at least have the semblance of playing favorites, and causing envy and discontent among certain of the people who must consume the articles that are obtained through that licensing system.

Senator MCCUMBER. I can understand, Mr. Demming, why there might be a suspicion of favoritism, but I can not understand how there can be favoritism without being absolutely dishonest in performing the functions of that board.

Senator MCLEAN. If, as you say, the competitor of these gentlemen who could not get these dyes was turning out perfect stuff, the difficulty would seem to be with the administration of the law and not with the dyes that are made in this country.

Mr. DEMMING. The difficulty might be with the administration of the law, but, as I said awhile ago, in the very nature of things you are going to have difficulty in the administration of any licensing law.

Senator MCLEAN. You have difficulties in administering almost any law. There are few laws which extend a discretion that will produce the benefits desired and will not permit abuses.

Mr. DEMMING. That is true.

Senator MCLEAN. We have to assume that any law will be honestly administered; and I understand you to say that if the law had been honestly administered there would have been no difficulty in the users of dyes getting, as you say, perfect stuff?

Mr. DEMMING. I do not say "honestly administered," because I am not impugning the honesty of any member of the board, but I say fairly and impartially administered.

Senator MCLEAN. If we have got so far that you, representing the large interests that you do, say to this committee that some of these consumers of dyes got perfect stuff——

Mr. DEMMING. Perfect work from the dyes they used.

Senator MCLEAN. Then the question resolves itself merely into the administration of the licensing system.

Mr. DEMMING. The fact remains that certain of the mills, such, for instance, as Mr. Thompson's own printing works, were perfectly satisfied with conditions. They turned out good work. There were no complaints about their work except with one or two exceptions that Mr. Thompson made with regard to its own work; but other mills could not do it, and did not do it.

Another point that I am trying to make, Senator, with regard to that statement, is this, that one of the present great demands is (we are through with the war now; we have finished with the war, at least technically, although there has been no proclamation of peace yet, but we are hoping for it every day), let us get back to normal conditions. What we need in this country to-day, and what every business man will tell you that we need, is automatic laws, laws that work uniformly, universally, and automatically, where we do not have to

appear before a board and file a petition and ask for a permit to do this and do that, and possibly be refused or held up.

Senator McLEAN. We are through with the military end of the war, but the industrial emergency created by the war is at its height, as evidenced by recent legislation, supported by the gentlemen who are opposing the embargo, wherein we are proposing to take from the Treasury of the United States hundreds of millions of dollars to stimulate prices in this country and secure orderly markets for agricultural products. It is done on the ground that it is an emergency measure to meet an emergency created by the war, and it seems to me that it is possible that in this emergency which is so intimately connected with this great industry, the industry is in a more precarious condition than ever before in its history.

Mr. DEMMING. If you grant that an embargo will remove the emergency, which we do not.

Right on that point, Senator, I would like to say this: We need all the revenue we can get in this country. One of the points that we make with regard to this particular proposition——

Senator McLEAN. What do you mean by revenue?

Mr. DEMMING. Revenue from imports, for instance.

Senator McLEAN. We also need internal revenues which may be represented in income taxes and profits taxes.

Mr. DEMMING. That is right.

Senator McLEAN. Which accrue to American corporations and which are now very rapidly decreasing——

Mr. DEMMING. Nobody knows that any better than we do.

Senator McLEAN. And the impost duties in comparison with the revenue that we must obtain from our income and profits taxes are almost negligible.

Mr. DEMMING. And will be more so if things keep on. But I do not want to drift too far afield. I only want to confine myself, if possible, to those things which have come into the situation anew, as we regard it, since the spring of 1920.

Senator SIMMONS. I want to put in the record right there, if there is no objection, some correspondence handed me yesterday by Senator Dial, between Brogon Mills, Anderson, S. C., and the War Trade Board, with reference to licensing. It is very brief and I would like to read it to this witness. It seems that the company wrote the War Trade Board about a license and received this reply. I have not their letter, but here is the reply to it:

WAR TRADE BOARD,
*Washington, August 2, 1921.*

BROGON MILLS, *Anderson, S. C.*

GENTLEMEN: Please be advised that the import application of Kuttroff, Pickhardt & Co. for a license for the importation of indanthrene blue GCD paste can not receive approval, production reports definitely indicating that the identical product in satisfactory quality for all purposes is now being successfully produced for commercial sale on reasonable terms by the following-named American concerns: Newport Chemical Works, Passaic, N. J.; E. I. du Pont de Nemours & Co., Wilmington, Del.

Very truly, yours,

F. S. DICKSON,
*Assistant Chief Division of Customs,*
*In Charge of Dye and Chemical Section.*

Approved:
GEO. W. ASHWORTH,
*Chief Division of Customs.*

Mr. DEMMING. What date is that letter?

Senator SIMMONS. That is dated August 2, 1921.

The next letter is a letter headed "Brogon Mills, Anderson, S. C." It is dated August 5, 1921, and is as follows:

E. I. DU PONT CO., *Charlotte, N. C.*
(Attention Mr. John L. Dabbs.)

DEAR SIRS: We are inclosing copy of a letter to Mr. George W. Ashworth. As we stated in our conversation over the telephone a few days ago, the prices charged by the Du Pont Co. for vat colors are entirely too high, and if there is not a reduction very soon we will be forced to discontinue their use altogether.

It seems to be the policy of your company to pay for the plants manufacturing this class of color with the sale price during the first few years. I believe that this plant has done as much, if not more, than any other plant in this section for the support of American dyestuff, but we can not sit back and allow any holdup proceedings to be used against us.

Yours, very truly,

——— ———, *Vice President.*

Senator DILLINGHAM. From whom is that letter?

Senator SIMMONS. I assume that it is from the vice president of the mills.

The next letter is, I assume, from the same person. It is headed "Brogon Mills, Anderson, S. C.," dated August 5, 1921, and is as follows:

DYE AND CHEMICAL SECTION OF THE DIVISION OF CUSTOMS,
*Treasury Department, Washington, D. C.*
(Attention Mr. George W. Ashworth, Chief of Division.)

DEAR SIRS: We are in receipt of your letter advising that our application for the importation of indanthrene blue GCD paste can not receive approval, due to the fact that the identical product is now being successfully produced at reasonable terms (as to price and delivery.)

We have used both the pensel blue G and GD of the du Pont Co. in a practical way. Also the anthrene blue GCD of the Newport Co., and find that the shipments we have received do not act the same as their supposed prototype indanthrene blue GCD.

In regard to price, beg to advise that both the Newport Co. and the Du Pont Co. are charging the outrageous prices of $2 per pound for the product which sold before the war for 30 cents, and which could be imported for $1.28 c. i. f, New York.

We would thank you to advise us if your department considers this price reasonable.

Yours, very truly,

——— ———, *Vice President.*

I have two other short letters here which I will also ask to have inserted in the record at this point.

(The two letters referred to are as follows:)

BROGON MILLS,
*Anderson, S. C., August 5, 1921.*

Hon. N. B. DIAL,
*United States Senate, Washington, D. C.*

DEAR SIR: Inclosed please find copy of letter to Mr. George W. Ashworth, Division of Customs, which is self explanatory.

Yours, very truly,

B. B. GOSSETT, *Vice President.*

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BROGON MILLS,
*Anderson, S. C., August 6, 1921.*

Hon. N. B. DIAL,
*United States Senate, Washington, D. C.*

MY DEAR SENATOR: I sent you on yesterday copy of letter to the Treasury Department, Division of Customs, in reply to their letter of August 2, but neglected to inclose copy of their letter, which I now beg to hand you.

I inclose copy of our letter to the E. I. du Pont Co., relating to the matter in question and I am sending you this personal note to ask that you be good enough to review this correspondence and take such action in the matter as you may deem appropriate.

So far as we are concerned, we think the attitude of the Treasury Department in this connection is nothing short of an outrage, and if you agree with us, we hope that you will be good enough to file your formal protest against their decision, if nothing more can be done.

Yours, very truly,

B. B. GOSSETT.

Senator SIMMONS. I want to put those letters in for two purposes. One of those purposes is to show that the product which sold before the war for 30 cents is now imported to this country and sold at $1.28.

Mr. DEMMING. And the domestic price is $2. I know that is a fact.

Senator SIMMONS. So that there has not been that tremendous slump in prices abroad that some witnesses here seem to think. I put in that correspondence for the additional purpose of showing the difficulty of getting these licenses and the pretexts upon which they are refused.

Mr. DEMMING. Exactly, Senator. That is the very experience that many of our mills have been having and are having to-day.

I was adverting in my former testimony to the experiences in 1919; and those experiences and those "holdups"—that is virtually what they are to a mill man who depends for his bread and butter upon the output and the sales of his mill—are continuing to the present day, and I will show that later on by a large number of letters of complaint that I have from mills—concrete examples.

Senator McCUMBER. Has not the board made a list of a large number of dyes that are used in the United States that can be imported and that you know you can get without any trouble?

Mr. DEMMING. You say, has the board done that?

Senator McCUMBER. Yes.

Mr. DEMMING. No, sir; as I understand, they have not. You have got to apply at the present time for a particular dye if you require it in your business and you find that you can not get it here.

Senator McCUMBER. I understand you have to apply for it. I may be in error, but I thought that the board had sent out statements to the trade as to these kinds that they could get immediately upon application. That is so that the person using them would know he could get that particular dye immediately.

Mr. DEMMING. I do not so understand it. The millmen have not so represented it to me.

Senator McCUMBER. You have no such list?

Mr. DEMMING. I have no such list; and if such lists were sent out at one time they were merely tentative and were changed from time to time. So if you got a list like that of dyes that you were supposed to be allowed to import, probably you could not import them. You would find that out if you applied for a license.

Senator McCUMBER. Suppose, however, there was an investigation of a certain dye and it was ascertained that you could not obtain that same dye in the United States, and you were given permission to import that dye. Why should there have not been a list made of those applications for that particular kind of dye so that the balance of the trade would know immediately whether they could get that?

Mr. DEMMING. There is no reason why there should not be such a list; but I believe their contention is that almost every day they have American manufacturers come to them and say, "Such and such a dye we can make now in commercial quantities," and that therefore that dye should not be allowed to be imported.

Of course if that is represented to the board and a mill applies for a license to import that particular dye, the license is refused and the mill is referred to the particular firm which makes that dye. In many cases when mills come up against an example of that sort, and write to that mill to get that dye, they find that the dye will not serve the purposes for which the mill requires it, and then they go back to the board again and the board says, after considering the matter, "We were mistaken." Sometimes they say that. Sometimes they will refer them to another manufacturer, and they keep that up for weeks and weeks going from one manufacturer to another. Some mills have told me that they were referred to four or five different manufacturers, one after the other, and finally found that the dye procurable in this country would not serve their purposes and they had finally to import it.

That is a species of oppression for a manufacturer, and they so regard it and resent it in normal times, and, I think, properly.

During the war they were willing to put up with those things out of patriotism, for one reason, and for another reason they were exceedingly prosperous. Everybody was turning out huge quantities of stuff and the mills were running to their full capacity. They were selling at high prices. Their profits would swallow up those losses. But to-day, when we are getting down to hardpan again, we can not do those things.

Senator McLEAN. I still contend that it resolves itself into a mere administration of the law. If, as Mr. Thompson says, you can import these dyes in bond in sufficient quantity to meet any possible demand, and if the law is honestly administered, your difficulties all disappear.

Mr. DEMMING. No, Senator; I beg to disagree.

Senator McLEAN. That is apparent to me, up to date.

Mr. DEMMING. No, sir; I do not agree with you.

Senator, let me say this, in passing, that any licensing system, by reason of its very nature, inherent in the system itself, means what? It means hampering restrictions, indefinite terms, a delegation of authority, uncertainty, oppression, embarrassment, entanglements, and business troubles and trials of all kinds and descriptions; and you can not get away from it.

That is what a licensing system means and what must accompany the licensing system. That is our position. We oppose any kind of a licensing system on account of those inherent evils in the system itself.

Senator DILLINGHAM. Going beyond the licensing system, what is your next objection?

Mr. DEMMING. I was simply going to refer to this in passing, Senator. At the hearings in December, 1919, and January, 1920, the statement was made by the gentlemen favoring embargo and licensing that great quantities of dyes were in Germany ready to be dumped into this country. At that time, by reason of circumstances, we did not know whether that was the case or not. They had access to all the figures in the various departments, and we had to depend upon their statement to that effect.

What do we find out to-day to be the fact? In this Census of Dyes and Coal-Tar Chemicals, of 1920, which you gentlemen have had here before you, put out by the United States Tariff Commission only a few weeks ago, on page 14, beginning with the second paragraph, we find this language:

The production of dyes in Germany during the first year after the signing of the armistice was practically negligible compared with the prewar output.

We go farther down and in the third paragraph we find:

This rate of output of the first three months of 1921 is less than one-half the German prewar exports of coal-tar dyes.

I say that at that time when these gentlemen made those statements and told us as one of their main arguments for this legislation almost two years ago that great quantities of dyes were over there ready to be dumped into this country, we could not refute or confute that statement. We did not know. The facts came out from the official bureau that that was not so.

Senator DILLINGHAM. It was stated in evidence that Great Britain, after taking off the embargo, laid in a 2-year stock from Germany. Do you know whether that is true or not?

Mr. DEMMING. I do not know.

Senator DILLINGHAM. Do you know how she procured them?

Mr. DEMMING. I know this, that the very day the armistice was signed the hotels in the border towns of Germany were crowded with Englishmen. They rushed into Germany as rapidly as they could and got all the necessary things that they needed in England into England just as quickly as possible. There is no question about that.

Senator DILLINGHAM. Do you know when the English embargo was lifted?

Mr. DEMMING. On dyes?

Senator DILLINGHAM. Yes; and when it was again put into operation?

Mr. DEMMING. I do not know the exact date; no, sir.

Mr. CHOATE. I can give you those dates approximately. It was lifted by the decision of Mr. Justice Hawkins in the beginning of 1920. I think it was January, 1920. It was reimposed by the act of Parliament, which was finally signed about Christmas, 1920, so that the embargo was not in effect for about 11 months.

Senator SIMMONS. When was it first passed?

Mr. CHOATE. It was not passed after the armistice until 1920, in December. It was continued up to that time under a series of orders in council under the customs consolidation act of 1876.

Senator DILLINGHAM. It has been stated here that during that period England laid in a large stock of German dyes. I want to know if you know anything about that.

Mr. DEMMING. Our manufacturers in this country have been visited by different English manufacturers in this interval of two and a half years, and they have told us when they were speaking confidentially that unquestionably England laid up a large quantity of German dyes. Just how much I do not know, but sufficient for a considerable length of time in the future.

Senator DILLINGHAM. What is the period covered in the report of the Tariff Commission where they say there was a diminished manufacture of dyes?

Mr. DEMMING. For one year after the armistice. That was during practically all of 1919.

Senator MCLEAN. You have no fear, then, of German competition in this supply of dyes that has been held in reserve?

Mr. DEMMING. In Germany?

Senator MCLEAN. Yes.

Mr. DEMMING. No; we do not think there is any fear to be anticipated at all.

Senator MCLEAN. Then the economists of England and France and Japan and Italy disagree with you, because they have reimposed the embargo.

Mr. DEMMING. I am coming to that later on, Senator, if you will allow me, in the regular order.

I want to show you the fallacy of that system. I want to show you what the licensing system in England means. It is a very different proposition from that which we have before us here.

Let me call your attention, on that point, to a report made by the United States Department of Commerce in October, 1920, with regard to this great fear that they say they have of German competition and of German dyes inundating this country. We do not want you to take our opinion or our idea about it. We want to give you an official report.

Senator MCLEAN. We did not take the opinion of a great many Americans of high standing as to the necessity of military preparation. We did not prepare, and we are paying for it.

Mr. DEMMING. That opinion was not the opinion of a great many of us.

Senator MCLEAN. Consequently I, as one American citizen, look with suspicion on the gentlemen who insist that we need not fear German competition not only in dyestuffs but everything else, pretty much, that we need.

Mr. DEMMING. Senator, I will discuss that a little more fully later on. I want to say just now that we are just as patriotic as anybody else.

Senator MCLEAN. I am not questioning that.

Mr. DEMMING. If we thought an embargo and licensing system were absolutely essential for the salvation of this country we would not be here protesting it.

Senator MCLEAN. I am not questioning that the pacifists in 1916 were patriotic. I think they were, but they were sadly mistaken.

Mr. DEMMING. We were not pacifists at that time. Military preparation and an embargo on dyes are different propositions, as I think I can show you later on.

Senator MCLEAN. You were not pacifists then, but, metaphorically, in my judgment, you are pacifists now.

Mr. DEMMING. The United States Department of Commerce in its report for October, 1920, which was sent out two or three months later, says this:

> With the return of peace it is evident that whatever the demand for dyes made in Germany may be, that country will never regain its lost supremacy in the world trade in dyestuffs. The United States has abundant coal to supply the raw materials for making aniline dyes. Private capital has been supplied as fast as it could be utilized in establishing scores of factories and in trained, skilled operatives and chemists for actual and experimental work on a large scale. There has been an increasing tendency since 1916 to centralize or consolidate the domestic enterprise in order to cut overhead expenses, utilize all by-products, and reduce the price of finished dyes. It has not only increased production but has developed foreign trade as shown by the wide distribution of American aniline dyes exported in the calendar years of 1918 and 1919.

Senator MCLEAN. Do you dispute the testimony of the witness who preceded you that already Germany is driving the Americans out of the Chinese market and other markets?

Mr. DEMMING. From our information on that subject I do not think that is so.

Senator MCLEAN. You think he is incorrect and that we are now controlling the foreign market?

Mr. DEMMING. I would not go as far as to say that we are controlling it. I think we have gotten our due proportion of the business in foreign markets, as I think this will show, for 1920. That is the latest census on the subject. We exported $35,000,000 worth of dyes last year.

Senator MCLEAN. Anything that happened in 1920 might have a bearing, but a very slight bearing, upon what is happening now.

Mr. DEMMING. Senator, with the trade depression as it exists to-day not only in this country but all over the world—you certainly will concede that—the latest census on that subject for the month of June shows that we exported $600,000 worth of dyes in June. That is certainly keeping up pretty well.

Senator MCLEAN. I do not know what comparative figures will show. You mean, now, 1921?

Mr. DEMMING. Yes, sir. I will finish this quotation:

The world-wide shortage of dyestuffs and the growing demand for both quality and variety of such materials offer every opportunity to extend the foreign market for American colors. Germany, it is now conceded, will not be the strenuous competitor she was formerly in the foreign trade. Switzerland is the only country, other than the United States, now making aniline colors sufficient to meet its own requirements and able to export on a large scale, and the Swiss are dependent on other countries for the raw materials.

That is an official report.

Senator DILLINGHAM. From what is that quotation?

Mr. DEMMING. That is from the United States Department of Commerce in its official report for October, 1920. It came out about the middle of December, 1920.

Senator DILLINGHAM. Is that when Mr. Redfield was Secretary?

Mr. DEMMING. Yes; I guess he was still Secretary at that time.

Mr. METZ. Mr. Alexander was Secretary at that time.

Senator MCLEAN. I quote from page 14 of Tariff Information Series No. 23, of 1920:

In estimating the significance of this achievement of the domestic industry in the exportation of dyes it should be remembered that domestic manufacturers during 1919 and 1920 have met little competition in foreign markets from German dyes. It should also be pointed out that any deductions as to the competitive strength of the domestic industry which are based on exports of dyes do not take into consideration the fact that the domestic industry is still deficient in the important group of vat and alizarin dyes.

Mr. DEMMING. Yes; those are the dyes that are not made here, the fast vat dyes.

I want to be as brief as I can. I do not want to take up your time, and I hope you will pardon me for seeming to do so. I want to point out this, which, in the general discussion, I think may have escaped the attention of some of you gentlemen.

The American dye manufacturer, at the present time, has five distinct and generous methods of protection, or will have when this bill goes through, supposing that it goes through without the embargo and licensing part of it. Those different methods are as follows: He has, first, the tariff, 30 and 7 on the intermediates and 35 and 7 on the finished dyes. Crudes are all free. Then he has the antidumping

clause of the emergency tariff. That part of the emergency tariff, as you gentlemen recall, is a permanent feature. It is said that all these terrible things are going to happen, that all the dyes that Germany can turn out she is going to dump in here. Mr. Fordney and his committee, as you gentlemen know, have given years of thought to this subject and have modeled the bill along the lines of the Canadian antidumping law, and that has proved an efficient thing in Canada, and we believe it will prove equally efficient in this country and prevent all these terrible things.

In addition to those two methods, if this bill goes through, they have got American valuation. The American valuation, in my humble opinion, is going to prove. not absolutely, but pretty nearly an embargo.

On that point let me just call your attention to one quotation. I just want to read one paragraph out of a very carefully thought out editorial from what I consider the leading and most influential American newspaper published——

Senator DILLINGHAM. What paper is it?

Mr. DEMMING. The New York Herald. This editorial was published on the 27th day of July of this year and is as follows:

A wall is a wall, and incomprehensibly thick stupidity is when, with full protection completely gained by the American valuation of a dutiable article, anybody still wants to build up on top of that wholly sufficient structure of protection ten or twenty stories more to make the tariff wall overshadow the Woolworth Building. It is that bungling and blundering for which, wherever it still may survive in the Fordney tariff, Congress needs to dig a nameless grave.

I do not want to comment on it any more than that. I am not here opposing American valuation. I just want to call your attention to the rather universal feeling with regard to it.

Senator MCLEAN. Especially from the importing center of New York.

Mr. DEMMING. I do not think, sir, that the New York Herald is influenced by that.

Senator MCLEAN. And the importers are advertising generally in the metropolitan papers.

Mr. DEMMING. Not in this particular paper. I think if you will read it and notice it you will find that is not the case.

Senator MCLEAN. I read it every day.

Mr. DEMMING. Those three methods are general to all American industries; but the domestic dye manufacturer has two other methods which are unique and which I think you gentlemen possibly do not fully—I will not say, understand, but appreciate and apply to a discussion of this subject.

Senator MCLEAN. Do not understand that I am an unreasonably high tariff man. I am not. I have been accused of taking the contrary position at times. But just now we must take chances, and let us take as few as we can——

Mr. DEMMING. That is what we say.

Senator MCLEAN. In stimulating and preserving our American standard of living—and especially in this industry, which means so much to us in the future—if we are to meet with any degree of success in the fierce competition that is bound to come, my own fear is that our foreign trade will grow more and more uncertain as applied to competitive articles because of the high standard of life which we

want to maintain here and because of the low cost of production abroad, and everything that we can do temporarily to invite the skilled mechanics of the highest quality, and chemists, into a certain line of business that will reduce the cost of the processes of manufacture, independent of the labor cost, is something we ought to consider very carefully. Temporary inconveniences may exist. There is no doubt that that is so. It is just as important and just as proper for the American people to endure those temporary inconveniences as it was during the war to go without all the luxuries that we had been in the habit of having.

Mr. DEMMING. I agree with almost all that the Senator has said, but I think your remarks apply to all American industries at the present time.

Senator MCLEAN. Certainly they do; but we do not need embargoes on them all, as I understand it.

Mr. DEMMING. That is the very point.

Senator MCLEAN. I think I am somewhat familiar with it. When we take into consideration the interdependence and the correlation of these chemicals and dyestuffs we have to be very careful and watchful of the 10 or 20 per cent that we are not making in this country or our failure to do so will undermine and discourage progress of the industry in this country.

As the gentleman who just testified said, he is about to invest capital in the production of colors which he does not now manufacture. I think he is an honest man. He seems to me to be, and also a patriotic man. He says to the committee that "Here is a specific instance. Unless we get an embargo our business, we think, is lost; and certainly we will not invest another dollar in it."

Those things seem to me to be of importance at this juncture when nobody expects that we are going to put on a permanent embargo.

Mr. DEMMING. Right in that connection, Senator, let me call your attention to this:

In 1916, when the war had been on for two years and the dye business in America was getting on its feet, the domestic dye manufacturers came down here to Washington and said, "We want a tariff bill to protect our business." A committee was appointed of dye manufacturers themselves. Dr. Hesse, a very able chemist and a man who knows the business from A to Z, was chairman of that committee. I think Mr. Metz was on that committee also.

Mr. METZ. Yes; I was on that committee.

Mr. DEMMING. All dye manufacturers were on the committee. Hearings were held and the subject was gone into deeply, and then they made a report to Congress based upon their investigation and a bill was drawn up which is known to-day as the Hill bill, which gave them practically all the protection they asked at that time. They said that was absolutely all that was necessary adequately to protect the industry and put it on its feet and protect it against foreign competition.

They have that protection to-day. That was in 1916. Two years ago Mr. Nicholas Longworth, one of the principal proponents of this present proposed legislation, got up on the floor of the House, and in the most emphatic and deliberate way, in a prepared speech, said that all that the American domestic dye manufacturer needed was two years of an embargo, and that then they could turn out all these

dyes and take care of ourselves. I remember hearing that speech. We have had that embargo for over two years, and now they want three years more of it.

Senator McLEAN. We have progressed, have we not?

Mr. DEMMING. Yes; but they had carefully measured their distance at that time.

Senator McLEAN. You yourself said, not 15 minutes ago, that the chances are that we will produce these vat dyes in this country.

Mr. DEMMING. Certainly we will, and we will produce them without an embargo. We will produce them by ordinary tariff protection.

Senator McLEAN. That is where we differ.

Senator McCUMBER. We have now run half an hour beyond our allotted time. If you can close in a few minutes, Mr. Demming, we will go on.

Mr. DEMMING. I have several things here yet, Mr. Chairman.

Senator McLEAN. It is not the fault of the witness; but I think it is saving time for me to drop in my suggestions as we go along, and then when we are through we are through.

Senator McCUMBER. How long will it take you, Mr. Demming?

Mr. DEMMING. About half an hour more, sir.

Senator McCUMBER. If it will take you that long, we will take a recess until 2.30 o'clock.

(Whereupon, at 12.30 o'clock p. m., the committee took a recess until 2.30 o'clock p. m.)

AFTER RECESS.

The committee reconvened at the expiration of the recess, Senator McCumber presiding.

Senator McCUMBER. Mr. Demming, will you proceed with your testimony now?

STATEMENT OF GEORGE DEMMING—Resumed.

Mr. DEMMING. I want to say, gentlemen, with reference to the discussion we had when I first started my testimony with regard to the discrimination exercised against these different mills, in order to explain what I then said, that I do know of many cases where mills asked for licenses to import certain fast colors that they required in their business and were refused. In some instances they asked more than once and were still refused. Then, they would either give up that particular job in disgust and turn to something else or use the dyes which they could get in the American market. That is unquestionably the reason why so much of this complaint has come in about shirts not standing the laundry and dress goods fading and losing their colors, which the public has been buying.

Senator McCUMBER. Due to the fact that the board insisted that you could get just as good dyes in the United States when, in fact, you could not get them?

Mr. DEMMING. Precisely. In the case of other mills that in certain instances made threats they did finally get their licenses and were allowed to import those particular dyes which they needed and turned out superior goods, and thereby got a handicap on their commercial rivals in this country.

Senator McCUMBER. Then, after they had granted it to one firm, I will say, could the others get it that had been refused before?

Mr. DEMMING. Sometimes they could and sometimes they could not. I have a case here which I will come to later where one mill was first refused and finally succeeded in getting a license to import and another mill applying within a few days afterwards was refused a license to import the very same dye. That I want to take up in connection with these specific letters and complaints from mills that I have.

Senator McCUMBER. What I want to know is, was the application renewed after the first person had been granted the right to receive the dyes?

Mr. DEMMING. Yes, sir.

Senator McCUMBER. And still the board refused to accept them?

Mr. DEMMING. Still the board refused, although they reconsidered their first refusal with regard to one mill and granted a permit to that mill, and then turned around and refused another mill for the identical dye afterwards.

Senator McCUMBER. How do you account for that?

Mr. DEMMING. I can not account for it. It is either gross carelessness or it is favoritism, one or the other. I was saying, gentlemen, when I stopped, that the American dye manufacturer at the present time——

Senator LA FOLLETTE. Are you coming to this subject further on? Because otherwise I want to ask how extensive this discrimination was.

Mr. DEMMING. Well, during 1919——

Senator LA FOLLETTE. I do not want to interpose that question now if you are coming back to it again.

Mr. DEMMING. I am only coming back to it as the condition exists at the present time. What I meant particularly to refer to before was the condition as it existed during 1919 and 1920. In other words, I was trying to cover up the gap between our last hearings and the present hearings.

Those discriminations undoubtedly exist, and, as I said before, the mills were willing to put up with those things as long as we were at war. That was one reason. The other reason was they were running at such full capacity and really making such large profits that they were able and willing to pass the thing by; gloss it over, in other words. But now they have gotten back to a normal basis, or are rapidly getting there, and they want these things cleaned up and to be able to start again from a sound, solid, clean basis.

I was trying to point out, when we took our recess, that at the present time domestic dye manufacturers have five distinct and generous methods of protection if this bill goes through in its present shape, American valuation and everything else, without the embargo and the license feature in it; in other words, as it came from the House.

Three of those methods I had mentioned. First, the straight tariff; second, the antidumping, which, as you Senators know, is a permanent feature of the emergency tariff bill; and, third, the American valuation.

Of course, those three methods of protection apply to all American industries; but in addition to those three methods of protection the

American dye manufacturer has two other methods which I think you gentlemen ought to keep in mind in intelligently considering this question. The first is standardization. Now, that standardization is a beautiful little joker inserted into this bill and is in the present law as it came to you from the House. It is on page 11, beginning at line 8, and reading as follows:

*Provided*, That the specific duty of 7 cents per pound herein provided for on colors, dyes, or stains, whether soluble or not in water, color acids, color bases, color lakes, leuco compounds, indoxyl, and indoxyl compounds, shall be based on standards of strength which shall be established by the Secretary of the Treasury, and that upon all importations of such articles which exceed such standards of strength the specific duty of 7 cents per pound shall be computed on the weight which the article would have if it were diluted to the standard strength, but in no case shall any such articles of whatever strength pay a specific duty of less than 7 cents per pound.

That, according to our experience and according to what the dye men tell us—and we think this is correct—is going to work this way: As some of you gentlemen know, in many mills, in fact, in all mills, they use different standards of strength. One mill will use a paste or powder of, say, 20 per cent strength. Another mill, for the purpose of its manufacture, will have a paste or powder twice that strength. And these dyes run all the way from 20 per cent strength up to 5, 6, 7, and I think as high as 9 per cent strength; that is, nine times the 20 per cent. We will take, for instance, a well-known dye called rhodamine B. Rhodamine B, before the war, single strength, sold for 20 cents per pound. Five times that strength, rhodamine B extra, as it was called, sold for 80 cents per pound. That would be in value not quite 5 times 20; but it was five times the strength of rhodamine B.

Now, if the Secretary of the Treasury—and it is left, as I take it, to his discretion—construes this bill in the light of fully protecting the American dye manufacturer, we believe that he is going to take the low strength as the standard. Say, for instance, in the case of that particular dye, rhodamine B, 20 per cent is the standard in strength. How does that operate to the benefit of the dye manufacturer? If we have to import rhodamine B extra, which, by the way, although before the war sold for 80 cents per pound, to-day is selling for $9 per pound, made by the Du Ponts—we pay a duty on that of 35 per cent on the $9, or $3.15, and then you might suppose to that we add a specific duty of 7 cents. But that would not be so. It would not be 7 cents, but as many times 7 cents as the standard goes into that strength, or five times 7, which would be $3.50 instead of $3.22. That is the way we construe this, as we call it, "joker," to mean. In other words, it is another method of protection for the American dye manufacturer of pro rata gross duty levied upon the imported dyes.

Senator SMOOT. That would be right if the 7 cents were on the lower-priced article into this country. Whether the 7 cents is right, I will not say; we can agree upon that when we find out, but the principle of providing for this is correct. For instance, if I import alizarins, we will say, of the strength of 20 per cent—well, in liquid form, in barrels, we will say—I should not pay the same duty upon that liquid form alizarin in barrels as I would pay unpon the full strength of the alizarin in powder form.

Mr. DEMMING. No; I agree with you.

Senator SMOOT. That is this principle, and, of course, there has to be some kind of a principle established in order to get a just rate that will fit all importations. As to whether this 7 cents on the low importation is too high, that, of course, we will take into consideration, but you will admit yourself that the principle is correct?

Mr. DEMMING. The principle is correct. I am merely citing that, Senator, to point out to you gentlemen that it is still another method of protection to the American dye manufacturer. In other words, it increases the duty on the importation.

Senator MCCUMBER. What is the usual strength?

Mr. DEMMING. That is a hard question to answer. Certain mills get in the habit of using, say, a 40 per cent strength, and their dyer will not dye with anything else. Another mill insists upon a full 100 per cent strength. It is, to a large extent, a matter of habit, and it is partly affected by the kind of goods that the mill turns out.

Senator MCCUMBER. The point I was trying to get at in my question is what reason would you have for assuming that the Secretary of the Treasury would adopt 20 per cent rather than 100 per cent or an intermediate per cent?

Mr. DEMMING. The reason we assume that is because we believe that this bill, or at least this part of the bill, is primarily to protect the American dye manufacturer, and, therefore, every construction is going to be placed upon this bill in its interpretation with that in view, namely, to protect the American dye manufacturer to just as great an extent as possible.

Senator MCCUMBER. You think they would commence with 20 per cent rather than with 40 or 60 per cent?

Mr. DEMMING. Yes, sir; I believe so.

Senator LA FOLLETTE. Would it not be possible to name the percentage of strength in the law itself at which the particular duty should be levied?

Mr. DEMMING. That could be done and that would be a part solution, but right in that connection I want to point this out to you gentlemen, and I think Senator Smoot will appreciate this. The dye manufacturers tell me, or at least those who talk freely to us, that it has never heretofore been attempted to standardize dyes according to strength, and they say that it is going to be a very difficult proposition; it is almost impossible.

Senator SMOOT. You could not have the items named in this proviso all named here and have one strength, because every single one differs with the minimum strength it would pay anybody to use.

Mr. DEMMING. Yes, sir; and every dye manufacturer turns out a dye that is of a different strength almost from the other fellow, and in order to standardize dyes we believe the Government will have to start a laboratory and employ a lot of chemists. It is going to be an immense job, they are going to have a dickens of a time doing it, and it is going to take a long while.

Senator SMOOT. With our acids in every tariff bill that I have had anything to do with we standardize the rate upon the degree of the strength in the acids, but that is in specific cases of acids alone. These here cover so many things that it would be absolutely impossible to have one rate of strength apply to each one.

Mr. DEMMING. It is going to be a tremendous task.

Senator LA FOLLETTE. Who is going to interpret what standardization means?

Senator SMOOT. This is how it is: There is not a thing mentioned here but what has a minimum standard of strength and a maximum standard of strength, and everyone that uses them knows just exactly what they are. For instance, take alazarines. When alazarines first came out there were very few American manufacturers that used them except in liquid form. Freight also cuts quite a figure in it. Then, in Germany they began to manufacture a dry form of it; and, as the witness says, some dyers still insist upon using one form and other dyers another form. As the woolen mill and every other mill depends upon the dyer, they have to put up with his whims a great deal, and he is more or less the cock of the walk, as we call it.

Mr. DEMMING. I just want to confirm what Senator Smoot has said by citing my experience with these mill men. I first came in contact with this dye business in 1912, when I was employed by the secretary of the executive committee of the American Association of Woolen and Worsted Manufacturers to clean up the dye business in their mills. It had gotten to a point where there was so much corruption and crookedness that they really could not carry on business profitably and, inasmuch as most of my experience had been in the trial of civil suits in court, they picked me as the fellow to do it. I came in contact with a great many of these dyers and mill men throughout the eastern part of this country, and I found out this peculiar thing, and in order to intelligently understand this question you have to keep this in mind: I found that nearly all these mill men, while some of them are very smart business men—that is, the heads and managers of the mills—and know every inch of their business, when they come to the door of the dyehouse they are absolutely up against it; they do not know what is going on in that dyehouse. They are at the mercy of their dyers, and the dyer can issue all kinds of proclamations and statements, and they have to take his word for them.

Senator SMOOT. Either that or fire him?

Mr. DEMMING. Yes; and you can not fire them, because there is a very close Masonry among them.

Senator DILLINGHAM. Have you concluded upon that subject?

Mr. DEMMING. I was talking about standardization.

Senator MCLEAN. Fixing rates?

Mr. DEMMING. No; standardization as raising the rates of duty, being a provision in the bill which will increase the protection for the American dye manufacturer by raising the rates of duty, according to the strength which is established as a standard.

Senator MCLEAN. If they use a domestic product they will not be bothered with that.

Mr. DEMMING. Oh, yes.

Senator MCLEAN. I thought you were speaking of duties.

Mr. DEMMING. I am speaking about the protection that the American dye manufacturer is going to receive by reason of the provisions in this bill outside of embargo and licensing; that standardization is another form of protection. Now, there is still a fifth method of protection.

Senator LA FOLLETTE. Before you leave that may I ask you to turn to page 12? You have cited the lines on page 11. Now turn

to page 12, beginning with line 10. Will you construe that in connection with the provision to which you call the attention of the committee?

Mr. DEMMING Beginning with the words "Provided further"?

Senator LA FOLLETTE. No; beginning with line 10, "in the enforcement of the foregoing provisos, the Secretary of the Treasury shall adopt a standard of strength for each dye or other article which shall conform as nearly as practicable to the commercial strength in ordinary use in the United States prior to July 1, 1914." That has the same relation.

Mr. DEMMING. That has the same relation. The difficulty about that is all strengths of dyes are in commercial use. I do not see how that is going to help us very much.

Senator SMOOT. It would help you in this way, that the minimum strength would be taken as the basis, or else the maximum strength, and there would be deducted therefrom the strength falling below the maximum. If you take the minimum, whatever the strength above the maximum happened to be it would be the basis of assessment.

Senator LA FOLLETTE. What I was curious to know was how much higher you could go, dependent, perhaps, upon a standard?

Senator MCCUMBER. That is the reason I asked a short time ago what the usual amount was of an article in general use.

Senator SMOOT. That would be the minimum strength that is used in the trade, and that is generally known.

Senator MCCUMBER. But as I understood the article read by Senator La Follette it does not say minimum; it says the usual strength.

Mr. DEMMING. It says the "commercial strength in ordinary use."

Senator SMOOT. It says "that upon all importations of such articles which exceeds such standards of strength the specific duty of 7 cents per pound shall be computed on the weight which the article would have if it were diluted to the standard strength." That reads that it shall be the maximum and dilute below that amount. If they should rule that it was the minimum, and the minimum were 7 cents per pound, then, if it was double the minimum, it would be 14 per cent; if three times the minimum, it would be 21 cents.

Mr. DEMMING. And remember, Senator, that does not have any application to the ad valorem. It means that many times the specific as the standard goes into that strength that you buy. So we say that that is an additional method of protection for the American dye manufacturer.

He has still a fifth method of protection. You gentlemen have heard considerable said about this great beneficient institution, the Chemical Foundation. The Chemical Foundation bought for the munificent sum of $250,000 (and which has been well said to be about 2 per cent of their real value), as I understand, about 4,600 patents. Those patents owned by the Chemical Foundation happen to cover most of these dyes which are not made in this country; that is, the vat dyes. Therefore, what happens? Whenever anybody imports these vat dyes, the importer or the mill that uses them, before you can use an ounce of these vat dyes, the Chemical Foundation comes along and says, "You can not use that, you have to pay us a royalty of 10 per

cent," and that 10 per cent is an additional cost to the price of the dye which you use in your factory.

Senator McLEAN. They can not use it without that?

Mr. DEMMING. They say, "You can not use it unless you pay us that royalty."

Senator SMOOT. Does not the American manufacturer have to pay a 5 per cent royalty?

Mr. DEMMING. For making it the American manufacturer pays 2 per cent.

Senator SMOOT. So there would be the difference between the 2 per cent or 8 per cent?

Mr. DEMMING. The difference is in favor of the domestic manufacturer. I mention that to show that that is another additional protection to the domestic manufacturer. So we say that in addition to the three methods of protection, which cover all American industries, the American dye manufacturer has two other and very generous methods for protection which other industries do not enjoy.

Senator McLEAN. Can you tell the committee what percentage of the total number of dye patents is controlled by this Chemical Foundation?

Mr. DEMMING. Speaking in round numbers, Senator, there were seized by the Alien Property Custodian, shortly after we got into the war and after the trading with the enemy act was signed, between 5,600 and 5,700 German patents on dyes and chemicals. About 1,100 of those patents were sold by the Alien Property Custodian and were bought in by two mills, one in West Virginia and the Grasselli Chemical Co.

Senator LA FOLLETTE. What was the name of the one in West Virginia? Do you remember??

Mr. DEMMING. The company, you mean?

Senator LA FOLLETTE. Yes.

Mr. DEMMING. The Sterling Products Co.

Senator CALDER. Were they the purchasers?

Mr. DEMMING. I have heard the story that they purchased all of those 1,100 patents and then disposed of some of them to the Grasseli Co.; and I have heard that the two companies together bid at the sale and divided these patents between them. I was not at the sale, and these sales of the Alien Property Custodian were always mysterious to outsiders. But, at any rate, that is where they went.

The remainder of these valuable patents were privately disposed of for this very large sum of $250,000 to the Chemical Foundation, and they own them and hold them to-day and exact this royalty.

Senator McLEAN. Yes; but you can not give us any idea of what percentage of the total number of patents is controlled by this Chemical Foundation?

Mr. DEMMING. Do you mean of the total number of patents on dyes?

Senator McLEAN. Yes.

Senator LA FOLLETTE. About four-fifths, I think.

Mr. DEMMING. Yes; I would say forty-five fifty-sixths. It would be slightly over four-fifths.

Senator SMOOT. But many of the four-fifths are of no value particularly.

Mr. DEMMING. So far as dyes are concerned. Some of them are chemicals. One of the patents is the patent on the article made by Mr. Metz, salvarsan. One is synthetic indigo. We have had the matter investigated and we know that for the last year, for instance, in 1920, the du Ponts made the largest amount of synthetic indigo in this country. They paid to the Alien Property Custodian's office $56,000 as royalty for the first six months of 1920. The second half of 1920 probably was not as prosperous as the first half. So I estimate they probably paid $100,000 for the entire year. At 2 per cent that shows they sold $5,000,000 worth of synthetic indigo.

Senator CALDER. They paid the Chemical Foundation Co. $100,000?

Mr. DEMMING. They paid the Chemical Foundation $100,000.

Senator CALDER. You said the Chemical Foundation paid the very large sum of $250,000.

Mr. DEMMING. That is irony, sir. Trifling would be a more suitable word.

Mr. METZ. The records are wrong. They paid to the Alien Property Custodian. They held the patents from the Federal Trade Commission at that time.

Senator CALDER. That is, the Du Ponts paid the Alien Property Custodian?

Mr. METZ. Yes; at that time.

Mr. DEMMING. Now, I want to hand each of you gentlemen a copy of this brief which we have prepared. I apologize for it not being printed. It is typewritten and I think it is legible.

Senator SMOOT. You want to put one of the briefs in the record as a part of your remarks?

Mr. DEMMING. Yes, sir. May I file it, Mr. Chairman?

Senator MCCUMBER. Yes; that may be done.

Mr. DEMMING. In that brief we do not want to cover the ground as we did two years ago. That brief does not pretend to go very much into details. We want to simply point out to you gentlemen how this matter appeals to us now as consumers and users of dyestuffs.

As I said before, we have attempted to consider it very carefully and very conscientiously. To very briefly cover the subject, we have five specific reasons why we object to an embargo; that is, business reasons why we object to embargo and licensing.

We say, first, on broad principles we object to it, and say that ethically it is unsound and inexcusable. We say it is unfair to give to any small class of men—because the dye makers are comparatively a small class of men in this country—this extraordinary protection and at the same time not tender it to other industries.

We say, second, that the embargo and licensing as it has operated in the past—because we are only judging by our past experience, of course, as that is all anyone can do—will compel us to use inferior dyes in the articles which we manufacture and turn out, and will, therefore, compel the public to accept from us and buy from us articles dyed with inferior dyes which will not come up to the public's demand, which will not, in other words, be satisfactory.

We say in the next place that by making us use these inferior dyes we will gradually lose our domestic market, because the market is open for the importation of dyed articles, and as the public (which, to a certain extent, has been educated now, for instance, with respect

to shirts and dress goods), finds out that these domestic articles will not stand up under washing and under sunlight and bleaching and things of that sort, they are going to gradually turn from the domestic article to the imported article.

We say in the fourth place that it is going to deprive us of our foreign market. During the war we succeeded just as the dye men did in building up a foreign market for our textiles and knit goods. In 1919 the hosiery men exported about 120,000,000 dozens of hosiery.

Senator LA FOLLETTE. How much of an increase was that over the normal?

Mr. DEMMING. Before the war we exported but a trifle.

Senator LA FOLLETTE. Almost nothing?

Mr. DEMMING. Yes; almost nothing.

Senator LA FOLLETTE. Taking 1913, as an example?

Mr. DEMMING. Yes; practically nothing. We could not get into the foreign markets.

Senator LA FOLLETTE. How have you held up on that export, say, for 1920, if you remember?

Mr. DEMMING. They have fallen off very much. I can give you the exact figures. We have not got them yet, but we can get you the exact figures. They have fallen off very much. Part of the falling off has been probably due to world-wide depression.

Senator LA FOLLETTE. Inability to buy on the other side?

Mr. DEMMING. Yes; but a part of it undoubtedly is due to the fact that we could not get the fast dyes to put in the hosiery. Our foreign competitors can secure these fast dyes and therefore will deprive us of our foreign markets.

Senator MCLEAN. In the commission's report of 1920 they say, "Although this decreasing export may be attributable to general business depression, it may be largely accounted for, however, by the fact that German dyes (either direct or indirect through export of reparation dyes) have again made their appearance in the principal export markets, such as China, India, and Japan."

Senator LA FOLLETTE. He is speaking about dyed articles.

Senator MCLEAN. If his position now is correct, the thing for Germany to do is to put an embargo on the exported dyes, in which case they would control the entire textile market of the world, because they could not be dyed satisfactorily anywhere else except in Germany

Mr. DEMMING. We can sit here, Senator, and assume all kinds of impossible things.

Senator MCLEAN. That is just what you are doing.

Mr. DEMMING. No; we do not say that. We say that the other fellows are the ones who are assuming all these terrible things that are going to happen to their business by the Germans.

Senator MCLEAN. I was following out your line of reasoning to a legitimate conclusion.

Mr. DEMMING. I think the shoe is on the other foot, if you will allow me to answer you. For seven years these dye men of this country have not had any competition. They have built up their industry. Now they come along and say you have to give us an embargo and license system; otherwise the Germans are going to do these awful things to us. The Germans have not done them yet. But they say, "We fear they are going to do them." In other words,

they are conjuring up hob-goblins and trying to frighten us by spreading these things in front of us.

Senator McLEAN. I was following up your line of reasoning. If the Germans are smart they will not let us have any dye.

Mr. METZ. We have to get 25 per cent under the treaty.

Senator SMOOT. But they could do the same thing with the embargo that they could with the free trade or with the tariff.

Senator McLEAN. But I am discussing now the witness's line of reasoning applied to protection to any industry. I do not think it is sound.

Senator SMOOT. It would apply to any country that had a monopoly on any one article that the whole world demanded.

Senator McLEAN. That can not be unless you assume that the Americans are utterly incapable of progress along this line, which I do not think they are.

Mr. DEMMING. You are assuming that when you give an embargo. They can compete with anybody.

Senator McLEAN. No; I am not. The effect of the embargo is a temporary protection. We tried it out in a great many articles and we thought we could not do it in this country. Take tin, for instance, and a lot of things.

Senator SMOOT. We never had an embargo on tin; we had a tariff.

Mr. DEMMING. You remember when the tin-plate industry was getting on its feet how the tin-plate men shrieked and said, "We have to have some extraordinary protection." They got nothing but a tariff, and look at the tin-plate industry to-day.

Senator McLEAN. But that is an entirely separate industry from the chemical industry because it is so infinitesimal in its simplicity.

Senator McCUMBER. I suggest that the witness proceed with his statement.

Mr. DEMMING. Let me remind you of another fact before we leave that. In 1916, if you will recall, when the Hill bill was under consideration in the House, some one—I do not remember who it was—got a telegram from Herbert Dow in Michigan saying, "I have put $102,000 in my synthetic indigo plant, and unless I get a specific duty of 5 cents a pound I am going to scrap my plant and throw it in the Atlantic Ocean." You remember the sensation that caused in the House of Representatives. He did not get any 5-cent duty and he did not scrap his plant. By the next year Herbert Dow was getting a dollar and a half a pound for his synthetic indigo, and he has made a fortune out of indigo at the present day.

Our position is that they are simply coming here trying to intimidate you gentlemen and frighten you with these awful ogres that they parade before you and say if you do not do so-and-so we are going to have our business destroyed. These are arguments that apply to every other industry in this country the same way.

Senator McLEAN. On the other hand, Great Britain has gotten along very well without any tariff at all, but in this particular instance she puts on an embargo.

Mr. DEMMING. I am coming to that in just a second. As I say, gentlemen, explaining my brief, I do not try to go into detail there; I am just trying to touch the high spots. We are appealing to you gentlemen to consider this whole question in a broad and statesmanlike way. We have heard the technical side from Mr. Metz

and Mr. Stone and others, and I am just trying to draw your attention to some of the broader aspects of the whole matter.

They have at the present time four principal arguments, as I consider it, by reason of which they say that they are entitled to this extraordinary protection of an embargo and license. Their first argument is that they are an infant industry. Now, let us consider that for a moment. They did exist before the war. I do not pretend to be absolutely accurate in this information, but the information we gathered shows there were about six dye plants in this country before the war. They made from 90 to 120 dyes and made them successfully and made them in full competition with dyes that came from abroad. One of the dyes that I could mention which was made and quite extensively used was orange wool G.

Senator LA FOLLETTE. How many dyes did they make before the war?

Mr. DEMMING. I know they made 90, and I think they made a few more than that in successful competition. One of the dyes they made was orange wool G, I think they call it. They made that dye and it was quite extensively used, and they sold it for 14 cents per pound. I think it sold as low as 12 cents per pound, but we will say 14 cents per pound to be absolutely fair. That dye at the present time is selling for 45 cents per pound. You Senators can see the high protection they are getting, 35 per cent on the 45 cents, plus the 7 cents specific duty, making 22½ cents duty alone, which they get under this bill, which is higher than the price they got for that dye before the war.

Senator LA FOLLETTE. What are they charging for that dye now?

Mr. DEMMING. Forty-five cents.

Senator DILLINGHAM. What is the difference in the cost of production now?

Mr. DEMMING. I can not tell you that specifically. I am not objecting to the duty, but I am simply pointing out as shown by——

Senator DILLINGHAM. That is rather an important consideration.

Mr. DEMMING. It is very important in arriving at the rate of duty. I am arguing that they do not need an embargo and licensing; that the duty is sufficient.

At the present time, according to the latest census, they have in this country 213 chemical factories; that is, factories making chemicals, of which 82 are making dyes. During 1920 they manufactured in this country over 88,000,000 pounds of dyes at a value, according to this census, which came out only a few weeks ago, of $95,000,000. They exported dyes all over the world—I think Senator Smoot mentioned the countries a couple of days ago—to the value of $35,000,000.

Senator DILLINGHAM. Was that during the war period?

Mr. DEMMING. It was during 1920.

Senator DILLINGHAM. During the year 1920?

Mr. DEMMING. During the year 1920 they exported dyes to the value of $35,000,000.

Senator LA FOLLETTE. Do you give those figures in your brief?

Mr. DEMMING. They are in that census report.

Senator LA FOLLETTE. I know where to find them in the census report, but I was asking you if you gave them in your brief?

Mr. DEMMING. No; they are not in my brief. There were imported into this country of these vat dyes which we do not make here about 3,400,000 pounds to the value of $5,700,000.

Now, it is very easy, if my figures are correct, to compute what proportion of the dyes we consume in this country that are made here. $35,000,000 from $95,000,000 leaves $60,000,000. We will add to that the $5,700,000. We will call it $6,000,000. That is $66,000,000.

Six sixty-sixths of 100 per cent gives you just a trifle over 9 per cent. In other words, they manufacture in this country and use in this country not quite 91 per cent of all the dyes made here. Nine per cent of all the dyes consumed here are imported.

Senator LA FOLLETTE. 90 per cent in round numbers?

Mr. DEMMING. Between 90 and 91, yes.

Now, that is the extent of the domestic industry at the present time. They have built up their foreign trade to such an extent that they have their color cards printed in foreign languages. Here we have one printed in French. That shows that they have a very extensive foreign business. They have gone out for the foreign business and they have gotten it. We do not begrudge them that; but, for pity's sake, do not argue to us that they are such an infant industry that they need this extraordinary method of protection.

Now, as to their capitalization, as I figure it, outside of the Standard Oil companies—and nobody seems to know just what their capital is at the present time, since they have been split up—outside of the Standard Oil companies, the Allied Dye & Chemical Co., according to the financial books, is the fourth largest industrial corporation in this country to-day. The United States Steel Corporation, as is well known, is the biggest, with a billion dollars.

The General Motors, which, by the way, is another Du Pont Co., is next, with about $750,000,000. Then comes the American Telephone & Telegraph Co., with $500,000,000, and then comes the Allied Dye & Chemical Co., with a capitalization, as I figure it, ranging anywhere from $300,000,000 to $400,000,000. They have $100,000,000 of preferred stock—not quite, just a few thousand under a hundred million dollars—and they have 3,143,000 shares of common stock of no par value. The stock had been selling as high as $64 or $65, and it pays 4 per cent dividends. I saw in the financial columns of a very reliable paper a couple of months ago that the Beckers Co. alone, of the Allied Corporation, in the first three months of this year made enough money to pay the entire dividend of the Allied Dye & Chemical Co. for the year.

You certainly can not call that an infant industry.

The next important company to the Allied Dye & Chemical Co. is the Du Pont Co. You can not find any statement of theirs in the regular financial books, and the stock is not listed on the New York Stock Exchange, but, as far as I can find out, they are capitalized to-day at about $175,000,000. It is a well-known fact that before we got into the war, from the contracts which this company had with Great Britain alone, manufacturing munitions, it was rumored, and rumored among bankers and reliable people in Philadelphia, that they had made $260,000,000 out of their ammunition contracts with Great Britain alone—before we got into the war. After we got into the war they made $103,000,000 in one year alone out of ammunition contracts with this country.

And yet they prate about patriotism. These are the people who are coming here and saying, "We are an infant industry; for God's sake help us or we are going to the wall; otherwise we can not make dyes."

We say, with those facts staring us in the face, this is a pretty lusty infant industry.

In addition to that, any industry that can afford to spend a little over $100,000 in one year alone for legislative expenses, as this industry has, certainly is not such a weak industry. In that connection, let me point out to you, gentlemen, that that was only through the agency of the American Dyes Institute, and it is a matter of public knowledge that some of the companies furnished a great deal of money themselves for their agents here in Washington in addition to that $100,000.

So we say that that argument does not go very far, that it is an infant industry and therefore needs this extraordinary protection.

Then, they come along and say, "Well, we want this extraordinary protection because the price of the dyes going into these different articles is so small, it is so infinitesimal, because each of you only pays a few cents to us." That is a very beautiful argument, but it is an absolutely dishonest one, and our answer to that is that it does not matter how much we pay to the dye industry, whether a few cents or a few dollars, it is improper and wrong for this country to give to any industry the privilege and the power of levying tribute upon every man, woman, and child in the country, we do not care whether it is a few cents or a few dollars, and that is exactly what you are doing in giving them the embargo.

An embargo, gentlemen, is the same thing as a subsidy, with this exception; when you subsidize an industry you present them with a certain particular sum of money, say $10,000,000 or $50,000,000, and then you tax the people to raise that amount of money. When you give them an embargo you give them the privilege of taxing the people in any amount of money which they choose to put upon the price of the article which they sell to the people. That is the difference.

Senator McLEAN. That is, assuming that there is no domestic competition.

Mr. DEMMING. Well, there will not be very much domestic competition if they get this bill through. There is going to be an absolute understanding in the trade, according to our information.

Now, I appeared at the hearing a year and three quarters ago, and I remember Mr. Dan Waters sitting over there. He had a blue serge suit on and he held his suit up like this, and in a very dramatic way he said to the chairman, Senator Watson, sitting over there, "Do you know how much the dyes in that suit cost? Thirty-two cents. And they are making all of this hullabaloo about 32 cents."

And two months after that hearing I read in the papers an article which evidently had been written by one of the dye men, because it was phrased along the general lines of their propaganda that they had to have an embargo and licensing, to the effect that the dyes in a suit of clothes cost 45 cents instead of 32 cents.

About two months after that another article said that it cost 65 cents; and now along comes Dr. Mathos, who is the chief chemist of the National Analine Co., and says that the dyes in an ordinary suit

of clothes cost 78.61 cents. So they are all the time creeping up in the price. And remember, gentlemen, that is at the mill, and by the time that price goes onto the other costs of manufacturing the cloth, through the jobber, the wholesaler, and the retailer, down to the final user of the suit, it amounts to several dollars. It gives them a chance to roll up and pyramid their costs. That is the very thing that we are opposing. We want to get down to rock-bottom prices. We want to give to the American public our products at just as cheap a price as we can, and we do not want to be held up anywhere along the line and made to pay improper or extortionate tribute to any particular man or to any particular industry.

Senator McLEAN. What is the general average of the prices of dyes now as compared to the prewar prices?

Mr. DEMMING. I will show you that in a second. We have an analysis of the bill right here.

Senator McLEAN. Are they very much higher?

Mr. DEMMING. Very much, sir; ranging from 300 to 1,100 per cent.

Then you must remember that in addition to the cost of the dyes in a suit of clothes, you have dyes in practically everything you have on. You have dyes in your neckties; you have dyes in your shoes; you have dyes in your socks; you have dyes in your hat——

Senator McLEAN. You had better stop there. [Laughter.]

Mr. DEMMING. I will not try to dissect ladies' wear. You have dyes in the band of your hat, and if you want to revel in luxuries like the hard-coal miners do in Pennsylvania you wear dyed underwear. The underwear men have told me that nearly all of the beautiful pink and blue dyed underwear that is used goes to the hard-coal miners in Pennsylvania. That is true of all kinds of articles. Practically every man, woman, and child gives some kind of tribute to the dye manufacturer. Dyes are in many household articles, almost too numerous to mention.

In order to find out the true cost of dyeing articles and the additional expense incident thereto to every one of the inhabitants of this country, one should go to the fountainhead, the mill, and ascertain there just how much it costs to dye in bulk, and especially find out what is the difference in the cost of dyeing now as compared with the cost prior to the war. It will soon be discovered, if this method of investigation is pursued, that in many mills and textile establishments, if the difference in the cost of dyeing now as compared with the cost of dyeing previous to the war could be saved, this sum alone would be sufficient to pay a handsome return upon the entire capital and investment of the mill. In other words, if this difference in cost and sum of money could be returned to the millman as the dividend or interest upon his total investment, he could well afford to let the public have his entire product at cost.

In this connection I ask leave to file in the record an article on this subject, rather fully setting it forth, prepared by Mr. Joseph S. Rambo, one of our oldest and most experienced knit-goods manufacturers, who has several mills of his own.

So we say that that argument does not go very far.

Now, their third argument is, as the Senator referred to several times, licensing abroad.

They say Italy and Japan have passed licensing systems. Well, the conditions in Italy and Japan are not analagous with this country

at all, because neither in Italy nor Japan have they any raw materials. They have not any dye industry to protect.

Then they come along and say that France has passed a licensing system. I would like to know right now where this idea started about France having a licensing system. Men have come here and have glibly said, "Well, France and England have licensing systems." England has, but I have been unable to find any system or any law setting up a licensing system in France, and I have been to the French consul and the French Chamber of Commerce in New York and asked upon the subject, and they said that France had absolutely no licensing system. So, if there is any such a law I would like to have it pointed out to me now.

Senator McLEAN. But they have an embargo, have they not?

Mr. DEMMING. No embargo and no licensing. On the contrary, the French consul in New York told the gentlemen who brought the news directly to me, and whom I sent over there for that purpose, that there is absolutely an open market between France and Germany on dyes and that any dyes coming into France from Germany pay 1 franc per kilo. That is about 2.2 pounds. If we export dyes from this country to France we pay 2 francs per kilo. In other words, they charge us more than they charge the Germans.

Now if there is any licensing system in France, I would like to know where it is. Then, we go to England. They say "England has an embargo and licensing system." So she has. But the conditions are very different in England from what they are here. In the first place, England is a free trade country. She had to do something to build up her dye industry, and to save her face—she did not want to reverse her general national policy—she adopted an embargo and licensing system.

In the second place, many of the leading thinkers in England say, and have stated it with great force and emphasis, that the embargo and licensing system in England is wrong. Lord Inchcape, a very well-known authority in England, has so stated. Sir George Paish, who, in the estimation of many of us is probably the best political economist in the world to-day, says that the embargo and licensing system in England is wrong. Lord Bryce, you will remember, came out about three days ago and said the embargo and licensing system in England was wrong. They say that for this reason it is wrong and improper for the Government to be connected with any commercial enterprise, and a great many thinking men espouse that doctrine.

Senator LA FOLLETTE. Do you happen to know whether England imposes a limitation of profits?

Mr. DEMMING. Yes; I am coming to that, Senator.

Senator LA FOLLETTE. I would like to have you call attention to that.

Mr. DEMMING. On that point, because it is so apropos to the matter that we are discussing here, let me read you what Lord Bryce said. Lord Bryce holds a very high position in international economics and is noted as a very deep thinker on these subjects.

Senator SMOOT. This was one of his lectures given in one of the universities.

Mr. DEMMING. This was an address given by Lord Bryce before the Institute of Politics at Williams College on the 5th day of August

of this year. This is what he said, as shown by this newspaper clipping:

In addition to opposing Government participation in business he questioned the value of Government aid to commercial interests. He said that the nation which does not help its industries, as Germany did hers before the war, will in the long run develop a more vigorous commercial life than the country which subsidizes and nurses their manufacturers. Germany's advances in trade, he said, are not due to Government's help so much as the assiduity of her merchants.

Speaking of the connection between finance and war, Lord Bryce declared:

"Money can exercise as much illegitimate influence in democracies as elsewhere."

I do not know whether he was hitting at us or not, but I imagine that he was.

In some of them it can buy the press; perhaps also a section of legislators. Where the standard of public virtue is high, those who want to get something from a Government will seek not to bribe, but will, to use a current expression, 'try to get at the press,' while also seeking to induce influential constituents to put pressure on their members and members to put pressure on ministers, the object in view being represented as a public interest, whereas it is really the interest of a small group. When the standard is low, the group will approach the private secretaries of a minister, or even a minister himself.

We think that is very apropos to the situation in this dye embargo proposition at the present time.

Senator McLEAN. He does not mention the dye embargo?

Mr. DEMMING. He mentions all industries which receive Government aid, Senator, and Sir George Paish and Lord Inchcape have specially mentioned the dye embargo.

Senator McLEAN. I heartily agree with the sentiments expressed by Lord Bryce. I think we should abolish our War Finance Corporation, which was created for the express purpose of artificially stimulating prices.

Senator McCUMBER. Let me appeal to the Senators and to the witness, who has a half hour, to hurry the testimony as much as they conveniently can do so.

Mr. DEMMING. All right, Senator.

Senator McCUMBER. The entire Tariff Commission is up here and wishes to be heard.

Senator McLEAN. Do you expect to close the hearings to-day, Mr. Chairman?

Senator McCUMBER. That was the expectation. We have summoned every member of the Tariff Commission here. They are waiting, and we have another witness, and we want to get through this afternoon.

Mr. DEMMING. I will hurry along, sir.

Senator LA FOLLETTE. This is very important testimony that this witness is giving.

Senator McCUMBER. Well, we are making it very full.

Senator LA FOLLETTE. And I do not think he should be cut off.

Senator McCUMBER. The witness has already filed his brief.

Mr. DEMMING. Yes, sir; I just want to finish this licensing matter.

Senator McCUMBER. Well, be just as short as possible.

Mr. DEMMING. Now, as to the licensing law in England——

Senator LA FOLLETTE. Do not forget, Mr. Witness, to tell us about the limitation that Great Britain puts on the profits in the embargo.

Mr. DEMMING. Yes. The licensing law in England, as the Senator has intimated, is not only a very different law from that proposed

here, as I will show to you, but it is also for the protection of a company over there in which the Government participates and which the Government controls. Now, that is very different, sir, from the embargo and licensing proposed here for the benefit of private individuals to roll up any profit for themselves that they can under the umbrella of that embargo and licensing.

Now, the British Dyes Co. (Ltd.) is protected by this embargo and licensing in England. It has a capitalization of 6,185,822 pounds sterling, and of that capitalization the Government has paid in not quite £2,000,000, or about one-third of it; so that the profits of the corporation go to a very large extent to the taxpayers and the citizens of England.

In addition to that, the profits of the corporation itself are limited to 8 per cent. They are not allowed to pay any dividends over 8 per cent. The salaries are also limited to a thousand pounds. Five thousand dollars is the very highest salary they can pay. The Government exercises a very close supervision over the entire corporation.

Now, the law itself is very much different from that proposed here. The licensing commission over there is composed of 11 members. Five of those members are dye consumers. Three of them are dye manufacturers and the other three are outsiders. You can see that the dye manufacturer is not going to get very far with a commission composed in that way. That is quite different from this law that is proposed in this country.

Besides all this, as is well known, England is a very small, compact, "tight" little country, and her textile and mill district is encompassed within a comparatively limited and congested area, very unlike conditions in this country, where mills are scattered over the length and breadth of the land, sometimes thousands of miles apart. England, also, is very close to Germany, France, and Switzerland, and English manufacturers tell us that they can apply for a license to import needed dyes, get action on the application within two or three days, and have the dyes on the way to them within 24 hours after the license is granted, receiving them in a day or two after favorable action upon their license application.

Surely such conditions are not comparable to those here, 3,000 miles away, and mills using dyes located in every part of our broad land.

England has not attempted to apply her dye licensing system to Canada, where conditions are much similar to those in our own country.

Therefore, we say that all of this talk and references to licensing abroad as being an argument in favor of having embargo and licensing in this country falls flat. They do not apply to the present situation in this country and they are not an argument at all in their support.

Now, they have their fourth argument, which, I think, in the minds of most of you gentlemen is their strongest argument, and that is patriotism. They say, "This is a key industry, and you have to protect us because we are a key industry." Now, what is a key industry? As I conceive it, a key industry is an industry upon which other industries depend; a sort of sun which is in a constellation of its own, around which other industries revolve as planets. If that

is a correct definition, and using that definition, we find the dye industry is very far from being the only key industry in this country.

Which industry do you gentlemen think is the greater and more important industry, the industry that manufactures the steel that makes the cannon that fire the shells during the battle, and makes the containers which hold the gas which is manufactured for this chemical appliance, or the chemical plants that make the gas? Which is the more important industry, the industry that clothes the soldier and takes him to the front to the scene of action and makes him comfortable and protects him against the rigors of the weather, or the industry which makes the gas that allows him to throw the bomb? Which industry is the more important, the industry that builds the aeroplane that brings him over the scene of action so that he can throw his bomb, or the industry that gives him the gas inside of the bomb; the industry that transports him to the scene of action or the industry that gives him the gas in the bomb?

And yet all of these other industries (and I could mention many more which, to our minds, are just as important as the dye industry) are not here clamoring for any embargo. The steel industry does not come down here and say, "Gentlemen, we are essential in time of war; we make the steel; you can not get the guns; you can not get the rifles and revolvers; you can not make airplanes or ships, or you can not make any of these thousand other things unless you have the steel industry, and if you do not give us an embargo and licensing system we are going out of business and the whole country is going to blow up when it comes to war." The textile people do not come down here and say, "Gentlemen, we are essential in time of war. We make the clothes for the soldiers; we make the blankets to keep them warm; we make the goods that go into the tents; we make the underwear, the socks, and everything else that go into a soldier's kit and apparel, and therefore we have to have an embargo and licensing system. Otherwise we are going to close up our factories and let the country go to the demnition bow wows."

The aluminum industry does not come down here and say, "Gentlemen, we make the stuff that goes into all of your war activities, that goes into your culinary apparatus, the cups, knives, forks, spoons, and tin plates of your soldiers. We are an essential industry, and if the country ever goes to war you have to have us; therefore we want an embargo and licensing system."

Not a bit of it. If they did you gentlemen would laugh in their faces and say, "The war must have set you all crazy."

Senator McLEAN. You have not mentioned an industry yet that is not vitally dependent upon the chemical industry.

Mr. DEMMING. Senator, every one of these industries, in our humble estimation, is just as essential, is just as much of a key industry as the chemical industry.

Senator McLEAN. That may be, but none of them could live without the chemical industry.

Mr. DEMMING. And the chemical industry could not live without them. It is a well-known fact, Senator, that in case of national necessity, in case of national extremity, all of the industries in the country are mobilized for the common protection, and the dye

industry does not occupy any more prominent or special position than any of a dozen other industries.

Senator McCUMBER. The witness has been quite lengthy on that subject. Will you kindly proceed, Mr. Witness, to another subject?

Mr. DEMMING. All right. I just want to say this.

Senator McCUMBER. Very well.

Mr. DEMMING. Mr. Stone and Mr. Heywood have come here. They are chemical manufacturers, and they have told a pitiable story. They say they are up against it; they say they are afraid they will have to go out of business; that everything is depressed and they can not sell their products; that they are on the verge of making remarkable discoveries, and can not go ahead, and things like that.

Now, we sympathize with them. But is that any argument for an embargo and licensing system? The whole country is in the same position. All you gentlemen have to do is to give a serious intimation to me that you will give an embargo to every key industry in this country, and if you give me that intimation, I guarantee that inside of a week I will come down here with enough poor struggling hosiery manufacturers to more than five times fill this room, and will prove to you that we are a key industry and that we are in need of an embargo and licensing system just as much as the chemical industry. All you have to do is to say that you will consider giving them an embargo on competitive importations.

Senator DILLINGHAM. In other words, you mean to say that they will all ask for everything they can get?

Mr. DEMMING. Certainly. The depression is so widespread that I can tell you of some very pitiable tales, just as well as Mr. Stone and Mr. Heywood have. Many of these poor struggling hosiery manufacturers have small mills in small country towns and they are absolutely up against it. This depression is universal. It is all over the country, and they would come down here and tell of the wonderful hosiery that they are going to make if you just give them an embargo sufficient to keep out foreign importations. And that has actually happened. We know that in the New York market there are many thousands of dozens of imported hosiery coming in, and underwear also, from Germany and France.

Senator SIMMONS. Let me ask you this: Can the hosiery people any more control and dominate this market to-day than the dyestuffs people can?

Mr. DEMMING. They can not control their market nearly as much as the domestic dye men control theirs.

Senator SIMMONS. Do they produce as much in per cent of the American consumption, or a larger percentage than the dyestuffs people? You said that the dyestuffs people produce 90 per cent of the American consumption.

Mr. DEMMING. The dyestuffs people produce 90 per cent of the American consumption manufactured here to-day.

Senator SIMMONS. Yes.

Mr. DEMMING. I do not quite understand the Senator's question.

Senator SIMMONS. I mean to ask you if the hosiery people produce a greater percentage of the American consumption than the dyestuffs people?

Mr. DEMMING. They do not produce as much, Senator. They do not produce as much; but we know that it would be a ridiculous thing to ask—not only ridiculous but impertinent and selfish—for us to come down here and ask for any such protection, and yet we feel in our own hearts that we are just as much entitled to it as the chemical people.

In Philadelphia, and in the Philadelphia district, we have had strikes up there by reason of the arrogant demands of labor in most of our knit-goods mills, beginning last fall and continuing for many months. Most of the mills are closed down. They tell me that in the Kensington district, which is our mill district, that the biggest sufferers by reason of the depression are the little corner grocery stores. Let us have an embargo against grocery stores.

A short time ago a large manufacturer of baby carriages, a man who has a big factory in New Jersey, told me that the effect of this depression has been to close up his factory until consumption catches up with production. He said, "Besides that, they are bringing into this country a small, unique, very highly ornamented baby carriage, from France, and it is making very big inroads on my business."

Gentlemen, it seems to me that the baby-carriage industry is a key industry. [Laughter.] Babies have to be born and raised before we can make chemists out of them and kill them off with gas. Let us have an embargo against baby carriages.

Senator MCLEAN. It would be your conclusion that the existing Simmons-Underwood rates are not now sufficient to protect the generality of American industries against foreign competition at this time.

Mr. DEMMING. We are not objecting in any way against rates.

Senator. MCLEAN. I deduce that from your statement.

Mr. DEMMING. We are not objecting in any way against rates. I am trying to show you gentlemen the absurdity of this argument on behalf of a single industry. Gentlemen, I do not have to argue to you; you know that if it had not been for this war and the frame of mind that it has put you in you never would listen to such an argument.

Before the war——

Senator MCCUMBER. It seems to me, Mr. Witness, in all fairness, this is mere argument.

Mr. DEMMING. All right, sir.

Senator MCCUMBER. And not facts, and there are five other witnesses waiting this afternoon, and in justice to them——

Senator DILLINGHAM. And this witness asked for 30 minutes this afternoon.

Senator MCCUMBER (continuing). We ought to close this testimony.

Mr. DEMMING. All right, sir.

Senator MCCUMBER. We want to give these other witnesses an opportunity to be heard.

Mr. DEMMING. All right, sir.

I just want to file with you gentlemen an analysis of the bill which we have made; that is, on the embargo and licensing feature. I have a copy of it here for each of you, I think. I will file that with you, with your permission, Mr. Chairman.

Senator MCCUMBER. It will be printed as a part of your testimony.

Mr. DEMMING. And also a treatment of the subject from the standpoint of the small millman, which came from the treasurer of the Lowell Dye Works, of Lowell, Mass., which we thought fitted the subject so well that we had it printed—a sort of human document.

I also want to file with you, Mr. Chairman, copies of three letters showing that as late as July 16 of this year the Dye and Chemical Section of the Treasury Department refused the Slatersville Finishing Co. a permit to import a certain dye, saying it could be obtained here. On July 21 they reversed their decision and said no, the dye was not manufactured here, and they gave them a permit. Then, on August 1, they refused the Merrimack Manufacturing Co., of Lowell, Mass., a permit to import the very same dye.

This is an illustration similar to that of Senator Simmons, is constantly happening, and shows the burden imposed on the mills by licensing.

I wish also to place in the record, as controverting the oft-asserted argument of those favoring embargo and licensing that dye factories are "potential arsenals," the public statements of Dr. Reese, chief chemical director of the Du Pont Co., and Dr. Berhard C. Hesse, chief chemist of the National Aniline & Chemical Co., to the effect that dye factories have very little to do, especially in a big war with manufacturing explosives or gases.

These statements were made, unfortunately for their present protestations, a few months before this dye embargo and licensing scheme was conceived. If carefully read and studied I think they will convince anyone of their sincerity and truthfulness, and that they depict the real situation.

I wish, likewise, to call the attention of the committee to the fact that there now exists a Chemical Warfare Service as a distinct, efficient, active branch of the Government, and that the annual report of its chief, Brig. Gen. Amos A. Fries, for the fiscal year 1920 strongly indicates that this bureau can well take care of all the warfare chemical problems of the country and is considerably at variance with the verbal statements before this committee a day or two ago.

I also wish to call the attention of the committee particularly to the very pertinent statement of Dr. Hesse, as set forth on page 319 of the hearings before the Finance Committee in December, 1919, and January, 1920.

Senator MCCUMBER. They will be inserted as a part of your testimony.

Mr. DEMMING. I wish also to file with you, Mr. Chairman, a brief which I have been requested to hand you, prepared by the Aberfoyle Manufacturing Co., which is a very large printery of shirtings, located in Chester, Pa. I may say that I had no part in getting up this brief It was gotten up by their own officers.

Senator MCCUMBER. If there is no objection, it will be printed as part of the witness's testimony.

Mr. DEMMING. I also wish to file with you a letter of protest by the Hulton Dyeing Co. (Inc.), of Philadelphia, Pa., in which letter is set forth this:

One of the great objections we find is that the license system compels us to keep large stocks of expensive imported colors on hand so we can at least make an effort to meet all demands upon us. Our present imported stock, which is not nearly adequate, represents an investment of $40,000, which is four times as much in value

as our whole prewar stock of all colors, and when to these imported colors we add the value of our stock of domestic dyes at the tremendous increase over prewar figures, our total stock reaches an appalling figure.

I want to say, Mr. Chairman, that this dyeing company is a member of the Master Dyers' Association of Philadelphia, composed of between 30 and 40 dyers, that the witness who appeared here on Wednesday, Mr. Dan Waters, is president of that association, and in his testimony does not by any means represent the sentiment of that organization, because they have refused to indorse the embargo and licensing system.

I also beg leave to file with your committee a protest by the Sauquoit Silk Manufacturing Co., which is one of our largest silk-manufacturing concerns.

Also a protest against embargo and licensing by the Pennsylvania Axminster Carpet Corporation, one of our largest carpet mills.

Also a protest by Jacob Miller & Sons, one of our largest shirt-manufacturing companies.

Also one by the American Pile Fabric Co., which company manufactures plushes, velvets, and velours.

Also one by the Globe Dye Works Co., of Philadelphia.

Also one by the Janero Dye Works, of Philadelphia.

Also one by the Lowell Dye Works, of Lowell, Mass.

Also one by Joseph Greer (Inc.), manufacturer of worsted and woolen goods, a very large concern in Philadelphia.

Senator DILLINGHAM. Can you not put all of those in in a bunch, and let them all appear?

Mr. DEMMING. If you gentlemen say so, I will; yes, sir.

Senator MCCUMBER. I should prefer to have you do that if you are not getting to the end of them.

Senator DILLINGHAM. It will save time if you do it that way.

Mr. DEMMING. Yes. Here is one from Folwell & Bros. Co., a very big concern, and one from John Bromley & Sons (Inc.). I will leave the balance of these letters with your committee. I also want to file, to go into the record, if I may, an article or articles by Mr. Warren F. Doane, of Philadelphia, editor of The Manufacturer.

Senator JONES. I notice that that has been printed. Have you a number of copies of that?

Mr. DEMMING. I have only two or three with me, sir.

Senator JONES. I was just wondering whether you could furnish the committee with copies of it.

Mr. DEMMING. Each member of the committee?

Senator JONES. Yes.

Mr. DEMMING. I think I could, sir.

Senator JONES. We would be glad to have them.

Mr. DEMMING. Yes; I would be very glad to do that.

I should like to add that these letters from various textile mills merely represent a fraction of the total protest and dissent; many mills have written directly to either the chairman of your committee or the different members of your committee.

Senator McLean, you asked if Mr. Kilheffer could be called. Would it be satisfactory to call him after we have called the members of the Tariff Commission, or is it your desire that he should be called now.

Senator MCLEAN. I think he will occupy but a very few minutes, and he wanted to follow this witness.

Senator McCUMBER. All right, then. We will call Mr. Kilheffer.

Mr. CHOATE. While Mr. Kilheffer is coming, Mr. Chairman, may I state, in view of the obvious exigencies of the committee, I do not think it would be proper for me to attempt to answer any of the tirade of abuse which Mr. Metz directed against the Chemical Foundation and myself during his testimony. I am sorry not to be able to answer that but, as I say, it is impossible. Therefore, I shall not attempt to dwell on that subject, but I wish to state that it is fully covered in the testimony before the Finance Committee of the Senate and the House Ways and Means Committee. I have brought here, in addition, the record of a law suit between Mr. Metz and the Alien Property Custodian, to which he referred, and which I offer in case you gentlemen wish to receive it. It will show the sworn testimony of the witnesses, Mr. Metz and others, and what the real facts were. It is a voluminous record, and I do not suppose you are going to print it, but I have it here.

Senator McCUMBER. Very well.

Senator McLEAN. If you have a single copy, you might leave it with the chairman of the committee.

Mr. CHOATE. We have a copy, but it is very large, and I do not know whether you care to receive it or not. There it is.

Senator McLEAN. It may be left with the chairman.

Senator McCUMBER. Very well. You can leave it here, and we will let the committee decide whether they want to print it as a part of the testimony.

Mr. CHOATE. Very well.

**BRIEF OF GEORGE DEMMING, REPRESENTING THE NATIONAL ASSOCIATION OF HOSIERY AND UNDERWEAR MANUFACTURERS.**

SPECIFIC BUSINESS OBJECTIONS TO DYE EMBARGO AND DYE LICENSING COMMISSION.

1. It is ethically unsound and inexcusable. It is not right to give an embargo and licensing commission form of protection to any one class in the country which has as its national policy one general and universal form of protection for all business and industry. By so doing the country unduly and invidiously favors, prospers, and advances one selected class at the expense of all the others. This can not be justified, and should not be condoned or permitted.

2. By establishing such a law dye users and consumers will, by reason of the complexities and complications entailed by the law, the red tape and cumbersome and harrassing methods and procedure prescribed to comply with the law, be compelled to use inferior and deleterious dyes, and in turn dispose of to the people shoddy and improper goods and dyed textiles.

3. Likewise dye users and consumers will be robbed of their foreign customers, who will have access to the goods of their competitors dyed with fast, brilliant, serviceable, and satisfactory dyes.

4. Dyes barred out by the embargo and licensing commission will, nevertheless, come into the country in the shape of dyed goods and textiles, upon which articles there is no embargo nor licensing commission, but an ordinary tariff, and thereby, eventually, the domestic dye user and consumer will be deprived of his domestic market in many of his wares.

5. It will afford the opportunity to domestic dye manufacturers to establish a monopoly and to charge unreasonable and extortionate prices.

It goes without saying, of course, that the American dye manufacturing industry should be fostered and fully protected. All Americans are in hearty accord on this point. While not exactly a new industry, and while it was well developed and made highly profitable during the late war, its future should undoubtedly be properly cared for.

This appears to be most adequately done, however, in the tariff feature of the bill. The protective duties levied are most liberal, and certainly seem sufficiently high to afford ample protection to the industry when taken in connection with the undeniable facts that—

1. The industry, while a growing one, is not entirely new.
2. It has received a tremendous impetus during the war and since become quite robust and lucrative.
3. The capital, financial standing, prospectuses and reports of domestic dye manufacturing companies themselves, issued from time to time, show the industry is exceedingly prosperous, quite self-sustaining, and, indeed, self-satisfied, and well able to meet normal conditions.

It is respectfully submitted to the consideration of your committee, that, in addition to this most liberal tariff, it is entirely unnecessary to place in this bill the secondary protection of the absolute prohibition of the importation of all coal-tar products for the period of three years and the creation of a dye licensing commission to decide, in its discretion, whether or not there shall be any exception to such prohibition.

The main general objections to embargo and licensing, briefly summarized, are as follows:

1. The crying need of the times, as everybody knows, is for the lowering of the high cost of living. The setting up of an embargo and the creation of a dye licensing commission is a step in just the opposite direction. To levy a very high tariff on importations of coal-tar products, and then to follow this up by absolutely prohibiting the importations of such products unless passed upon and allowed by a dye licensing commission, is unmistakably a move toward greater expense in the business of any industry having the need of the use of those products.

It not only is an open invitation to American dye manufacturers to raise the price of their products, as well as to lower their quality, but furnishes an excuse and a pretense to those who must employ dyes in their business to elevate the selling price of their goods to the public, and everyone knows that such elevation is always out of proportion to the increase in the price of materials entering into the fabrication of such goods. It is cumulative in its effect and the good old public always pays the bill. While the price paid for the dye used in manufacturing an article is only a fraction of its cost to the public, and in many cases a small fraction, yet the fact remains that it is still a part of the cost; and, in the case of cheaper and more commonly used articles, it is a much larger fraction than in high-priced goods and articles of luxury. If, ordinarily, any importations of coal-tar products ever get by the extraordinarily high tariff, provided for in this bill, there surely must be some good and sufficient economic or industrial reason therefor, without the necessity of any dye-licensing commission to pass on the propriety or necessity therefor.

The whole world is now girding its loins for the most intensive economical struggle it probably has ever known, in which industrial rivalry and business competition will be most keen. The sooner we realize it, prepare for it, and get down to brass tacks, the better. One thing is sure, we can not fatten off each other indefinitely. So far from coddling and favoring and protecting to the point of atrophy any particular industry in this country at the expense of other industries, what we need most to-day are incentives for higher, broader, cheaper, and sounder commercial enterprise and production.

2. Next to lowering the high cost of living, and, perhaps, just as important and closely related thereto, is the dire need to simplify in every possible way the American business man's way of doing legitimate business. There are already so many commissions, bureaus, and departments holding sway over him, together with statutes and laws regulating business, that it has actually come to the point where no one really knows what is the proper business law and rule to-day; business men are becoming more and more vexed, uncertain, and confused, are virtually at sea as to what proper step to take or if any step at all is to be taken in regard to many details of business, and industrial chaos threatens as the direct result. To add still another commission, which would hold sway over an important branch of business, with all its necessary rules, regulations, red tape, and decisions, would be merely to add to this confusion and indecision.

Surely the Federal Trade Commission, the Departments of Labor and Commerce, the reparation commission, together with the Clayton Act, the Sherman antitrust law, the Lever Act, the antidumping laws, and other laws now in force and under consideration are sufficient to take care of this situation. The American business man in order to succeed must have freedom from restraint and interference and simplification of method and procedure.

3. Proceedings by business men before this proposed commission will necessarily be cumbersome, embarrassing, entangling, uncertain, unsatisfactory, disturbing, burdensome, and probably expensive to a prohibitive degree. It will act as an artificial restraint upon legitimate business, and the ordinary American business man, trying to do business in a lawful, sensible, and economic way, can not fail to regard it as a

millstone about his neck, entirely unjustifiable and intolerable. Action before this commission, taking into consideration the American business man's experience before other bureaus and commissions and under the laws now in force, must of its very nature be surrounded and engulfed by red tape, restrictions, uncertainty, confusion and hamperings, needless expense, loss of time and loss of business, and business precariousness of every sort and description, and it is bound to inevitably lead to endless confusion, inconvenience, deception, the betrayal of business and trade secrets and resultant dissatisfaction, bitterness, privation, and loss.

The commission will act as a court. As such, of course, it would exercise its inherent right, and is directed so to do in the bill, to surround itself and hedge itself in with its own rules and methods of procedure, involving, undoubtedly, the necessity of petitioners appearing before it, either in person or by counsel, extensive, more or less complicated, and perhaps costly hearings, deliberations, and possibly profuse, complex and clashing—with regard to the decisions of other bureaus—decisions to say nothing of the delay and probably ineptitude and needlessness and impracticability of the decision, when finally rendered, because of change of trade conditions, and other things. This, too, in face of the real necessity of the hour, in order to prevent industrial and economic distress and breakdown in this country, for laws which will simplify, clarify, unravel, and condense, not laws which will still further complicate, bewilder, strangle, and harass the American business man.

The practical effect of the establishment of this embargo and licensing commission will be to greatly discourage, and, to a very great degree, actually prohibit any importations and competitions. In fact, that is the real purpose of these provisions.

4. It would seem quite apparent that in the very nature of things this proposed dye-licensing commission will have to play favorites. That is to say, it will have to favor the domestic dye industry at the expense of all other industries. It will have to unduly favor individual dye manufacturers. Whatever the intention and ideas and motives of its projectors, it can not well avoid doing this, because of the character of its duties. Besides, it is common knowledge that all such commissions are run and dominated by one man or set of men, or certain influences behind a set of men, with a fixed policy which often has a controlling, selfish, narrow, biased, or egotistical stimulus. It is admittedly impossible to obtain for other business interests an equal voice and representation before such commission, or, even when represented, a complete and unbiased presentation of their particular business interests and business requirements and with which they are most vitally concerned. The domestic dye manufacturers will be always fully represented, and the commission therefore must resort in the majority of instances—perhaps in all—to favoring the dye manufacturers and special members thereof at the expense of other interests, or at least appearing to do so, and this must cause business losses and business inconvenience and harm and eventually result in the bitterest dissatisfaction and resultant grudges and reprisals, causing the commission to be regarded in this particular corner of the business world, whether justly or not, as a vent for petty spites and prejudices and as the vehicle for the exercise of business tyranny of various kinds.

It must be remembered that the offices and duties of this commission are clearly discretionary and are not mandatory (as contended for by some of its exponents).

The very language of the bill and the purpose of the creation of the commission show this. The construction of such words as "reasonable," "efficient," "substantial," etc., must be and is entirely discretionary, and yet probably the ordinary business men could not agree on their real meaning as applied to particular instances.

To say that the commission can be successfully mandamused is nonsense. A commission of this sort is necessarily discretionary in making and carrying out its edicts, because, if otherwise, the question at once arises, why the necessity for the establishment of the commission at all? The only true ministerial commission is a straight, up and down, out and out, clean-cut tariff measure, which, in its operation and application, knows no particular interest or set of men, plays no favorites, works automatically and equitably, and which everybody affected thereby knows about and understands, can make business plans in accordance therewith without the necessity of appearing before a commission composed of a body of human, fallible men, which, after hearing and deliberation, decide whether or not it will place a product in class A or class B, or retain it in either of these two classes.

5. Whatever the purpose, avowed or real, for the establishment of this Dye Licensing Commission, its effect must inevitably be to encourage and foster monopoly in the domestic dye manufacturing industry. It affords every facility and inducement to this end. It is class legislation of the most vicious kind, with the sure effect, whether so purposed and acknowledged or not, of selecting and favoring and abnormally shielding and prospering one class of business at the expense of and to the detriment of other classes. It is useless for its promoters and proponents to deny this, as any good, experienced

business man, by a careful analysis of such a commission's practical workings, can hardly fail to satisfactorily demonstrate. It is the inevitable result of the creation and required methods of the commission, its very essence, so to speak. In fact, the spokesman of the real advocates of this bill practically admits this truth. We have heard much of the arrogancy, the greed, the ruthlessness, and the grasping selfishness of the German, but those are more than equaled, and that in the most open and unblushing way, when we recall the testimony of Mr. Ironco du Pont who appeared as an advocate of this bill. He frankly stated that this bill is an embargo on foreign importations, that it is so intended, that two years duration is not long enough, that it should be 10 years, that, if he can have his way, it will be 10 years, and that the domestic dye manufacturer should be made exempt from the operation of the Sherman Anti-Trust Law (pages 161 to 167, hearings before Committee on Finance, 1919 and 1920). Surely this is the pinnacle of class feeling and class legislation.

This commission, if established, while acting as a restraint and a thorn in the side of the large manufacturer, will undoubtedly be a great hindrance and a decided menace to the very existence and business survival of the small manufacturer and the business man of little wealth and influence. It will stifle initiative, individuality and enterprise. It will serve to put a premium upon slothfulness, carelessness, indifference, corruption, wire-pulling, political deals, shoddy goods, unfair trade practices, bribery, incompleteness, lack of skill, poor workmanship and furnishing of substitutes, all tending toward trade repressing and depression, strangulation, contraction and cessation, in which, of course, the immediate business and industry concerned will suffer first, and the public be the final and largest loser.

6. The establishment of such a commission as this is an absolutely new untried venture in normal, peace time, American business and industrial life. It is an innovation, undesirable, experimental, uncalled for, hazardous and fraught with much peril both intrinsically and as a precedent. This commission, if created, makes the beginning of an entirely new order of things in the American business world, the significance of which is far-reaching, and the importance of which, in its possible and potential results, can hardly be underestimated. And this without any real need therefor having been shown.

The query at once arises, if a commission for coal-tar products, why not a commission for textiles, a commission for potash, a commission for manganese ore, a commission for porcelain, a commission for wool, a commission for one and ten thousand other things, which are imported into this country, or which could be imported into this country, and which, undoubtedly, as necessities, should be allowed to be imported into this country, under certain conditions, with the American manufacturer properly protected by a tariff.

A specious argument in favor of the establishment of this dye-licensing commission has been advanced based upon the English licensing system. But widely differing and qualifying conditions in that free-trade country and ours, as has been shown and explained, and are well known and understood, prevent any real analogy, and careful analysis of such argument completely destroys its cogency and applicability.

The truth of the matter seems to be that the establishment of commissions such as this is only justified (if justifiable at all) in war times or some such national crisis. In normal times they should be distinctly frowned upon and avoided. At the present time no sound excuses and reasons can be given for the setting up of such a commission.

7. It would be palpably unfair to American textile and other business interests, dye users, to establish a licensing commission to hold arbitrary sway over the importation of needed dyes, not manufactured here, and at the same time permit without restriction, scrutiny, or limitation (other than a tariff) the importation of foreign manufactured textiles and other goods, dyed with these very dyes sought by the American manufacturer but denied him by the commission. The prohibited dyes would be brought in in the shape of dyed goods, and the purpose of the act defeated but at the expense of the American textile man. In many instances the American manufacturer only after years of arduous effort has succeeded in supplanting foreign-made goods by those of domestic make. He has only succeeded in doing this because he has educated the public, by a tedious process, to the fact that the domestic article is just as good as the foreign one. If the American manufacturer can no longer obtain the fast and brilliant dyes, the delicate and the varying shades and tints, his wares are not as good or as desirable or as attractive as those of the foreigner who is allowed to compete with him in the home market subject only to tariff duties. The public will gradually, perhaps rapidly in some cases, become aware of this fact. Away goes the domestic market for the domestic manufacturer. The work of years is undone in a very brief time. Once lost, even when he is again afforded the opportunity to get dyes, and all the dyes, just as good as the foreigner has access to, it will take the American manufacturer many years to regain his foot hold in the domestic market.

Again, a very strong reason for opposition to the establishment of this proposed embargo and dye-licensing commission is the undoubted fact that it would prove a grave impediment to the expansion of our export trade.

American textile interests, as we all know, have for a long time been seeking to break into foreign markets. The recent war gave them their much-sought opportunity and they were making some headway in this direction.

For instance, the hosiery people in 1919 exported over 120,000,000 dozen pairs of stockings and socks, valued at over $40,000,000, to Belgium, Norway, Denmark, Sweden, France, Greece, Turkey, Italy, England, Canada, Mexico, Argentina, and other South American countries.

In order to gain headway in, or even hold, this market, it is of vital importance to them that they have here, the place of manufacture, a free, open, equal facility to obtain in the public market the best dyes of every possible shade, hue, grade, and description, absolutely fast to light, water, bleaching, and washing.

If they are unable to do this—if this facility is taken away from them—they will be obliged to turn out inferior qualities of goods, their foreign competitors will outstrip them, and they will lose their foreign markets; and, in addition, with shoddy and inferior goods, dyed with poor and fugitive dyes, will be utterly unable to hold the domestic market against the importations of foreign-made goods dyed with the best and fast dyes.

It would seem quite obvious that this proposed embargo and dye-licensing commission would deprive them of this equal chance and facility, or at least render the obtaining of these required dyes so hazardous and cumbersome and expensive as to fatally handicap those textile people in their endeavors to obtain and retain foreign markets for their productions.

The textile people are perfectly willing to attempt to retain and build up a foreign market for their wares with a high and liberal tariff on all dye importations in order to adequately foster and protect the American dye-manufacturing industry; but to ask them in addition to this to endure an embargo and dye-licensing commission they believe is going a step too far and making the burden too great for them, needlessly, discriminatingly, and invidiously.

9. As plainly evidenced by the demoralized conditions of our foreign exchange and the statements of our international bankers, a great economic problem now confronts the United States because of the changed conditions brought about by the war. Not as the result of our own wish or purpose, but because of forces outside of and greater than ourselves, we have become a world power, with our interests to an unprecedented degree intertwined with those of other nations. We can no longer take a narrow and isolated position and assume to view the affairs and happenings of the world from afar. We are part and parcel of the whole great world, and economically and industrially a very great part. In this corresponding degree, therefore, we must realize that the welfare of the world is bound together, and that which adversely affects one nation affects all.

From a debtor nation we have changed in a very few years to a great creditor nation. Our national policy must, therefore, likewise change. We can not hope to ever secure the return of our huge credits except at least to a degree, by encouraging trade from and with our debtor nations. As a creditor nation we have a deep interest in promoting the prosperity and enlarging the earning capacity of those nations which owe us money in order that they may enjoy at least difficult prosperity to enable them to pay us principal and interest. Foreign trade is essentially an exchange of commodities. One nation can not continue to sell to another without reciprocally buying from it. Continued sales without corresponding purchases would in time withdraw all the gold from the purchasing country, so that it must cease to be a purchaser and in time national bankruptcy would ensue. Long-time credit merely means that the debtor nation has a longer period in which to pay the creditor nation in goods.

Germany, as well as France and England, are now debtor nations to us.

The question at once arises, If we are not going to allow them to discharge their debts to us by selling us something we require here and don't make here ourselves, where then are we going to begin? If we don't take from them the dyes and chemicals we must and should have and which we have not yet learned to make ourselves, what articles of commerce do we intend to permit them to import, and how are we ever going to have our tremendous indebtedness liquidated?

How are we going to stimulate and preserve our export trade in the goods we do manufacture if we do not allow foreign nations to establish credit with us by sending and selling us certain articles which they make and we do not?

10. Finally, these provisions, if enacted into law, would plainly go contrary to the sound economic trend of the times and put the Government back into business again. Every possible effort is now being made to get business back to a private basis and out of the hands and direct control of the Government. Everyone is sick

and tired of this costly experiment made during the war. America has had enough of it—at least for the time being. These provisions of embargo and a licensing commission, if they became a law, would necessitate the establishment of a separate governmental bureau for the purpose of having hearings and appearances, making edicts, promulgating rules, issuing and scrutinizing orders, establishing and publishing lists, and overseeing and keeping in touch with this particular industry in general.

With its necessary and accompanying system of checks and balances, comparisons, and corrections, verifications and follow-ups, statements and affidavits, petitions and permits, regulations and rules, and what not else which would be required, it would put the Government back into business with a rush.

One of two things is sure, if embargo and licensing commission became the law in the dye manufacturing business, in its practical enforcement, it would either be a screaming farce and add to the general contempt of Government bureaus and agencies, or else, if taken seriously and honestly and carefully administered, would become a burden to and a thorn in the side of the ordinary business man, a user and consumer of dyes.

We have already too many laws upon our statute books, and need no more of them. We plead with our legislators to enact no more such laws. There is already in this country too much contempt and too great indifference to what are regarded, whether justly or not, as useless and unduly restrictive and harrassing laws.

Probably the most demoralizing and dangerous thing in this country to-day is the daily spectacle of law-evading persons becoming wealthy and prosperous, with full immunity from the law, while the ordinary, honest, decent citizen can hardly get along and pay his taxes. The other day it developed in Philadelphia that a saloon keeper in the outskirts of the city, whose license had been revoked many months ago, had become so wealthy that within the last six months he had purchased outright some 60 properties and 2 automobiles. And he has not even been charged with a crime. I could mention many more such examples, for they are by no means isolated, as many of us know.

We want no more such laws—for the good of our entire country. These provisions, if attempted to be legalized, are rife with danger, because of their burdensomeness and impracticability.

By enacting such laws you merely serve the purpose of bringing law in general into disrepute; you make all laws and enforcement of law a laughing stock; and history shows that when these things occur chaos and debacle ensue.

The great need of the country to-day is for some legislation such as can be readily understood and obeyed and is practical of enforcement. If a continuance is made of passing unusual and freak legislation, one of two things seems likely to happen—you will either impoverish and almost drive crazy the honest portion of the people who try to fathom and obey the laws, or else there is going to be a saturnalia of law evasion and crime, such as the country never knew before.

11. Just at the present time the country is in the throes of a business and financial depression. Many people are suffering extremely hard times, and much unemployment exists. Every effort is being made to bring down wages and other costs of production, so that industry may start up again from a stable, firm, secure basis.

In line with this condition of affairs the President of the United States found it necessary the other day to deliver a personal message to Congress to the effect that the financial condition of the country would not, at least at the present time, permit of bonus legislation for the men who fought in the late war.

If embargo and dye licensing are enacted into law, which confessedly will benefit a comparatively small and select class of men at the expense of the rest of the country—a class and a special industry which everybody knows made extraordinarily large profits during the period of the war—how can we square such action with those other efforts of the Government and of the country as a whole to bring all classes back to a solid foundation of thrift, economy, application, and unselfish striving? Would such an action be consistent, and could it be justified?

PRACTICAL WORKINGS OF THE DYE-EMBARGO AND DYE-LICENSING COMMISSION IF ENACTED INTO LAW.

The language of the bill is (or was):

"The United States Tariff Commission shall, as soon as may be, proceed to a determination of the products which, under the foregoing definitions, are included in class A, and publish a list thereof. This list shall be revised as and whenever said commission may deem necessary," etc.

And, "No product while included in class A * * * shall be delivered from customs custody in the United States, or in any of its possessions." etc.

Hence the policy governing and swaying the commission—the very fundamental idea of its existence, as a dye commission, the preconceived and firmly established notion and predominating thought in the minds of the commissioners composing it, will be that it is established for the purpose of preventing importation of coal-tar products into the United States.

Based upon this primary purpose of the bill itself, this dye licensing commission will necessarily be controlled by a fixed policy of hostility and opposition toward anyone appearing before it for the purpose of removing dyes from class A, the inhibited list, and of securing a permit or license to import supposedly necessary dyes not made here. Its whole attitude toward textile interests will be very decidedly that of the gentleman from Missouri.

By the very terms of its existence, doubtless by all its rulings and decisions, the methods of procedure before it, which it will prescribe, and which, of course, will be more or less complicated, and must be vexatious, oppressive, embarassing and uncertain to the honest and truthful petitioner appearing before it, this commission, in the very nature of its creation and surroundings, must act and proceed upon the presumption that no importations of coal-tar products are necessary or should be allowed.

In order to overcome this presumption and secure a permit or license from the commission for importations of coal-tar products, placed at a disadvantage as he must be by whatever rules of procedure, harassing and complex, the commission may promulgate, (as is its inherent, self-governing right, and as it is directed and authorized by the bill itself to do) any petitioner to remove a product from class A and obtain a license to import must, by the rule of burden of proof, produce an overwhelming, predominating and preponderating mass and weight of evidence and proof, sufficient to move the minds of the commissioners out of their accustomed grooves and convince their reason of the necessity for the removal and issuance of the asked for license.

This will be no easy task. In many, if not most cases, the difficulties will appear pretty nearly insuperable to the average mill man.

Thus, the commission, sitting as judge, jury, and prosecuting attorney, hears, weighs, and deliberates upon the evidence, for any length of time it deems necessary, and continues, postpones, and concludes hearings, reopens hearings, rehears evidence and additional testimony, asks for briefs to be filed, etc., and then at last gives a dicision.

It is true that the bill says "Thereupon the commission shall make its determination without delay."

But what does this mean? Nothing at all. It is a pure surplusage—"bunk," in the language of the street. For who shall determine what is "delay" or how long is a reasonable time? Why the commission, of course. Its members could be held accountable only for a very obvious or violent abuse of the taking of sufficient time to fully consider the evidence and the entering of a decision. And, in case of such abuse, who could undertake to hold the commission accountable? Certainly not the textile man. He has troubles enough of his own in his ordinary business relations, and probably long before the decision, if delayed, came out, he had given up all ideas and hopes or ever getting his desired dyes, if, indeed, they would be of any use to him then, should he happily receive permission to try to obtain them.

Based upon the past experiences of the millmen, the leather manufacturers, and others, in trying to secure licenses from the War Trade Board, and applying these experiences to the language of the present bill, the entire period elapsing from the filing of the application to the granting of the permit, in any case where there would be any opposition whatever from the dye manufacturers (and we can take it for granted that there would be such opposition in the vast majority of cases, and strenuous and prolonged opposition in many cases) would be not less than three months, and often longer. Certainly this is a sufficient length of time to make any textile manufacturer hesitate, become dubious, and look longingly at any spurious or inferior dyes in the domestic market, debating whether or not he can work them off on a credulous public, and thereby save himself the certain loss of time, money, patience, and energy caused by a contest before the commission.

And this is the very purpose of the bill, and what Mr. du Pont meant when he testified before this committee a year and three-quarters ago that "To call this bill a licensing bill is a misnomer. It is substantially an embargo, and is so intended."

For, it must be remembered, that even after all this lapse of time in securing the permit, this uncertainty, this trouble, and expenditure of time and money, and probable deferring of business plans, if the textile man is lucky enough to get a favorable decision, he has still to get his dyes, which will probably take two or three weeks longer.

The bill provides that class A "shall comprise all of such products which are obtainable in the United States on reasonable terms as to quality, price, and delivery."

It then proceeds to give alleged definitions of what are reasonable terms as to quality, price, and delivery. But these are necessarily most indefinite, vague, unsatisfactory, inclusive and susceptible of many and differing interpretations. The free use of the terms "substantially," "considering always the purpose," "sufficient to insure the maintenance," "an efficient plant," "substantial commercial scale," "reasonable time," "sufficient to supply," etc., all go to show that everything really is left to the judgment and discretion of the commission.

The commission determines all these things. The responsibility is wholly the commission's, and no outside reasonable person presenting facts in favor of excluding a product from class A and granting a permit to import may be heard; under the terms of the bill, the commission is not bound thereby, and may believe slight evidence to the contrary, give the benefit of the doubt to the dye manufacturer, and decide against exclusion and the issuing of the license, and do so without any risk of being legally held arbitrary or despotic.

From such a decision there is absolutely no appeal or any chance of reversal or redress whatever, however injured the textile man may consider himself and his business to be thereby.

This is not said with the idea of casting any reflection thereby on the integrity of the commission, since the commissioners may act in perfect good faith, with a full desire to fulfill their duties, and still, in the natural, regular legitimate workings of the commission, the textile supplicant for dye clemency may suffer the grossest injury without any just ground for charges against the commission of negligence, indifference, bias, or malign influence.

Aside from this, too, the necessity, in any action, application, or petition before the commission, for the betrayal and disclosure of trade secrets, business plans, and campaigns on the part of textile men which will serve to enlighten and benefit their business rivals will probably be such as to act as a great deterrent—in fact, almost a prohibition—to any sensible, careful, prudent business man appearing before the commission in this capacity, except as a final resort to save his business from impending disaster and collapse and where he can no longer stave off the inevitable. Likewise, all these provisions of the bill are predicated upon the requirement and supposition that every business man is able and has sufficient business acumen and mental agility to read business signs and omens aright and with unerring infallibility many months in advance.

In many instances this is not possible, especially with the smaller mills that follow the larger ones in style and finish.

On the other hand, the domestic dye manufacturing interests are perpetually and fully represented in all their rights and equities before the commission. They have merely to sit tight and put the entire burden on the millmen, the consumer, and the user.

In view of all these circumstances, facts, and conditions, can it be doubted for one moment that, neither in its attitude nor in its practical operation, is it possible for this proposed dye licensing commission to be perfectly fair, neutral, equitable, or impartial to the users and consumers of dyes and coal-tar products?

Can it then be successfully contended that the conception of this scheme of protection is just, proper, economic, sound, satisfactory, or American?

Can it be properly termed, therefore, other than class legislation of the most flagrant sort, and an unlawful, bold, arrogant, and pernicious attempt, under cover of various excuses, including patriotism, to bestow special privilege and overwhelming benefit and advantage upon one small, select, exclusive manufacturing interest at the expense of, and to the very decided detriment and hindrance of, all other manufacturing, industrial, and business interests, and of the general public?

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LETTERS OF PROTEST.

W. J. BUDGELL & SONS (INC.),
*Peabody, Mass., July 28, 1921.*

Hon. BOIES PENROSE,
*Chairman Senate Finance Committee, Washington, D. C.*

DEAR SIR: During the past two years when the tariff on coal-tar dyestuffs has been considered in Washington we have, in a modest way from time to time, made protests against anything like license and embargo for foreign dyes. It was certainly very gratifying to us that the House of Representatives eliminated from the bill everything pertaining to license and embargo.

We understand, however, that the large American dyestuff manufacturers are endeavoring to have the Senate put this objectionable feature back into the bill,

and we feel that we must write again in protest of this, as all users of dyestuffs would be seriously handicapped if their interests are jeopardized by such drastic legislation.

As regards the duty that will finally be selected to give the domestic dye manufacturer adequate protection, to which he is entitled, we trust the same will not only be fair to them but to all users of dyestuffs as well. Leather goods are constantly coming into this country with foreign dyes in them, such dyes being undoubtedly sold abroad at competitive prices and our goods are made up into various articles by people who we sell and who are in competition with foreign manufacturers of leather goods in this country as well as other countries. It would therefore seem that while adequate protection to the American manufacturer is the proper thing to do, this protection should not be made so high that it would jeopardize the business as conducted by all concerns who use dyestuffs in their products for the above-mentioned reasons.

Yours, very truly,

FRANK W. BUDGELL.

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GLEASONDALE, MASS.

The CHAIRMAN FINANCE COMMITTEE,
*United States Senate, Washington, D. C.*

HONORABLE SIR: We briefly call attention to the dyestuff schedule of tariff bill, now being discussed at public hearings before your honorable board, voicing our protest against the embargo and license, American valuation and specific rate clauses.

It is necessary for the American manufacturer of textiles to be able to secure dyestuffs of fastness, uniformity and in sufficient quantities to compete in the world markets and to incorporate in our tariff bill the above-mentioned clauses, in our opinion, and certainly in our particular branch would be a detriment to our industry.

Respectfully, yours,

GLEASONDALE WOOLEN MILLS,
CHARLES E. ROBERTS, *Treasurer*

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PHILADELPHIA, PA., *July 27, 1921*

Mr. GEORGE DEMMING,
*National Association Hosiery and Underwear Manufacturers,*
*Philadelphia, Pa.*

DEAR SIR: If you have an opportunity to act as spokesman for the dye consumers, you may please say for us that we favor legislation protecting the American industry to an extent that will permit its complete development in all lines and at prices which will not place an undue burden upon the consumer.

We consider that the embargo would be unjust to the consumer and not necessary to the proper development of the manufacture of dyes, and that the well-tried principles of protective tariff can be applied so as to develop home industries and at the same time prevent an extortionate monopoly.

Yours, very truly,

C. H. MASLAND & SONS (INC.),
C. W. MASLAND.

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EAST PEPPERELL, MASS., *July 29, 1921.*

Hon. BOIES PENROSE,
*Chairman Finance Committee, United States Senate.*

DEAR SIR: We trust that the embargo clause of the chemical and dye section of H. R. 7456 which was recently rejected by vote of the House will not be placed in this bill again by your committee. Any embargo or license would be injurious to the public and very disastrous to the consumer of dyestuffs.

We believe this country is entitled to receive the best and fastest colorings. An embargo on dyestuffs would prevent this and tend to create a monopoly.

The duty on dyes we understand to be 7 cents per pound and 35 per cent ad valorem, or an increase of about 280 per cent over the duty in force prior to the war. We consider this ample protection for the domestic industry.

Yours, very truly,

PEPPERELL CARD & PAPER CO.,
RAINSFORD DEWARE,
*President and Treasurer.*

PHILADELPHIA, *August 1, 1921.*

Mr. C. B. CARTER,
*Secretary National Hosiery and Underwear Manufacturers' Association,*
*Philadelphia.*

DEAR SIR: We beg to advise that we are heartily in favor of your movement to remove unnecessary and hampering restrictions which are at present binding textile manufacturers in the importation of dyestuffs where no satisfactory substitute is furnished by American chemical houses. This is particularly the case in connection with indanthrene colors.

Trusting you may be successful in your efforts, we are,

Very truly, yours,

JACOB MILLER SONS & CO.

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PHILADELPHIA, PA., *July 28, 1921.*

Mr. GEORGE DEMMING,
*National Association of Hosiery and Underwear Manufacturers,*
*Philadelphia, Pa.*

DEAR SIR: We understand the tariff bill is to come up before the Senate on Friday. We wish to make a strong protest against the embargo feature of dyestuff section. We do not care how high the tariff is made, just so, that when necessary, we can obtain foreign dyes in a hurry. Under the present licensing system we are subjected to a delay of from four to six months and often the demand has temporarily fallen off when they do arrive. We have a concrete example. Last year we obtained license from the War Trade Board, early in June, for the import of about $22,500 worth of foreign dyes. These did not arrive until the end of November. In the meantime the demand had fallen off, and we still have this amount on hand.

Wherever possible we use American dyes and have found them very satisfactory, but they do not cover the whole range, and until they do it is suicidal to talk embargo.

Trusting you will give this your earnest attention and influence, we beg to remain,

Yours, very truly,

SAUQUOIT SILK MANUFACTURING CO.,
H. W. INSKEIP, *Superintendent.*

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PHILADELPHIA, PA., *July 27, 1921.*

Mr. GEORGE DEMMING,
*National Association of Hosiery and Underwear Manufacturers,*
*Philadelphia, Pa.*

DEAR SIR: We are very much opposed to the proposed dyestuff licensing and embargo section of the permanent tariff bill and hope that the removal of same from the bill by the House will be sustained by the Senate.

Protection is surely needed by all industries, including the American manufacturers of dyestuffs, and, in our opinion, that protection should be in the form of tariff rates. To place an absolute embargo on a necessary dyestuff is to give the domestic manufacturer of that color an advantage which, in some cases, would be paramount to a monopoly.

A short time ago we endeavored to secure an import license for some patent blue, of which color we are very large users. Such a permit was refused by the War Trade Board and we were referred to certain firms which when applied to answered that they did not have any substitute for the color we were endeavoring to secure. In fact, as far as we know, the National Aniline & Chemical Co., is the only domestic concern making patent blue and their price, we believe, at present is $5 per pound. German patent blue of equal strength can be purchased in Canada for $1.41 per pound.

At the present time there is a limited amount of Swiss patent blue available, but as this is also on the embargo list it would not be available after the present supply is consumed, unless the embargo is removed. With the Swiss, German, and all other patent blues removed from the market it is not likely that domestic manufacturers of this color would reduce their prices.

At this time, when the demand for lower price is so insistent and when manufacturers are striving to lower their cost in every way, they are confronted with the embargo and licensing idea, which if passed will make an additional burden of an unnecessarily high dyestuff cost.

Very truly, yours,

PENNSYLVANIA AXMINSTER CARPET CORPORATION,
H. WICKERMAN, *Vice President.*

JOSEPH GREER (INC.),
*Frankford, Philadelphia, July 28, 1921.*

Mr. GEORGE DEMMING,
*Care National Association of Hosiery and Underwear Manufacturers,*
*Philadelphia, Pa.*

DEAR SIR: According to our experience, any system controlling the imports of dyestuffs is most damaging to our business. We had an experience, not long ago, where we turned out several thousand pieces of a particular shade, with domestic colors, simply because we could not wait to get imported colors. The domestic product was not fast; it faded very badly, and we had to make substantial allowances to all our customers. Not only did we lose money that was paid for the allowances, but the reputation of our goods also suffered materially. Had the imported colors been available, and could we have used those which we knew by experience to be satisfactory, this trouble would never have occurred. Since then, we are forced to import, and now that the colors are here, we have no business, only a stock of high-priced dyestuffs. It is impossible for us, or any other manufacturer, to look ahead and decide what colors and what quantities of those colors, we will need.

Possibly were we running on staple colors exclusively it might be easier, but we feel our troubles as manufacturers are more than sufficient these times without the added burden of worrying about our supply of dye stuffs, simply because they are not freely available. Our buyers all demand cheaper fabrics and lower prices, but the dyestuffs have not come down in the same degree. We believe that the question of dyestuffs is a very sore spot with most manufacturers.

Yours, very truly,

JOSEPH J. GREER, *President.*

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PHILADELPHIA, PA., *July 28, 1921.*

Mr. GEORGE DEMMING,
*National Association of Hosiery and Underwear Manufacturers,*
*Philadelphia, Pa.*

DEAR SIR: We use, from time to time, eosine, which is made in Germany. This we have imported on the authority of an import license. We have found no domestic product which answers our purpose at all.

We also find it necessary to import crystal violet highly concentrated, which is used for certain copying, duplicator, hectograph, and rapid roller process typewriter ribbons, as the best domestic crystal violet article made which we have been able to obtain is no more than half strength and will not produce the required results. In other words, high-grade typewriter ribbons can not be made from domestic colors as now produced.

It is impossible for us to estimate the amount of this product we will need in a given time; consequently when we apply for an import license for a six months' supply it must be largely by guess, and we either import more than we need or not enough.

We believe in tariff rates which protect the American manufacturers of dyestuff, but most assuredly do not approve of a license and embargo system which is such a handicap to all users of colors.

Yours, very truly,

U. S. TYPEWRITER RIBBON MANUFACTURING CO.,
CHAS. R. PALMER.

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PHILADELPHIA, PA., *July 27, 1921.*

Mr. GEO. DEMMING,
*National Association of Hosiery and Underwear Manufacturers,*
*Philadelphia, Pa.*

DEAR SIR: We are manufacturers of cotton pile fabrics which are used for portières, and for which it is necessary to have the highest possible degree of light fastness, at a dyeing cost not too high in comparison with the cost of the goods.

We have therefore picked out certain direct colors which are quite satisfactory in this regard. We are using all the domestic colors which are good enough for the above purpose, but we have to use a number of imported Swiss colors in order to complete our color line. If the proposed embargo and licensing system is made a part of the permanent tariff bill, it will either be impossible for us to obtain these Swiss colors, or to obtain them only by affidavit or license.

Even if importation of all these Swiss colors should be permitted, the length of time necessary to import would make it necessary for us to carry an enormous stock in order to meet the demand for the different shades, which demand is impossible to foresee. For instance, if a large stock of dyestuff was not carried, we might have a demand for a shade on which was used a Swiss and a domestic color. Before the Swiss color could be imported the order would be canceled. In this way the use of domestic colors will be restricted by the lack of the foreign colors with which they are used.

To carry such a large stock of the foreign dyestuff as would be necessary in our case, would be, in our opinion, a most unjust burden.

We are strongly opposed, therefore, to a dyestuff embargo and licensing system, and believe that the necessary protection for the American manufacturer of dyestuff can be given by means of the tariff rates of the permanent tariff bill. We would then be able to buy colors as we needed them.

Yours, truly,

AMERICAN PILE FABRIC CO.,
J. A. SOMMER, *Secretary.*

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PHILADELPHIA, PA., *July 27, 1921.*

Mr. GEORGE DEMMING,
*National Association of Hosiery and Underwear Manufacturers,*
*Philadelphia, Pa.*

DEAR SIR: We are very glad to note that the House of Representatives took out the license feature from the tariff bill they passed last week, and trust that it will not be reinserted by the Senate.

Our business caters to the spinners of fast color yarns for men's wear and sweaters, and we are frequently embarrassed by our inability to supply the novelty effects in fast colors, which our customers require to compete with imported fabrics.

With much trouble and delay we managed to borrow the imported fast colors required to produce certain shades, but we do not like to see our business depend on mere luck. We have also placed orders for the importation of certain dyestuffs, but we shall have to wait six or eight weeks for them, and when they reach us the demand for the shades in which we expected to use them may have disappeared, while there may be an insistent demand for other shades which we can not dye for lack of the necessary fast colors.

Since the war the availability of Swiss dyestuffs has been a very important factor in our business, but as we understand, these are now to be placed under the same restrictions as the German colors, we shall then be in a worse position to accommodate our customers than we were during the war.

Yours, very truly,

JANERO DYE WORKS.
JOHN LINTON.

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FRANKFORD, PHILADELPHIA, *July 27, 1921.*

Mr. GEO. DEMMING,
*Care National Association of Hosiery and Underwear Manufacturers,*
*Philadelphia, Pa.*

DEAR SIR: Replying to your suggestion, would say that we are dyers of cotton yarns and warps for the trade. We do not know from day to day what orders will be received or what colors will be needed for our customers, which number upward of 200, cover various lines of materials. The demand to-day is for fast colors, and the trade wants these at lower prices than we have had in the past. We are, of necessity, compelled to import many of these fast colors, and the restrictions and delays give us more trouble than anything else. Prices are high, and we are afraid to order in quantity, and it is almost impossible to give our trade the service to which they have been accustomed. Often the demand has changed before a needed foreign color is received. The only way for a job dyer to do satisfactory business, both to himself and his customers, is to be able to draw any color which he may need from stock on short notice.

We thoroughly believe in a protective tariff and feel that the dye manufacturers will have ample protection in that manner. In our opinion, the dyestuff market is still on a speculative basis and the only thing that will bring it back to earth is competition.

The Swiss manufacturers have been helping us out with supplies of certain colors which were not made here, but the embargo and license restrictions wil l exclude

them the same as all other foreign dyes. This would, therefore, really make the situation worse than it is at present.

Yours, very truly,

GLOBE DYE WORKS CO.,
By DANIEL A. GREENWOOD,
*President.*

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FOLWELL BROS. & CO. (INC.),
*Philadelphia, June 20, 1921.*

Mr. GEORGE DEMMING, *Philadelphia, Pa.*

DEAR MR. DEMMING: Your letter received. From the best information that I have had I looked upon the Longworth bill as simply a protective tariff on dyestuffs and chemicals which would allow our manufacturers here to make dyestuffs in competition with any other country. This is certainly what we ought to have, as this country has all the raw materials to manufacture dyes.

My idea of a protective tariff is a tariff that will protect and give encouragement to make the goods in this country and let competition among the different dye manufacturers bring prices down to a reasonable basis. Protective tariffs in the past have done this and have been the means of bringing prices down much lower in the end than they could be imported for.

I do not want to see any absolute prohibitive measures passed, and if I am wrong in supporting the Longworth bill I would be only too happy to be corrected, as I do not believe in monopolies, but a tariff sufficient to encourage domestic manufacturers, and trust to competition to bring down prices to their proper basis.

I have no objection to you using this letter, for if I have indorsed any proposition different from the above I want to be corrected.

Truly, yours,

N. T. FOLWELL, *President.*

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PHILADELPHIA, PA., *July 25, 1921.*

Mr. GEORGE DEMMING,
*Care National Association of Hosiery and Underwear Manufacturers,*
*Philadelphia.*

DEAR SIR: Replying to your inquiry, would say that for the high-grade men's wear which we dye, as well as for other fast-color yarn, it is absolutely necessary to have a number of imported colors. Many we have been able to get on a license, but on others the license was refused. The trade that we supply demands and must have colors as fast and as level dyeing as any to be found on imported cloths and must have them also at about the same price levels. We have found the license system most objectionable and detrimental to our business. However, the absolute necessity of these dyes forces us to put up with the delays and other inconveniences, even at the expense of losing some customers.

One of the great objections we find is that the license system compels us to keep large stocks of expensive imported colors on hand so we can at least make an effort to meet all demands upon us. Our present imported stock, which is not nearly adequate represents an investment of $40,000 which is four times as much in value as our whole prewar stock of all colors, and when to these imported colors we add the value of our stock of domestic dyes at the tremendous increase over prewar figures our total stock reaches an appalling figure. Our trade is cutting costs in all directions in order to meet the foreign competition and they naturally demand corresponding reductions in the cost of dyeing prices which we find impossible largely because of the high prices of dyestuffs. In our dyeing we have to meet all competition both foreign and domestic, and we think it is about time the dyestuff makers should meet some, too.

They have had six years of high prices and license and now ought to be able to stand alone.

Yours, very truly,

HULTON DYEING CO.,
JAMES HULTON, Jr.

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PHILADELPHIA, PA., *August 2, 1921.*

Hon. BOIES PENROSE,
*Chairman Finance Committee, United States Senate.*

DEAR SENATOR: Referring to the proposed enactment of the new tariff bill, and as proposed by some, we would state that we are opposed to continuing the licensing and embargo feature so far as dyestuffs are concerned.

Our experience is that the time consumed, expense incurred, and uncertainty of procuring colors when we are in immediate need of them makes this feature of the dyestuffs part of the bill objectionable.

Yours, truly,

JOHN BROMLEY & SONS (INC.).

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NEW YORK, N. Y., *July 28, 1921.*

SENATE FINANCE COMMITTEE,
*United States Senate, Washington, D. C.*

GENTLEMEN: We understand that immediate consideration is to be given to the proposition to throw out the licensing system and embargo on imported dyestuffs.

We wish to go on record as emphasizing the importance of this move. We have in mind one instance of the application for license to import certain material not made here, and although actual orders had been booked for the disposal of the finished product made from this raw material, it was over two months before we were in possession of the raw materials themselves.

This sort of thing can have no other effect but a stifling of business along the lines above mentioned, and we believe that our citation is but one of thousands of others along similar lines.

We therefore trust that the contemplated action of eliminating the embargo and licensing feature from the tariff bill will be given the most favorable consideration.

Yours, very truly,

PAUL UHLICH & CO. (INC.).

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LOWELL, MASS., *July 28, 1921.*

HON. BOIES PENROSE,
*Chairman Finance Committee, Washington, D. C.*

DEAR SIR: I want to call your attention to the dyes section of the permanent tariff bill.

I protest against the embargo and license feature that was eliminated in the House and which, as I have heard, the dye manufacturers want reinstated by the Senate. Briefly my objections are:

1. I can not tell what colors I am going to need two months hence. I have to finish cloth for the trade on short notice.

2. I want to use the best colors, no odds where produced, for my competition will force me to this.

3. The financing of the importation of dyes should be borne by the importers and not the consumer. Six months' supply of color purchased for one run of goods would not fit another and different sort of goods, and six months' stock of colors will run into considerable money.

4. No other industry ever grew strong in this country except by the usual tariff protection. The rates of duty now left in the bill must be plenty protection. Alizarin red, prewar price of 15 cents, will be assessed 35 per cent, or 5¼ cents plus 7 cents per pound, or, in other words, 12¼ cents duty on a 15-cent color.

I notice some of the colors made here are sold in Canada at 95 cents, and the price on this side of the line is $2. In other words, I am put to a $1.05 disadvantage by the same manufacturers of color that want to shut all foreign competition off and keep our prices high enough so that they can market their colors abroad at prices which are denied the consumers here.

I can see that the color industry may need protection, but license and embargo are all wrong; tariff rates should not be higher than the difference in labor and costs would indicate were necessary for a flourishing business; surely the domestic color men do not need a monopoly to keep them in business.

I sincerely hope your committee will see to it that the license and embargo are kept out of the permanent tariff bill.

Yours, very truly,

LOWELL DYE WORKS,
F. V. HANSON, *Treasurer.*

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CORRESPONDENCE RELATING TO IMPORTATION OF DYES.

TREASURY DEPARTMENT,
DIVISION OF CUSTOMS, DYE AND CHEMICAL SECTION,
*August 1, 1921.*

MERRIMACK MANUFACTURING CO., *Lowell, Mass.*

GENTLEMEN: Please be advised that the application of I. Levinstein & Co., Boston, Mass., for a license for the importation of 500 pounds of Dianol fast red K dyes can

not receive approval, production reports indicating that the identical color is being successfully produced for commercial sale on reasonable terms by the National Aniline & Chemical Co., 21 Burling Slip, New York City.

If on test you find the domestic product unsatisfactory for your manufacture, a further statement may be made to this section in conformity with the provisions set forth in clause D, paragraph 7, of the attached T. D. 38716. A copy of this letter has this day been mailed to I. Levinstein & Co. for their information.

Very truly, yours,

T. S. DICKSON,
*Assistant Chief of Division of Customs.*

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TREASURY DEPARTMENT,
DIVISION OF CUSTOMS, DYE AND CHEMICAL SECTION,
*July 16, 1921.*

SLATERSVILLE FINISHING CO., *Slatersville, R. I.*

GENTLEMEN: Please be advised that the application of I. Levinstein & Co., Boston, Mass., for permission to import 500 pounds of Dianol fast red K for use in your manufacture can not receive approval, production reports indicating that a similar dye is being successfully produced on reasonable terms by the National Aniline & Chemical Co., 21 Burling Slip, New York, N. Y.

If on test you find the domestic product unsatisfactory for your manufacture, a further statement may be made in this section in conformity with the provisions in clause D, paragraph 7, of the rules, a copy of which is inclosed. A copy of this letter has this day been mailed to I. Levinstein & Co. for their information.

Very truly, yours,

T. S. DICKSON,
*Assistant Chief, Division of Customs, in Charge of Dye and Chemical Section.*

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TREASURY DEPARTMENT,
DIVISION OF CUSTOMS, DYE AND CHEMICAL SECTION,
*July 21, 1921.*

SLATERSVILLE FINISHING CO., *Slatersville, R. I.*

GENTLEMEN: Referring to the letter from the dye and chemical section, dated July 16, 1921, disapproving your application for permission to import Dianol fast red K dyes, please be advised that this section is in receipt of additional information indicating that the domestic product is not suitable for your particular manufacture, and accordingly license 209957 has this day been granted and mailed to I. Levinstein & Co., Boston, Mass., for the importation of 500 pounds of the foreign material for your use.

Very truly, yours,

DYE AND CHEMICAL SECTION.

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## BRIEF OF THE ABERFOYLE MANUFACTURING CO., CHESTER, PA.

CHESTER, PA., *August 2, 1921.*

Hon. BOIES PENROSE,
*Chairman Senate Finance Committee, Washington, D. C.*

DEAR SIR: I am taking the liberty of inclosing a statement which I have had prepared, and which I hoped to make before your committee.

As I understand the time is limited, I am sending it in the hope that you may find it of interest.

Very truly, yours,

ABERFOYLE MANUFACTURING CO.,
W. T. GALEY, JR., *Secretary.*

Mr. CHAIRMAN AND GENTLEMEN OF THE COMMITTEE: I want, first of all, to express my very deep appreciation of the opportunity you have given me of appearing here before you. Although, in what I shall have to say, I am expressing only my own opinions and representing only my own concern, I believe that I reflect the views of a great majority of those who are engaged in the same industry. I am a textile manufacturer and a large user of dyes. Therefore, I appear here in the rôle of a consumer.

For a ready and adequate supply of dyes, in fast colors and at fair prices, is an absolute necessity to the successful conduct of my business.

Also, I am a stanch protectionist. I believe in protection not only for my own industry, but for every other essential American industry which is confronted with foreign competition in the home market. But I am a believer in protection by tariff. I hold that view because of the absolute, irrefutable, and wholly tangible proofs that everywhere we have before us, showing that adequate tariff duties have been sufficient to protect, foster, encourage, and expand every key industry that we have in this country, no matter how long established or formidable the foreign competition against which they had to contend; and because of the further fact that no convincing proofs have been offered, either here or before the lower House, that the present rates incorporated in schedule 1 of the present tariff bill will not of themselves give to the American dye industry not only ample but unprecedented protection against all foreign competition, from whatever source. In brief, I believe that every American industry that is properly conducted, at fair and reasonable profits, not only ought to be, but can be, fully protected by tariff duties.

Therefore as a large user of dyes who seeks mere justice; and as a staunch protectionist attempting to prevent either an abandonment or abuse of that principle which, with few and brief interruptions, the people of this country have supported for a hundred years as a regulator, but not a destroyer of competition, I am here in unalterable opposition to any embargo upon dyes, such as the House recently eliminated from schedule 1 of the present tariff bill, and which the domestic dye manufacturers now are asking you to reinstate therein.

I am, however, fully aware of the spirit of justice in which this committee will weigh the respective contentions advanced in this case; and that to facilitate its conclusions it will desire reasons and facts, rather than mere petitions or opinions. As briefly, therefore, as the great scope of this question and my limited abilities will permit, I shall endeavor clearly and concisely to show:

(1) That any arbitrary regulation or restriction of dye imports would be monopolistic in its tendency and would impose drastic and even destructive hardships upon the domestic textile industry.

(2) That this hardship, inevitably taking the form of increased prices over which the textil manufacturer would have no control, and affecting practically every garment of wearing appearel, would extend to every family, rich and poor, thus not only inflicting a grave and unnecessary injustice upon the people at large, but serving entirely to defeat the Republican Party's recent campaign pledge of a general reduction of living costs.

(3) That by reason either of the lack of durable dyes to be had here, or the price at which, under noncompetitive conditions, they would have to be purchased, or both, the domestic manufacturer of finished or partly finished textiles would be placed at an unfair and wholly unwarranted disadvantage, both as to quality and price of his product, in competition with the foreign manufacturer of similar goods, to the infinite damage of one of the largest and most essential industries in this country.

(4) That the rate of tariff duties already provided in the dye schedule of this bill gives that industry far more than ample protection, and that under no just interpretation of the facts can the preservation and expansion of that industry be held to require such unprecedented legislation as is here proposed in a complete, or even partial, arbitrary exclusion of competitive products.

To revert now to the first of the findings which I hope to show, I want to state that I spoke advisedly when I said that any arbitrary regulation or restriction of dye imports would be monopolistic in its tendency. I call your attention, first, to the fact that all the evidence justifies the conclusion that this whole campaign for a dye embargo has been, and is being, financed by a very few of the largest and most powerful of the domestic dye manufacturers. Upon this point, I take it, there is no dispute. It is true that some of the smaller concerns (failing, I believe, to see the real significance of this legislative proposal) have added their voices to the petition. But I call your attention, second, to the fact that the rates in this new bill of 30 per cent ad valorem (American valuation) and 7 cents a pound specific upon intermediates are themselves practically prohibitive. And I want to recall to your minds third, the further and corelated and highly significant fact that according to the Tariff Commission's report there are only three or four of the larger dye manufacturers in this country who produce a full line of the needed intermediates.

Does anyone for a moment doubt that with the exclusion of all competitive dye imports, and prohibitive duties upon intermediates whose manufacture in this country is confined to three or four of the larger dye producers, we would wait long to see a speedy and complete elimination of the small and helpless independent, and a quick perfecting of the close monopoly of the domestic market, which must be what the financial backers of this proposed legislation seek? The smaller dye manufacturers

may be joined with the larger ones now in asking this embargo, but I thoroughly believe that if they would clearly see its inevitable effect of placing them between the inflated prices which, upon the one hand, they would have to charge as a result of exorbitant duties upon necessary intermediates, and the equally high prices which, upon the other, they would have to charge, as a result of purchasing their intermediate from the few domestic manufacturers controlling that production, they would be among the bitterest opponents of this proposal. For the coupling of an embargo on competitive dyes with the proposed ad valorem and specific duties on intermediates would be nothing less than presenting to the highly financed and powerfully organized few a two-way lever with which to crush the smaller independents and create an undisputed monopoly of the American market.

To take up the second phase of my first proposition, namely, that such a condition—that any arbitrary regulation or restriction of dye imports—would impose drastic, and even destructive, hardships upon the domestic textile industry, I shall not, at this time, go into the subject of what we textile men regard as the utter inadequacies of many, if not all, of the rates of duty provided in this bill for textile manufacturers. Suffice it to say here that even adequate duties are based entirely upon the difference in production costs, here and abroad. Suppose, then, that in the wise judgment of this committee, later indorsed by the Senate and concurred in by the House, the textile duties in this bill should be made adequate, according to all present conditions and the normal considerations which guide the drafting of tariff rates. Could such rates have any stability, or effective protection, if the production costs of the domestic textile manufacturer are to be made subject, not to declining prices, but to inevitable rising prices, upon an indispensable ingredient which has been afforded a price range uncontrolled by any foreign competition, or any law of economics?

It is a fact too well known to you gentlemen for me to have to stress it here, that there is no such thing as "partial protection." And I say to you frankly that I fail to see how such an utter inconsistency could be defended. To paraphrase a great American, we can not have in this country an economic system part tariff and part embargo.

It is my understanding that others who are to appear here, either before or after me, will submit in detail the statistical, protective, and price data to show not only the unwarranted burdens that this proposed embargo would impose, but also the absolute lack of any necessity for it as a means of protecting and fostering an American dye industry. Proofs, however, are not lacking to support my second proposition, namely, that these hardships, inevitably taking the form of increased prices over which the textile manufacturer would have no control, and affecting practically every garment of wearing apparel, would extend to every family, rich and poor. Published statements, which the advocates of this proposal have not been able to deny, show that on the very same domestic dyes that were made and sold in this country prior to the war at less than the imported competing dye could be sold here, the prices under the war-time and since-continuing embargo have advanced from 250 per cent to 444 per cent; while the domestic duplicates of colors imported before the war, but which since have not been permitted, are as much as 1,125 per cent higher in price than the prewar imported product. Need anything more specific be offered in support of the statement that wholly unnecessary and unwarranted price advances are the inevitable corollary of the arbitrary exclusion of competition? Or that embargo places a direct tax upon other industries and the people at large on behalf of special privilege for a single industry?

But if, as already has been indicated—and here I come to the third of my propositions—the effect of a dye embargo would be to give to the foreign textile manufacturers an unfair price advantage over the domestic producer, right in the American market, it would also, and just as inevitably give to the foreign manufacturer who has access to fast foreign dyes whose durability has not yet been duplicated here, an equally unfair advantage in quality of product. For, practically without regard to the fastness of the dye, the domestic mill would be restricted to the American product; and the American product, mind you, would face no foreign competition to compeuan improvement in its quality. To this merely may be added that in all textiles quality as well as price, and in many of them quality more than price (where proportional difference is not extreme) determine the acceptance or rejection of the product by the buying public. Can this Congress thus injure or jeopardize one of the foremost key industries of this Nation, upon which hundreds of thousands of our men and women depend for their livelihood?

I think when all the facts are analyzed my third proposition must be admitted; that by reason either of the lack of durable dyes to be had here, or the price at which, under noncompetitive conditions, they would have to be purchased, or both, the domestic manufacturer of finished or partly finished textiles would be placed at an

unfair and wholly unwarranted disadvantage, both as to quality and price of his product, in competition with the foreign manufacturer of similar goods, to the infinite damage of one of the largest and most essential industries in this country.

To come now to my fourth and final proposition, namely, that the rate of tariff duties already provided in the dye schedule of this bill give that industry far more than ample protection, and that under no just interpretation of the facts can the preservation and expansion of that industry be held to require such unprecedented legislation as is here proposed in a complete, or even partial, arbitrary exclusion of competitive products, I again refer to published statements which the advocates of this proposal have been unable to deny. As I have already said, it is my understanding that these facts will be presented by other witnesses in detailed or tabular form. I shall, therefore, merely summarize here.

What I am stating to you now is the percentage which tariff protection alone, as afforded by the rates of this proposed bill, will bear to the total selling price of the same product before the war.

On orange II the tariff protection at American valuation will be 190 per cent of the whole selling price in 1913; nigrosine, 116 per cent; direct black, 194 per cent; Zambesi black V, 256 per cent; indigo, 312 per cent; wool green S, 373 per cent; rhodamine B extra, 402 per cent.

In the face of irrefutable facts such as these it is mere dogma to declare that no tariff will protect the domestic dye industry. In this bill in its present form the American dye manufacturers have a protection which is almost prohibitive of imports, and doubtless will be quite prohibitive, so far as many colors are concerned. The American dye manufacturers can not, with any sense of justice, fairness, or equity, ask any greater protection than the bill before you will afford them, and it is my hope and belief that in view of all the facts Senator Moses will withdraw his proposed amendment, the substitute rates in which would act as a virtual embargo.

The domestic dye industry already has enjoyed an interrupted seven-year period of embargo, and under that unprecedented protection it has grown to vast size. It is backed by great wealth, has at its disposal unlimited natural resources, and is now producing most of the dyes that are made abroad. The bill before you gives to dye manufacturers a greater protection than any other American industry ever has enjoyed, and it can not any longer be contended that this industry is in any serious jeopardy from foreign competition. I have nothing but contempt for those who, for their own especial advantage, would commercialize patriotism; and the plea that an embargo is a necessity to that further development of the dye industry which would make it equal to the nation's war needs as a part of national defense, already has been so thoroughly exploded that I hardly think it necessary to touch further upon it here.

I desire only to say in conclusion, gentlemen, that the whole present tendency and desire of the American people is for an abandonment of the costly artificialities of war, of which this embargo is one; and for a deflation of all living costs to a minimum consistent with our industrial welfare and prosperity. I ask you, therefore, to defeat this special-privilege proposal which would foster monopoly, place intolerable burdens upon the domestic textile industry, and add to the cost of living of every American family.

I thank you for the time you have given me.

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[From the Textile Colorist, June, 1921.]

COMMUNICATION RELATING TO THE DYESTUFF TARIFF BILL.

LOWELL, MASS, *May 11, 1921.*

To the EDITOR OF THE TEXTILE COLORIST:

I have been much interested in reading the discussion on the dye license and embargo bill which has been running in your paper, and want to say at the outset that I am thoroughly opposed to any such scheme.

I am only a comparatively small consumer of dyestuffs and chemicals, and can not help but feel that my difficulties are typical of hundreds of others in the same position, and that some one should tell our troubles also. First, under the present working of this system, comes the question of cash; if I am to secure the benefits of the low-priced German dyes distributed by the Textile Alliance, much lower than I can get from the importers, I must put up the money with my order, or arrange a banker's credit—this may be easy enough for large and well established companies with ample credit, but is a serious obstacle for me, if not altogether impossible.

Suppose I place an order and am able to finance the payment as required, by the time the goods are delivered the call for these articles is quite likely gone, and I have my money tied up in dead stock, instead of available to buy other colors which may be running; and worse still, by the time the demand for these colors for which I have paid comes in again, the prices may have dropped materially and I face a further loss. If I could buy from the importer and he could deliver to me from stock, he would carry the burden and I could afford to pay some premium, because I would only buy enough for my immediate needs. A small consumer like myself lives on more or less specialty business; we can't compete on the big staple lines, but must make shades that follow the styles closely, changing at a moment's notice, making the odd and troublesome things that the big concern doesn't want to bother with—all this calls for dyes of various odd properties, very often just the ones that I need most are not procurable here and must be imported and I am continually in hot water. I wonder if anyone realizes that our domestic manufacturers, with all the progress they have made, are only trying to catch up with the situation as it was before the war; no doubt we were spoiled by the many new products and conveniences they afforded, but we had become used to having a dye suitable for nearly every purpose, and we miss them more now because we once had them available.

This license system has so often been spoken of as working smoothly and quickly and satisfactorily, but I am sure those who have had any experience with it will agree that it is a serious stumblingblock to normal business, keeps up our costs and delays deliveries, besides often losing us orders, and only tends to help the man who can afford to lay in and carry a large stock. Maybe again because I am a small consumer I hear more of my dyer's complaints and troubles. The public knows nothing of the boss dyer's troubles, the substitutions he is continually making, using colors for purposes for which they are not adapted because the ones he wants are so hard to get or not there when needed; and, of course, the product suffers in some respect; the dye may be fast to storing, by that I mean the color may fade after it is dyed, just lying in the box not exposed to air or sunlight, and if he is called upon to make that shade a month later the standard sample he matches to has changed, and of course the lot he then dyes is off shade. This is not a common trouble but often happens, especially with direct browns and oranges, and upsets the whole routine. Many of the designs and patterns made by our customers were based on the peculiar properties of certain dyestuffs, and it takes endless scheming and conniving to overcome their lack, if indeed it can be done at all. One could almost write a book on the boss dyer's troubles and yet he is the man who actually uses the colors and who really should be considered first of all; he works in a stuffy dyehouse, full of steam and wet, while some one else tells him what dyes he can and can not have. If those who make and administer the laws could only have the dyer's job for a few weeks we would have a different story.

Of course I am patriotic and want to use domestic colors but when I run into these difficulties and think they are placed there for the benefit of the manufacturer of dyes, and that he is primarily to blame for these restrictions, enthusiasm for the domestic dye maker who has caused me so much trouble grows cool. Normally I only want to be able to obtain freely and promptly those things which I can not obtain from the domestic maker, but if I am placed permanently at the disadvantage now experienced in getting such dyes in relatively small, but exceedingly important quantities, I will naturally feel too resentful to be longer interested in those domestic dyes which otherwise I would gladly use by preference. I want, and try, to give the domestic manufacturer the preference, and it seems very foolish on his part as the bulk business is his already, that he should hinder and annoy us with this embargo, doesn't he realize that by continually forcing one's attention to the things he can't get that he only makes them more desirable; in reality advertises the imported goods indirectly? It seems to me that as these colors that are used in large quantities are made here now, it will be impossible to import them again, if given a reasonable tariff protection, and surely the plant for making them is sufficient nucleus for all the poison gas and explosives we will ever need.

How many consumers have stopped to think how current prices vary and upset one's whole routine—for instance, before the war prices were fairly stable, the variation was almost always down, then came the war and dyeing soon jumped back 40 years; then came the anilines again and the dyer made up his combination shades from available colors. He soon finds one combination is cheapest and best for browns, another for navy, another for greens, etc., then along comes a new color and he changes his combination to use the newer and better product, or another color drops in price. Consequently it is cheaper than the old combination and another change is made, or again I am successful in importing some favorite color, still another change in combination, or possibly some color I am using is no longer made or the maker is oversold, or

if of Swiss manufacture, I must wait for a fresh shipment. Then follows another change, and so on until the boss dyer is nearly crazy; and every change in dyestuff means a change in the material dyed. For instance, a brown dyed with blue, red, and yellow will look different under gaslight from one dyed with green, red, and yellow, and will vary in different lights. You may get a match in the north light that looks miles off in another light.

Imagine the trouble if part of the different dyeings get in the same piece of goods. To-day it is cheaper and better to use blue, next week it may be cheaper and faster to use green, so if I am to turn out the best work, and make a profit, I must make these changes. Can anyone blame the dyer if he is peevish when his license is refused or he is compelled, for other reasons to worry along with products not adapted to the purpose? These are not exaggerated conditions, but are typical of what faces nowadays, especially the smaller consumers working close and on a small capital. Suppose I get an imported sample to duplicate and I have not got the colors, even a large mill can not carry them all—that is the importer's business—what happens? If my customers can not wait until I can import the colors, or if I can not finance the importation at that time, or if I am refused a license, I lose the business, and the work goes to some one else or the finished goods are again imported. It really seems to me that if the imports of dyes are to be licensed, imports of finished goods should also be licensed—it doesn't seem fair that the consumer of dyes should have all the trouble and carry the burden.

LOWELL DYE WORKS,
F. V. HANSON, *Treasurer.*

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[Advance proof of an article prepared for the July (1921) issue of the Knit Goods Bulletin, issued by the National Association of Hosiery and Underwear Manufacturers.]

ANALYSIS OF THE PROPOSED DYE AND CHEMICAL SCHEDULE.

The consumer of dyestuffs, to carry on his business in an efficient manner, must be able to provide himself with the dyestuffs which he needs readily and at all times, as his requirements present themselves. He must have at his command any and every dyestuff that is manufactured in any part of the world and be in a position to promptly utilize any new color that may be brought out anywhere. This is necessary so that he may furnish to the public the best goods that can be made, as good as any of his competitors, whether they are in this or foreign countries, and he must be able to improve his processes by utilizing such articles as give the best results for his particular work.

The prices of the dyes must be advantageous and compare favorably with those at which the dyes are furnished to consumers in his line in Canada, Europe, etc.

In analyzing this schedule, and its hitherto unheard-of proposals of embargo and license, it must be borne in mind that it was framed at the instigation of, and to protect, the domestic manufacturer of dyes—it is always necessary and under these circumstances particularly important to study its effects upon the public and the consumer of dyes. For convenience a brief summary of each clause is given, together with appropriate comment.

Paragraph 25: Dealing entirely with intermediates proposes a duty of 30 per cent ad valorem and 7 cents a pound (on American valuation).

Aside from the fact that herein is included some products which are used in the dyehouse and print shop, which, with the necessary development, make fast colors, and the fact that the proposed rates are a tremendous increase over previous bills, this is one of the most important clauses in the whole schedule. These prohibitive rates alone, practically exclude all importation of foreign intermediates and make the smaller domestic dye manufacturers absolutely dependent upon the few large manufacturers. A study of the Tariff Commission "Census of Dyes and Coal-Tar Chemicals" 1919, will very soon demonstrate that only three or four large manufacturers of intermediates now exist, and all the smaller manufacturers of dyes must go to one or the other of the three or four large manufacturers for absolutely essential raw materials—it is hardly human nature to expect the intermediate manufacturer, who is also a dye manufacturer, to sell his competitor any essential raw material at prices so low that he can undersell him in the finished product. Right here is a very potent opportunity for monopoly—these rates, aside from the license or embargo, prevent competition in the intermediates and through them tend to keep up our prices on domestic dyes. To put it another way, the opportunity given for control of intermediates tends to cut down domestic competition in the finished dye and

the license and embargo prevents the foreign competition in the finished product. These rates would work out as follows:

| | Prewar price. | Present domestic price. | Per cent increase. | 30 per cent duty. | Plus 7 cents specific makes total duty. | Per cent of present protection compared to prewar selling price. |
|---|---|---|---|---|---|---|
| Beta naphthol | $0.10 | $0.38 | 380 | $0.114 | $0.184 | 184 |
| Paranitraniline | .17 | .85 | 500 | .255 | .325 | 190 |
| Toluylenediamine | .35 | 1.15 | 328 | .345 | .415 | 118 |

Paragraph 26: Specifying all colors, dyes, color bases, and practically all synthetic dyestuffs, synthetic tanning materials, natural alizarine and indigo, and all explosives, except smokeless powder, a duty of 35 per cent ad valorem and 7 cents a pound (on American valuation).

This covers practically every known coal-tar dye and under the conditions mentioned the rates are in reality enormously increased as a few illustrations will show.

| | Prewar selling price. | | Present domestic price. | Per cent increase. | 35 per cent duty. | Plus 7 cents specific makes total duty. | Per cent of present protection compared to prewar selling price. |
|---|---|---|---|---|---|---|---|
| | Imported. | Domestic. | | | | | |
| Orange II | $0.13½ | $0.12 | $0.45 | 333 | $0.15¾ | $0.22¾ | 190 |
| Zambesi black V | .30 | ..... | 2.00 | 666 | .70 | .77 | 256 |
| Direct black single | .18 | .18 | .80 | 444 | .28 | .35 | 194 |
| Wool green S | .23 | ..... | 2.25 | 978 | .78¾ | .85¾ | 373 |
| Indigo | .16 | ..... | .50 | 312 | .17½ | .24½ | 153 |
| Nigrosine | .25 | .24 | .60 | 250 | .21 | .28 | 116 |
| Rhodamine B extra | .80 | ..... | 9.00 | 1,125 | 3.15 | 3.22 | 402 |

Paragraph 26: Also contains a standardization clause as follows: "The Secretary of the Treasury shall adopt a standard of strength for each dye or other article, which shall conform as nearly as practicable to the commercial strength in ordinary use in the United States prior to July 1, 1914," and further provides that the specific duty of 7 cents a pound shall vary with the strength of the dye, but in no case be less than 7 cents.

This is another joker, when one considers that, according to Dr. Norton, over 2,000 different dyes enter into international trade, and as different manufacturers marketed the same dye in the strength best suited to their working conditions, there were often three or four strengths of the same product sold. Now, how long will it take the Tariff Commission to establish the standard of strength for each of these 2,000 dyes? Can they do it before the three years expire? Suppose, as in the case of Rhodamine the single strength known as Rhodamine B is adopted as standard, then the "B Extra," which is five times as strong, will take a specific duty of five times 7 cents or 35 cents. So even the rate of duty rests, to some degree, in the hands of the Tariff Commission.

Paragraph 27: (a) Provides for two classes of products, class A containing everything obtainable in the United States on reasonable terms as to quality, price, and delivery, and class B, everything not in class A.

This is the basis for the embargo provision and brings up the indefinite clause "reasonable terms as to quality, price, and delivery." This clause was first understood to be used under War Trade Board regulations as a protection for the consumer, but was very soon interpreted only in the interests of the dye manufacturer. The clause, even as defined, is too indefinite to be used as the basis of a law.

(b) Reasonable terms as to quality—the Tariff Commission shall determine whether the color is of the same chemical composition, and will produce results substantially equal to the said product of foreign origin, when used in substantially the same manner as such product of foreign origin, considering always the purpose for which the product of domestic origin is intended to be used.

Any objection to this on the part of consumers will necessarily lead to detailing special and secret formula, etc., to the Tariff Commission, as, for instance, in the case of ink manufacturers, shoe polishes, and all kinds of textile dyeing and printing, especially for private processes, where mixed fibers are colored in one operation.

Reasonable terms as to price—the lowest price for the time being which the Tariff Commission will determine to be sufficient to insure the maintenance, in the United States, of the production of such products by an efficient plant, operating on a substantial commercial scale.

This is absolutely a price-fixing clause. If the Tariff Commission decides a certain price for an article is reasonable, it will take a pretty big overproduction to get other dye manufacturers to sell for much less. The clause also absolutely eliminates foreign competition. For instance, under these same rules now operated by the Chemical and Dye Section of the Treasury Department, rhodamine B Extra sells for $9 in the United States, and the foreign goods for $3.50 in Canada. Absolutely no consideration is given the consumer or the competition he must meet in foreign dyed textiles, both at home and abroad. As has been shown, green sunfast goods sold at retail for 90 cents a yard before the war, the dye in which cost 4¼ cents per yard, and the same shade, colored with domestic colors to-day, would cost 39.6 cents per yard for dyestuff alone, while on the other hand the same shade colored to-day with imported dyes in Canada would cost only 19 cents per yard for the dye—a very considerable handicap for the domestic manufacturer of textiles. This situation affects the general public in that such an enormous cost for the dyestuff increases the cost of the finished fabric so much as to eliminate the use of these expensive, fast colors on the cheaper fabrics.

It also presupposes a wonderful technical knowledge on the part of the Tariff Commission, or its experts, when it makes them the judges of an "efficient plant."

Reasonable terms as to delivery shall mean delivery within such period or periods as said commission shall determine to be a reasonable time, of an amount of such products which said commission shall determine to be sufficient to supply the need of the consumer or consumers for a period not exceeding six months.

This again leaves much to the judgment of the Tariff Commission, and they in turn must trust absolutely the domestic manufacturer for accurate information. Chemical operations have a way of developing unexpected troubles and delays, and material promised for a certain delivery can in all good faith be impossible of fulfilment, to the consumer's consequent loss, especially when the manufacturer is working on a new product.

In fact the more these "reasonable terms" are studied the more uneasy the consumer must become, and the more one realizes the great dependence upon the judgment of the Tariff Commission and even more how any system of license or embargo necessarily means hampering restrictions, indefinite terms, and delegation of authority.

(*c*) Lists of class A are to be published as soon as may be.

Here again we have an indefinite term, especially as the working out of the whole bill depends upon the division of the 2,000 different dyes into the two classes. The Tariff Commission has 30 days, after application is made, in which to hold public hearings regarding the advisability of including in or removing any particular product from class "A." This will frequently require the expense and loss of time in traveling to the place of hearings, and, if the consumer is successful, means another 60 days before the goods are available. No doubt the domestic dye manufacturer or Dyes Institute will always be represented at such hearings, but who is to be there to represent the consumer when the dye manufacturer asks for embargo on products hitherto permitted and which the consumer feels or knows are essential to his business?

(*d*) No importations of class "A" materials allowed for three years, except small samples under certain rules.

These are the embargoed products:

(*e*) All importers must be registered, by executing a form prescribed and furnished by the Tariff Commission.

The contents of this "form" are of interest only to importers.

(*f*) For three years after the passage of this act no products included in class "B" shall be delivered from custom's custody, except upon presentation, by a registered importer, of a bona fide order of an actual consumer, together with an affidavit by the importer (or by the consumer if the importer is not the consumer) stating that the product is for his own use and not for sale, and that the quantity delivered will not place him in possession or control of more than a six months' supply.

This affidavit and its requirements constitute a full-fledged license system just as troublesome to the consumer as the present system, and will fool no one who reads it carefully. It must also be remembered that these restrictions apply to all imported dyes, whether English, French, Swiss, or German. Up to the present it has been possible for importers to deliver from stock colors of any imported manufacture except

German, but this bill makes them all subject to the same restrictions. No importer will carry any considerable stock in bond when it is subject to constant expense, a large part lying necessarily dead, and with the possibility of having any portion embargoed at any time. Also what provision could be made for filling the many small orders, ranging from 1 to 10 pounds, and the fractional quantities required for mixtures? How can a consumer get service under such conditions? How could anyone do business on such a basis—with their entire stock in bond and an affidavit required for every order?

(*g*) Registration of an importer can be canceled by the Tariff Commission for any violation of its rules, regulations or orders.

Here again the Tariff Commission is omnipotent, with authority to ruin an importer, and by his elimination deprive consumers of necessary products.

(*h*) A registered importer must give to the commission, a bond of not less than $10,000, with sureties approved by the commission. The commission shall, by regulation, prescribe, as a condition of the bond, such provisions as it deems necessary to prevent any action by such importer which will destroy or injure any industry in the United States, or any of its possessions engaged in the production of such products, or which will prevent the establishment of such industry, and by such regulation shall prohibit, among other things, unfair competition and unfair acts including full line forcing, bribery, misbranding of products, price or quantity discrimination.

Another imposing uncertainty under which entirely innocent acts may lead to serious results. No provision for a maximum bond, and again illustrates the almost unlimited authority of the Tariff Commission. The forbidden acts are, in many cases, such as would be possible of different interpretation, as, for instance, the term "price or quantity discrimination." An offense under this clause would be very difficult or very easy of determination, entirely according to the disposition of the investigator.

(*i*) The Tariff Commission shall have the power to require from time to time during these three years:

1. From any registered importer engaged in the importation of the products enumerated in paragraphs 25 and 26 a sworn statement disclosing the foreign manufacturer or dealer from whom he obtained such products, the price paid or agreed to be paid therefor, if any, the importers' stocks remaining on hand in bonded warehouses, contracts or accepted orders for future delivery, the price at which and to whom such products have been sold or offered for sale, together with samples of such products and any information relative to any such products which said commission may require.

2. Any person engaged in the manufacture or sale, within the United States or any of its possessions, of any of the products enumerated in paragraph 25 or 26 of schedule 1 of this title a sworn statement disclosing actual production, stocks on hand, contracts or accepted orders for future delivery, cost of production of such products and price at which, and to whom, each of such products has been or is sold, or is offered for sale, together with samples of such products and any other information.

3. And from any consumer in the United States or any of its possessions of any of the products enumerated in paragraph 25 or 26 of schedule 1 of this title, a sworn statement disclosing actual consumption, stocks on hand, contracts, the price at which and from whom such products were or are being purchased, together with samples of such products and any other relative information.

(*j*) The commission shall have power, through its agents, to visit or inspect, during this three-year period, all places of production and storage, and books, records, accounts, papers, correspondence, and documents of any person engaged in the manufacture, production, sale, or importation of any of these products.

The inquisitorial powers here given are plainly stated and unprecedented. It should be noted that the information required from the consumer covers all products in paragraph 25 or 26, and therefore means whether of foreign or domestic make, in in other words, the importer or the domestic manufacturer can be checked up by the consumer's statement.

It again illustrates only too well the whole category of ills that must accompany any system of license or embargo, the delegation of authority, inquisitorial powers, penalties, red tape, indefiniteness, bureaucratic control, and uneconomic operation of business.

(*k*) Authorizes the Tariff Commission to administer this act.

(*l*) The information thus secured shall not be made of public record.

Very good; but Tariff Commission employees will undoubtedly be in demand and change jobs, just as other human beings—or they will be all the more valuable after the three years of this bill have expired.

(*m*) The Tariff Commission shall have the power to regulate its own practice and procedure.

(*n*) Provides penalties for importers who refuse information and access to records.

(*o*) Provides penalties for misrepresentation or false affidavit.

These apply to consumers, domestic dye manufacturers, and importers.

If there is any doubt in the minds of the public as to the operation of Government control in business, let them read carefully this summary of the bill recommended by the Ways and Means Committee and decide who is the goat. The dear public, as usual, will pay the bill—any importer who survives all these rules and eventually delivers goods to a consumer can not be blamed for getting all the traffic will bear, keeping in mind that he can import practically only those colors not made here, nor can the domestic manufacturer be blamed for getting the highest prices when competition with all other production in the world is arbitrarily cut off, at a time when prices in this country are from five to ten times prewar figures. The bill plainly protects only the swollen profits of the domestic manufacturer, who has already had five years without competition and which has built up industries like the Allied Dye & Chemical Co., the fourth largest corporation in America, and the DuPonts with all their enormous war-made capital behind them.

NOTE.—As a matter of information herewith, the importations of the products illustrated in the tables, which figures have been taken from Dr. Norton's Dye Census and are for the fiscal year ending June 30, 1914. These figures do not include the domestic production, which are not available:

| | Pounds. | | Pounds. |
|---|---|---|---|
| Beta naphthol | 1,030,268 | Direct black single | 2,085,648 |
| Paranitraniline | 506,931 | Wool green S | 41,584 |
| Toluylenediamine | 133,355 | Indigo | 8,507,359 |
| Orange II | 127,550 | Nigrosine | 394,718 |
| Zambesi black V | 629,359 | Rhodamine B extra | 58,339 |

[Reprint from Textile Colorist, May 1921, by Jos. S. Rambo, President Rambo & Regar (Inc.).]

A MILLMAN'S VIEW OF THE DYESTUFF CONTROVERSY.

I have read Mr. Kilheffer's article in the March number of the Textile Colorist and find, as one would expect, the dye manufacturer's argument forcefully, though incompletely, presented. Without going into too much detail, I wish to present a few facts bearing upon the subject.

The American dye manufacturer, before the war, was certainly a "weakling" as compared to his present estate, or with the foreign manufacturer. He bought practically all his intermediates abroad, no doubt, because it was cheaper and easier to do so, and he also, no doubt, had a profit in his business or he would have given it up. He made some things exceedingly well as, for instance, Nigrosine, which he sold cheaper than the importers and had a better product. Likewise he sold, amongst other colors, Orange II, Bismarck brown and Chrysoidine, all of good quality, and on a competitive basis with importations. In direct black he also made a very respectable showing, being right in the competition, yet before the war was hardly two months old he had raised his price from about 18 to 60 cents. The imported article, however, continued for some time at less than half this price. Right here let it be remarked that as long as the importers were supplying the goods prices were kept within reasonable limits. It was only as the speculator bought up and became the source of supply that prices rose rapidly. At that time one became accustomed to regard an increase of 1,000 per cent in price as quite reasonable. It is, therefore, somewhat surprising to hear the charge now that the importers were responsible for the high prices charged. I am presenting no defense for importers as such, but the truth should be told.

To return to the prewar domestic manufacturer, he had been in the business many years and made a go of it, so he was presumably sensible and intelligent, and, naturally, wanted to continue and increase a profitable business. He went down to Washington, demanded higher duties, and was given practically all he asked in the way of protection. At that time he said the industry had all the protection it required. By reason of the Hill bill of 1916, and since then, the ranks of our domestic dye manufacturers have been very materially augmented and strengthened in personnel, experience, resources, capital, raw materials and equipment.

Let us look at the present situation. There are at least three large manufacturers of direct black which, to-day, brings from 80 to 90 cents a pound, and is about half the strength of the concentrated prewar product which sold at not more than 25 cents. Methyl violet, of which there are many manufacturers, to-day is selling for about $1.75, and is approximately the same grade as prewar goods at 32 cents. Acid black is to-day selling for $1 to $1.10, and is slightly better than half the strength of the concentrated prewar imported product at 26 cents. Then, again, indigo, one of the most important colors, is to-day about 60 cents, against the prewar net price

of from 15 to to 16 cents. When we consider that the domestic production of these colors in 1919, as given by the United States Tariff Commission, was as follows:

| | Pounds. | | Pounds. |
|---|---|---|---|
| Methol violet | 574,000 | Direct black | 7,250,000 |
| Acid black | 1,800,000 | Indigo | 8,800,000 |

one can readily understand that the textile man's dyestuff costs have tremendously increased. Every manufacturer of textile goods knows that the costs of all his products and their ingredients is far nearer its prewar price level than dyestuffs. Take the case of the average job dyer, converter, cotton or woolen mill using colors, and it is undeniable that the difference between his present yearly dyestuff bill and his prewar yearly bill would be a handsome profit on his investment. In fact, he could almost perform all the rest of his operation at cost if he could take the difference in his dyestuff bills as his net profit. Is it not certain that this situation will severely handicap, if not actually preclude, the exportation of American fabrics, and be a terrific burden in successfully meeting domestic importations of textile goods?

These are all practical questions which vitally enter into the prosperity, in fact, the very existence of every textile man.

Take a hosiery mill which dyes silk and cotton stockings. Before the war it used about 6 pounds of Zambesi black V at 30 cents for dyeing 100 pounds hosiery. Now, if it feels it can afford a black of the same character, it probably would use the domestic product at $2 per pound, which is about 20 per cent weaker. In other words, a prewar cost for dyestuff of $1.80 per hundred as against a present cost of $15, or an advance of about $13 per hundred pounds. Now, a mill dyeing a thousand pounds of hosiery per day is not at all exceptional, and its increased cost on this basis for dyestuff alone would be $130 per day, $650 per week of only five working days, or approximately, $34,000 per year. This sum alone represents quite a neat profit, if saved, on the capital of the average hosiery mill.

An ordinary sized denim mill uses about a quarter of a million pounds of indigo per year. The difference between its present cost at, say, 60 cents as against prewar of 15 cents, would be roughly $112,500, or over 10 per cent on a million two hundred thousand dollars capital.

It has been mentioned that some of the textile mills went into the manufacture of dyes and were undoubtedly glad to give it up as soon as they could. This is, no doubt, true, but they only went into it as a temporary expedient to help themselves when there was no other source available (except at tremendously high prices, as the dyestuff available was in the hands of speculators), and then gave it up as soon as they could buy to advantage. They were in the textile business and were equipped primarily for this and not for the manufacture of dyes.

As regards the small dyestuff manufacturer, one might also mention that his case is not parallel, for instance, to the small textile manufacturer who can buy his material on the open market, either foreign or domestic, without restriction. Wool and cotton are not susceptible to control as easily as are raw materials for dyestuffs.

Apparently the domestic dye manufacturer, in his fight for the Longworth bill, "doth protest too much," and looks for dark shadows and malign influences where none exist, instead of placing the blame where it belongs, upon the weakness of his own case. There has been an attempt to pillory and bring into disrepute anyone connected with the importation of German dyestuffs, and this line of argument seems to be followed to the exclusion of sane and sound business reasons. One reads all kinds of stories about what the German manufacturer is doing; his corrupt methods, etc., and of our need of the domestic industry for national defense, but not one word of comparative costs of raw materials, labor, transportation, etc. But as the world is rapidly getting on an economic basis again, these things must be considered. Other manufacturers, asking for protection, have accurate knowledge of their costs, as compared to the foreigner.

Judging from the intensive and unfair propaganda now going on, it would seem that the question is now being carried from the consumer, who has some knowledge of the subject, to the public, which has none. The question of protection to any industry should be based on actual facts and figures; it should not be sentimental, even though our own interests come first. There is no question about properly and fully protecting the industry, but the dye manufacturer is a long way from justifying his need for the extraordinary and discriminatory protection asked for in the Longworth bill.

STATEMENT OF DR. REESE, BEFORE THE ANNUAL CONVENTION OF THE COTTON MANUFACTURERS' ASSOCIATION IN MAY, 1918.

There has also been much talk in the papers with regard to the wonderful advantage Germany had on account of her extensive dye industry, in that she could immediately turn all the great dye plants into munition factories.

I do not consider that the presence of the factories themselves was a matter of very great importance to the Germans. It might have been an important factor in a small war, but the requirements for this great war have been such that their mere existence must have been a very small factor.

However, the real assistance that Germany obtained from the existence of these factories came from the chemical organizations which they maintained. As this war has become, in a sense, a chemical war, these chemical organizations in the German factories have been able to assist the Government very materially in its prosecution.

Now, what were the conditions in this country? There was no dye industry of any great magnitude, but there was a well-organized explosive industry with a well-organized chemical organization. I might say that at the beginning of the war the Du Pont Co. had in the neighborhood of 400 chemists in their employ, many of whom were functioning along the lines above indicated.

The first effect of the great war was to call upon this organization to meet problems which seemed to be almost as unsolvable as those presented by the dye situation, since many of the raw materials necessary for the manufacture of munitions had been secured from Europe, just as the dyes had been.

This organization, however, was able to meet the situation in such a short time that the want of these materials did not occasion a day's delay in the production of powder. One of these materials, diphenylamine, which is an intermediate in the manufacture of dyestuffs, was produced on a large scale, and three separate and distinct processes were developed for its production. Dimethylaniline, another dye intermediate, was necessary for the production of tetranitromethylaniline, commonly called tetryl, and had to be produced, and a satisfactory process for its production was developed in ample time, as well as for the production of tetryl.

These accomplishments gave courage and confidence to the chemists of the Du Pont Co., and from the fact that this organization was manufacturing and using all of the basic raw materials necessary for the manufacture of dyes—namely, sulphuric acid, nitric acid, benzol, toluol, zylol, naphthalene, nitrobenzol, aniline, and picric acid—it was perfectly natural to consider the possibility of entering this great industry.

EXCERPT FROM UNITED STATES DEPARTMENT OF COMMERCE REPORT FOR OCTOBER, 1920.

With the return of peace it is evident that whatever the demand for dyes made in Germany may be, that country will never regain its lost supremacy in the world trade in dyestuffs. * * * The United States has abundant coal to supply the raw materials for making aniline dyes. Private capital has been supplied as fast as it could be utilized in establishing scores of factories and in training skilled operatives and chemists for actual and experimental work on a large scale. There has been an increasing tendency since 1916 to centralize or consolidate the domestic enterprises in order to cut overhead expense, utilize all by-products, and reduce the price of finished dyes. This has not only increased production but has developed the foreign trade, as shown by the wide distribution of American aniline dyes exported in the calendar years of 1918 and 1919. * * * The world-wide shortage of dyestuffs and the growing demand for both quality and variety of such materials offer every opportunity to extend the foreign market for American colors. * * * Germany, it is now conceded, will not be the strenuous competitor she was formerly in the foreign trade. Switzerland is the only country, other than the United States, now making aniline colors sufficient to meet its own requirements and able to export on a large scale, and the Swiss are dependent on other countries for the raw materials.

STATEMENT OF DR. B. C. HESSE BEFORE THE FRANKLIN INSTITUTE ON NOVEMBER 6, 1919.

To particularize: In the explosives industry the coal-tar portion is very simple, the testing out of the new products very complex and detailed; hence the invention; development, and manufacture of explosives from coal-tar materials is properly wholly an affair of the explosives industry so highly and efficiently productive and progressive with us and not of the still-to-be-created dye industry. The invention, development, and distribution of photographic chemicals properly belongs to the photographic industry, now and for a long time past so well developed with us, and their manufacture belongs to our well-developed organic and fine chemical industry and not to the infant dye industry. The discovery of new synthetic remedies is properly the function of the many medical institutes and schools of research in this country. They can be manufactured by our organic and fine chemical industry, helped out

by our large pharmaceutical factories and distributed by the latter. Synthetic flavors and perfumes have for years been successfully made here at a number of establishments, and they have also conducted much of the research in this field. There is no reason, compelling or otherwise, why the struggling dye makers should share their work. In the manufacture of toxic and like gases for military purposes, whose invention and development belong to the Chemical Warfare Service, the largest single material involved, and at the same time the one most difficult to transport, is chlorine, which in 1914 was normally made in 23 different factories in this country and in an amount approximating 65,000 tons annually, while during the war we made a total of but 12,000 tons of toxic-gas war materials. Their manufacture, therefore, should be linked up with our going chlorine industry.

The coal-tar materials needed in any or all of these arts of peace are and have been obtainable, if we only wanted them, in any needful quantity and quality, without in any way calling upon the dye maker for them, their total requirement being under 300 tons per year. For each of these important collateral developments we have domestic industrial points of attachment and growth of long and firmly established competitive ability. Would it not be the very height of folly to ignore them and to stake our entire future in these fields wholly upon the dye industry, whose future with us is by no means established? I am thoroughly convinced that no one can seriously or for long take any other view than the foregoing. We can surely have all of these other industries in the highest possible state of efficiency if we only will, whether we have a dye industry or not. That we should have our own supply of dyes is the only reason for having a domestic dye industry. The war itself proved that conclusively and beyond question.

Senator McCUMBER. Mr. Killheffer, we would like to have you give your address, your business, and your full name.

### STATEMENT OF E. H. KILLHEFFER, OF PASSAIC, N. J.

Mr. KILLHEFFER. E. H. Killheffer, Passaic, N. J.

Senator McCUMBER. You may proceed.

Mr. KILLHEFFER. Mr. Chairman and members of the committee, I will be very brief in my remarks, but I thought they might be of some interest to you, because of this particular reason: I was for many years, before the war, connected with one of the German so-called Big Six—Kalle & Co., Bieberich-on-the-Rhine. I was chief chemist on this side of the water. Just recently I was sent by my firm, the Newport Co., to visit first the various countries in Europe to ascertain the situation there in particular respect to our own business, of course, and after my return from there to China and Japan. Therefore, in connection with many of the subjects that have been brought up and discussed here by some of the witnesses and their opinions given, I am, to a certain extent, giving you the facts. I can at least give you those that I found.

While in Europe I was able to go into the occupied zone in Germany and have a look at some of the German dyestuff manufacturing plants. Before the war I was connected with Kalle, who have a plant at Bieberich-on-the-Rhine. The physical condition of that plant was certainly much better than I had ever seen it in my visits there prior to the war. It certainly had not suffered but, on the contrary, had developed to a very material extent.

In that connection one of the witnesses the other day said that the German dyestuff plants had not produced poison gas. It was stated to me by one of the head men of the Kalle plant that their plant was almost entirely on the production of poison gas during the war.

It has also been remarked that the plants in the occupied zone were under foreign supervision. They were at one time under

French supervision, but that supervision has now been removed; in fact, it was removed some months ago, I think about six or seven months ago.

The Germans with whom I talked in the dyestuffs industry when I was in Germany stated most emphatically that they did not intend to let our industry in this country do anything to seriously impair their hold on the world business, and that at the first opportunity they were coming after us. None of us who are very wise will underestimate their ability or their intention to do so.

One of the witnesses said that the Germans were short of raw materials, mentioning anthracene particularly. The record of the Tariff Commission for 1920 shows quite the contrary, for there was a considerable poundage of vat and other dyes derived from anthracene brought in. Of one of these alone, namely, indanthrene blue G C D, there was imported 366,000 pounds.

Our company had some stocks of dyes in England. We had some agents in England and France and in Italy that had been selling our colors. It was my privilege to be in England just prior to the 19th of October. On the 19th of October the restrictions were supposed to go into effect. They were delayed and did not go into effect until some months later. Prior to that date, outside of the dyes that the English merchants themselves had purchased from the Germans, there was a veritable flood of German dyes poured into England. That I know. I had an opportunity of learning quite a little about it, and it affected us in our own case to such an extent that the stocks of dyes that we had in England are still there.

Now, it is true that the general business depression had a great deal to do with the nonsale of products, but the other was also a very large factor, which is borne out by our experience again in South America, where we also have an office in Rio de Janeiro.

There the Germans have sent in large amounts of dyes, and have gone back to their regular prewar methods of selling, which include very long credits and other methods that they practice. The situation has grown so serious that it is our intention to withdraw entirely from the South American field.

The statement was made that on the subject of amortization American plants, manufacturers of dyes, should have long ago been completely amortized. I know that my own company would be very happy if that were the case, but the contrary happens to be the fact.

It is true that there were several dyestuff manufacturing plants in this country at the time of the outbreak of the war, and they were most advantageously situated to clean up, if we may use a slang expression, and that some of them may have been able to pay for their plants either in whole or in part, at least; but for the large percentage of the American dyestuff manufacturers, who came on the scene later, that is certainly not true, because they had a very short time in which they could realize these large profits, and there is, again, a vast difference between the plant manufacturing more or less staple, simple products, and those manufacturing the more complex or high-grade products, like the vat dyes, and others of a similar class.

These require very expensive installations for the intermediates and for the dyes themselves, and as our experience goes along these

plants very often must be scrapped and new ones erected, until we have learned to properly produce, and there has been no opportunity for the great percentage of the plants to amortize.

On the subject of labor costs, it has been stated that labor costs should not be in excess of 5 to 10 per cent. This is another thing that is absolutely contrary to our experience, for we find that the direct labor charges amount to anywhere from 30 to 60 per cent, which also seems to be the experience of a great many other dyestuffs manufacturers.

Senator McCUMBER. Does that include salaried employees?

Mr. KILLHEFFER. No, sir; that is direct labor.

Senator McCUMBER. That is outside of chemists?

Mr. KILLHEFFER. Yes, sir.

Senator McCUMBER. And those having regular salaries?

Mr. KILLHEFFER. Yes, sir.

I might say that our company tries to make a pretty complete line of colors, including the staple products, and, in addition, the higher class and more complex colors. We manufacture indanthrene colors to-day, and in the manufacture of these higher grade colors we can not get along with the cheaper kind of unskilled labor, but must have a much greater percentage of the higher class of skilled labor, in addition to the chemical supervision, of course.

Now, much has been said on the subject of quality.

Senator JONES. Let me ask you, Mr. Witness, if that is true of the German manufacturers, that in the manufacture of these complex dyes they are required to have skilled labor?

Mr. KILLHEFFER. They have skilled labor, in addition to their chemical supervision; yes, sir.

Senator JONES. Well, do they use skilled labor in the manufacture of those complex dyes to the same extent as you do?

Mr. KILLHEFFER. They probably do not, because of their much greater and longer experience in the manufacture of those products. In that way they can reduce their labor costs very materially.

Several instances were adduced of where the quality was very much damaged by the substitution of inferior products. That, as I see it, is a matter that is really beside the point, because that is a matter that rests with the textile manufacturer himself. He can decide whether he wants to put in the high-class fast colors or whether he wants to use the cheaper colors, and if he wants to use the high-class colors, and they are not manufactured, he has had a method by which he could bring those products in and use them, and he could not lay the charge of inferior quality to American dyes, because, dye for dye, they are identical products, with a comparatively few exceptions, and those exceptions are in the cases where the products are still in a stage of development.

As for guaranteeing the colors, I did not have an opportunity to see the sample card which was on the table yesterday, but I do know that the firm that I was with, and other German firms as well, always had the practice of printing right on the sample card that was distributed to the consumer, "Without guarantee." That was on every card.

We render the same service to the textile people, or try to, that the German houses did before the war. We are willing to match their samples in any way that they might indicate.

As to the textile manufacturer, according to some of the testimony, it might be indicated that we are directly opposed to his views and his best interests. Nothing could be further from the truth, because he is our customer. We exert every power to please our customer. Under the scheme, as proposed, of having lists that would be published, and which would give importable and nonimportable dyes, we can not see how the textile manufacturer would be in any way menaced. It would give the textile manufacturer and the dye manufacturer an equal opportunity to present his case, and have the dye either on one side or the other, or taken off if they are on either improperly.

There is an abuse that might be pointed out that has something to do particularly with the dye manufacturer, and that is this: On the subject of mixtures, many mills will have a special mixture made, as was pointed out yesterday, to do a certain kind of work, either produce a certain shade or produce some certain result, as, for instance, leaving the effect threads clean, or something like that. He will have that made in a mixture to do his particular job.

The components of the mixture may be colors that are being manufactured here satisfactorily and sold as individual colors. They could be mixed together to make one different product, the same as the imported colors could be, but there would not necessarily be a mixture already made up and on the market. In fact, as these mixtures are only used in special cases as indicated, there most likely would not be a ready-made mixture of American colors, although it could be made. This being the case, the textile manufacturers could apply for a license to import, let us say, direct brown C X or some other special name or designation which would be arbitrarily given to that mixture. As just pointed out, there would not be a ready mixture made of American colors to duplicate this special product, and in this way the license would probably be granted, thereby working an injustice to the American dyestuff manufacturer. I simply mention this to show that the injustice, if any, is not all on one side.

It was stated that the dye manufacturers had come down here asking for a two years' embargo. As a matter of fact the dye manufacturers have never asked for a two-year embargo, but have always emphatically stated that they needed more time than two years. In addition it was stated that the dye manufacturers had already had two years of special protection, and in this connection I would like to point out that the fact is the dye manufacturers have had two years of uncertainty, which, as any business man knows, will not bring new capital into the industry, as the investor of large amounts of capital naturally wants some reasonable assurance of the profitableness of his investment. We are in the same position as the witness who testified yesterday when, to a large extent, we have a large program of colors that have already been worked out in our research department, colors that are needed in this market, but we can not see our way clear to make the additional investment, which would be a very considerable one, to go ahead and produce these new products, until we know just exactly where we stand on this proposition.

The situation in Japan was also spoken of. I mentioned that a while ago because I was in that market also for a number of months,

and besides the business depression there, one of the largest factors again, as in the case of South America, was the bringing in of a very considerable amount of German dyes.

Just a moment ago the representative of the knit-goods association was testifying here, and there was brought to my mind this thought that, according to our investigations, about 60 per cent at least of the members of that association do not use any dyes. At least, that was true——

Senator McLEAN. What did you say there?

Mr. KILLHEFFER. That 60 per cent of the membership, according to our best knowledge and investigation, of this hosiery and knit-goods association do not use any dyes.

As for the discussion of the dyes in connection with the hosiery and knit-goods industry, to the best of my knowledge there is a negligible quantity of that dye used in the hosiery industry. I think they use some silk yarn for the clocks in the side of some hosiery, but outside of that I do not know of any large use of that dye in hosiery or underwear.

Senator McLEAN. What do they use the dye for mostly—silks?

Mr. KILLHEFFER. Silks, stripes in shirtings, upholstery, and everything that must stand a great amount of light or ability to withstand all of the stronger color-destroying elements.

The statement was also made that two years ago we said, "Give us a little time and in a few months we will have those colors," referring to the vat dyes. That promise has been fulfilled, although I think the inference was that it was not. There are two companies now producing vat dyes, my own company and the Du Ponts, producing them in very considerable quantity.

Senator McLEAN. Will you state your reasons for preferring the embargo to a high tariff, specifically?

Mr. KILLHEFFER. Our reasons are these: If a tariff were made, I think we are all agreed it would have to be very high, and there is one other point in that connection, and that is that the same tariff would not necessarily apply on various products of manufacture. One tariff might apply on one color or one group of colors and be entirely inadequate on another.

Senator JONES. How high do you think a tariff ought to be, if we concluded to adopt a tariff rather than an embargo?

Mr. KILLHEFFER. I would not presume to give a figure out of hand, Senator, because, as I say, it would be a different amount for every group of colors, and in a great many cases, for individual members of the group, and it would certainly be something that would have a great deal more difficulty of administration than any embargo, under a list that would give importables and nonimportables where everyone would know beforehand just what he could bring in and what he could not.

Senator JONES. You do not think you could figure it out on the basis of having a tariff, then, that would protect the industry?

Mr. KILLHEFFER. I think it could be figured out; yes.

Senator JONES. Yes.

Mr. KILLHEFFER. But it would be——

Senator JONES. Now, you have just remarked that a tariff would have to be very high?

Mr. KILLHEFFER. Yes, sir.

Senator JONES. The reason I have asked the question was to get your idea of what that would be. What do you call a high tariff on these articles?

Mr. KILLHEFFER. Well, on some colors it might easily be 1,000 per cent. It would be a ridiculous figure on some things.

Senator McLEAN. You say you are in a position to enlarge your plant and invest new capital?

Mr. KILLHEFFER. Yes, sir.

Senator McLEAN. For the purpose of producing new colors?

Mr. KILLHEFFER. Yes, sir.

Senator McLEAN. That I understood you to say was dependent upon a continuation of some embargo?

Mr. KILLHEFFER. Yes, sir.

Senator McLEAN. Do you think it would be practicable and possible for us to fix a tariff that would insure you so that you would go ahead with your plans?

Mr. KILLHEFFER. Senator, I doubt that very seriously. I think the attitude would be that we would wait and see how the tariff worked.

Senator McLEAN. How it worked out; yes.

Senator JONES. What colors do you think you ought to have 1,000 per cent protection on?

Mr. KILLHEFFER. Well, there are several colors. There has been only one mentioned here to-day, rhodamine, where the prewar price was 80 to 90 cents per pound, and it now sells here for $8 and $9.

Senator JONES. Well, that is an essential color, isn't it?

Mr. KILLHEFFER. Yes, sir.

Senator JONES. And in general use?

Mr. KILLHEFFER. Rhodamine is used very largely in the silk industry, and is also used to a considerable extent in the cotton, paper, and leather industries and to a smaller extent in the woolen industry.

Senator JONES. You think it should be at least $9 a pound?

Mr. KILLHEFFER. No, I do not; but here is the thing, Senator: The price of rhodamine, for example, has been brought down from, I think, $75 to $8 or $9. It was one of those products that when people began to produce it they got practically no yields at all. They got the color, yes; but no yields, and then, by constant study and effort, those yields have been increased and the processes perfected, so that they made material progress in those few years, and we are very hopeful of bringing that price down to where it should be. There are other colors where we have not been able to bring our prices down very much more than in the case of rhodamine, which is an exaggerated example.

Senator McLEAN. Then, that is a very rare situation, is it not?

Mr. KILLHEFFER. It is an exaggerated example; yes, sir.

Senator CALDER. Would you have us believe that there are any colors that cost ten times as much to manufacture here as they do in Germany?

Mr. KILLHEFFER. Oh, there are many colors that cost ten times as much to manufacture now as in Germany, but the thing that controls the situation is the by-product situation. The by-products that you get in the manufacture of some of these that you do not know what to do with, and you constantly work on and find out

things to do with them. There is the question of yields that our chemists are working at continuously.

Senator CALDER. How long an embargo would you require?

Mr. KILLHEFFER. I think nothing short of five years. We asked for that length of time before, but, as I stated before, instead of receiving it have had instead two years of uncertainty. If we would have had in the first place five years of certain protection, I believe it would have been a comparatively simple matter to get sufficient new capital into the industry. Certainly it would have been very much easier than it will be at the present time.

Senator LA FOLLETTE. How much capital did you originally put into your plant in cash?

Mr. KILLHEFFER. That I do not know, Senator. I can find that out for you.

Senator LA FOLLETTE. Do you not know approximately?

Mr. KILLHEFFER. Not what was put in in the beginning; no, sir. We have an investment, in all, of $8,000,000. What the initial investment was I do not know.

Senator LA FOLLETTE. Do you know what it was stocked at originally?

Mr. KILLHEFFER. No, sir; I do not know.

Senator LA FOLLETTE. Do you know what the statement shows its profits to have been last year?

Mr. KILLHEFFER. In the year 1920 the company paid, if I am correct, 12 per cent.

All of these figures, as Mr. Choate stated, Senator, we will be glad to furnish with the other manufacturers, if you want them. I have not got them, because, as you recall, it was indicated by the chairman that, if possible, one representative of an industry was to be heard, and I really did not come prepared with a lot of information——

Senator LA FOLLETTE. If I send you a list of questions to answer, will you file your answers and write a letter in response so that they can be put in the record?

Mr. KILLHEFFER. As Mr. Choate says, we will be glad, along with the other industries, to file information with the committee.

Senator LA FOLLETTE. I am not asking you with regard to the other industries; but will you be willing to answer those questions, to be filed with the committee?

Mr. KILLHEFFER. Senator, the reason I answered your question in that way is this: We do not feel that it would be entirely fair for us alone to file information that might get into the hands of our competitors.

Senator LA FOLLETTE. Mr. Metz has expressed a willingness to me to answer these questions and let them be printed as part of the record here, and I have furnished him with a copy of the questions which he is to answer. He is perfectly willing to make answers in the form of an affidavit, and I am asking you if you are willing to do the same thing.

Mr. KILLHEFFER. I do not think our company will be unwilling to do any less.

Senator LA FOLLETTE. Do you think your company will be willing to do that much?

Mr. KILLHEFFER. I think they will.

Senator LA FOLLETTE. I will send you a letter and a list of these questions.

Mr. KILLHEFFER. All right, sir.

Senator DILLINGHAM. I did not understand what your company is.

Mr. KILLHEFFER. The Newport Co.

Senator JONES. You spoke awhile ago about bringing down the price of the dye you mentioned from $75 a pound to $8 or $9 a pound. How did that dye happen to get to that price of $75?

Mr. KILLHEFFER. I think that the way the dye got to that terribly high price was simply because of its great scarcity, and I think when the first American production began the price was $75 or $72, or something like that. I am not sure of the exact figure, but it was about that figure. I could not tell you exactly how long it was before the reduction took place, but I think that the records will show—I can look them up and advise you—that it was almost immediately that the price was pulled down, I think, first to $60. My recollection is a little bit hazy on that.

Senator JONES. Had not that price gotten up to that point because of the small quantity, or, rather, the quantity of that particular German dye in this country which was controlled by speculators?

Mr. KILLHEFFER. That is largely true; yes, sir.

Senator JONES. What was the name of that?

Mr. KILLHEFFER. Rhodamine B. It is a very bright pink dye.

Senator JONES. Mr. Witness, a number of people have been willing to protect the dye industry in any reasonable way because it has been thought that by having that industry going in this country the plants might be used in time of war. Is it necessary for that purpose that you should want such high protection for these so-called complex dyes? Would not the plants, even if you did not manufacture those dyes where you say you would need a protection of a thousand per cent, still be as valuable for war purposes as if you made these very high-priced dyes?

Mr. KILLHEFFER. In large measure they would not.

Senator JONES. Why not?

Mr. KILLHEFFER. Because of the different character of these higher class and more complex dyes which require in large measure the same kind of type or machinery that is used for other purposes.

Senator JONES. You mean to say, then, that it would be more valuable in time of war because the plant would be increased to that extent, do you?

Mr. KILLHEFFER. It would be a plant that would be more capable of immediately producing the materials that might be required because they had in its regular installation the apparatus that would be required.

Senator JONES. It would require more apparatus, would it not?

Mr. KILLHEFFER. And a different kind of apparatus; yes, sir.

Senator JONES. Do you think these different kinds of apparatus are necessary to the public defense? Would you not have to make different kinds of defense material which would utilize these different kinds of installations?

Mr. KILLHEFFER. I do not want to answer something, Senator, that I perhaps am not qualified to answer; but what I had in mind was that in the manufacture of some of these more complex dyes

where you would use high high pressure apparatus, an apparatus of that general character that happens to be the same kind of apparatus that would be used for the manufacture of some of the materials that are used in chemical warfare.

Senator JONES. Then if you used that apparatus in chemical warfare you would not use the other apparatus, would you?

Mr. KILLHEFFER. Well, I am not so sure about that. I am not an expert on explosives and that character of products, so I would perhaps better not try to answer your question.

Senator JONES. Do you have a different process for each different dye?

Mr. KILLHEFFER. There are certain groups of dyes. The most common group, perhaps, is the simple azo dyes; and for that group of dyes you use a kind of apparatus that is very similar for a whole number of dyes in that group. Then you go into other groups of dyes where you have an entire installation, and many times a very expensive installation that produces one dye only.

Senator JONES. Which one of those installations would be used in chemical warfare?

Mr. KILLHEFFER. Both, to some extent; to what extent I am not qualified to say.

Senator JONES. Why would there be a difference in chemical warfare? Why would you need different kinds of installation in chemical warfare?

Mr. KILLHEFFER. For the reason that in the manufacture of the various materials which are needed you must go through all kinds of chemical operations, nitrating and sulphonating, and different kinds of operations.

Senator JONES. What I am getting at is how much of this installation——

Mr. KILLHEFFER. Should be converted?

Senator JONES. Would be converted, naturally, into making the commodities or chemicals in warfare?

Mr. KILLHEFFER. That I can not answer of my own knowledge, except in this respect, that, as I stated before, in a plant in Germany, the Kalle plant, they told me that the whole plant was practically on poison gas, and they make a whole range of colors.

Senator JONES. That comes to practically an understanding of what I am trying to get at. They do not make different kinds of gases in one installation and another kind of gas in another, do they?

Mr. KILLHEFFER. Yes, sir; they did.

Senator JONES. And required different kinds of machinery?

Mr. KILLHEFFER. They did; yes, sir.

Senator JONES. How many kinds?

Mr. KILLHEFFER. That I could not answer definitely, as a matter of fact, because I do not know.

Senator JONES. If this dye embargo is put on for that reason it strikes me that the committee ought to have some definite information regarding it. There are several hundred different kinds of colors manufactured by your concern, are there not?

Mr. KILLHEFFER. Yes, sir.

Senator JONES. And you have different installations for different groups of those colors?

Mr. KILLHEFFER. Yes, sir.

Senator JONES. How many different groups have you?

Mr. KILLHEFFER. That is rather difficult to answer; perhaps four or five groups, or maybe even six. But as I mentioned, there are many individual colors that require an installation of their own.

Senator JONES. An independent installation?

Mr. KILLHEFFER. Yes, sir.

Senator JONES. What I am getting at is, is it necessary to have all those installations for the public defense?

Mr. KILLHEFFER. It would be very difficult for me to say, because that would be controlled entirely by what the nature of the defense would be, what materials were going to be used.

Senator JONES. Take the installation for this particular color which seems to command a very high price here. Is not that installation essential in chemical warfare?

Mr. KILLHEFFER. It could be used. I do not know whether it would be essential or not. I can not answer that.

Senator JONES. Do you not think that it is important for the committee to know?

Mr. KILLHEFFER. I know it could be used, because it is a character of apparatus that is used.

Senator JONES. Some of us are very loath to put the country to the expense of paying 1,000 per cent on a commodity which you say is in general use.

Mr. KILLHEFFER. As I stated, though, Senator, I mentioned that particular color because it is a very much exaggerated example.

Senator JONES. Could we not eliminate all of those that would require such a high protection as that? Could you not reach a conclusion that we could carry on chemical warfare without the installations which are used in making those very high-priced articles which would require 1,000 per cent or 500 per cent protection?

Mr. KILLHEFFER. Not very well and have a completely rounded out industry.

Senator JONES. We are talking about chemical warfare.

Mr. KILLHEFFER. Yes; but this is the point I mean to make: You say, Could we dispense with certain installations, such as for this particular color? The minute we begin to dispense with this installation and with that installation the effect is immediate in many cases on a whole line of colors, because often what is a by-product of one group of chemical manufacture becomes raw material in another, and the more uses we can find for those by-products the more we are able to reduce our prices all along the line.

Senator JONES. Is this color that we have been referring to a by-product?

Mr. KILLHEFFER. It is not a by-product; it is made from the same substance that is used in a whole group of other dyes and chemicals.

Senator SUTHERLAND. Is it possible for you to tell in advance what chemicals may be needed in chemical warfare a year or 2 years or 5 years or 20 years hence?

Mr. KILLHEFFER. It would not be possible for me to tell.

Senator SUTHERLAND. They are making changes and making progress every day.

Senator LA FOLLETTE. Was the Kalle plant built over for the purpose of making gas?

Mr. KILLHEFFER. No, sir. There was a great deal added to it. It is much larger now than it was before the war.

Senator LA FOLLETTE. Is it making color largely now, or is it necessary to reconstruct it somewhat in order to produce color?

Mr. KILLHEFFER. No, sir; it is manufacturing color now. It was manufacturing color last November when I was in Germany.

Senator LA FOLLETTE. As extensively as it was before it was constructed into a gas plant for chemical warfare?

Mr. KILLHEFFER. They told me they were operating about 60 per cent of capacity at that time.

Senator LA FOLLETTE. Of their former capacity?

Mr. KILLHEFFER. Yes, sir.

Senator SIMMONS. How many colors did you say you made?

Mr. KILLHEFFER. We make two hundred and some odd colors.

Senator LA FOLLETTE. Your company is one of the largest in the country, is it not?

Mr. KILLHEFFER. Yes, sir.

Senator SIMMONS. You said some of those colors would require a thousand per cent protection?

Mr. KILLHEFFER. I mentioned one as an exaggerated example and illustration of the fact that it would be very difficult to name the rate of duty that would cover us.

Senator SIMMONS. On how many of those colors could you compete with Germany upon the basis of the present tariff?

Mr. KILLHEFFER. Do you mean, Senator, if the depreciated exchange question were eliminated?

Senator SIMMONS. In the conditions that exist now. How many of those colors do you manufacture in competition with Germany upon the present tariff protection?

Mr. KILLHEFFER. My own belief, Senator, is that we could not compete with any.

Senator SIMMONS. How much protection would you have to have on the majority of your colors?

Mr. KILLHEFFER. That I could not give you a figure on, Senator, because I would have to sit down and figure it out——

Senator SIMMONS. On how many of them would you have to have the high rate of protection that you indicated a little while ago?

Mr. KILLHEFFER. I think we would have to have that on very few—perhaps one or two out of the whole group. That is just an example.

Senator SIMMONS. What proportion of your output do those one or two that you speak of now constitute?

Mr. KILLHEFFER. Very small indeed.

Senator SMOOT. How many pounds do you make of it?

Mr. KILLHEFFER. The production of rhodamine would be perhaps 100 pounds of the concentrated article a day; something like that.

Senator SMOOT. Not more than that?

Mr. KILLHEFFER. No, sir. That would be only in our plant, of course.

Senator SMOOT. How much of it is used in America?

Mr. KILLHEFFER. That I can not tell you offhand, Senator.

Senator SMOOT. Less than a thousand pounds a day, is it not?

Mr. KILLHEFFER. No, sir. It is much in excess of that. If the price were down to where it was in prewar days, then it would find

quite an extensive use in the paper and leather and other industries who now can not afford to use it.

Senator SMOOT. And they will not use it at all unless it comes down in price, to about one-tenth of what it is now.

Senator SIMMONS. Suppose you eliminate the production of those particular colors altogether. Would that interfere with your operating your plant upon a basis of profit?

Mr. KILLHEFFER. If we had to abandon the manufacture of the higher grade colors——

Senator SIMMONS. That is, those that you say you must have the higher ranges of protection on. You say there are just a few of them. Suppose you had to abandon those altogether. Would that interfere very materially with the profits of your operation?

Mr. KILLHEFFER. The only way I can answer that is this, that if we had to abandon one or two of those products I do not think that would either make or break us; no.

Senator SIMMONS. You said there were only one or two of them.

Mr. KILLHEFFER. That would require such an exaggerated amount; yes.

Senator SIMMONS. If you had what you would call reasonable protection for the balance, you could operate without including those at all and make a profit?

Mr. KILLHEFFER. I think we could; yes, sir.

Senator SIMMONS. Could you not make enough profit to justify you in sustaining some little losses on those while you were experimenting?

Mr. KILLHEFFER. Senator, that brings to the fore something that we are doing every day. I dare say that if we were to tell you—we would be glad to show it, as Senator La Follette has requested—if we were to give you some of the figures on some of the new products that we bring out you would be astounded and be rather loath to believe they were true.

Senator SIMMONS. The point I am trying to get at is this: You are asking for an embargo because you say that it will be necessary for you to have these great tariff rates to protect you as to a few of the products that you make. Take all of the industries of the country. If those few products that require such high protection were eliminated altogether, the industry could still be operated at a good profit with a reasonable basis of protection for the balance, as I understand it.

The question I ask is, Could not the industry afford, with the profit that it will make out of these other articles in the dye industry upon which they can operate with a reasonable tariff protection, to incur losses necessary to further experimentation for the purpose of establishing more permanently and upon a better basis the manufacture of these exceptional things?

Mr. KILLHEFFER. Senator, that is exactly what we are doing to-day.

Senator SMOOT. Let me ask you this question: Your competitors in Germany are doing the same thing, are they not?

Mr. KILLHEFFER. Theirs have been gone through years ago.

Senator SMOOT. Oh, no. You go into their works, as I have been in the Badische Works. I remember going into one room where they had 27 chemists that had been there for 24 years working upon one article; and they were put into that room and told that they did not

want them to do anything else until they got that product so that it was commercial.

Senator SIMMONS. And they were paying their losses out of the profits.

Senator SMOOT. Of course they did.

Mr. KILLHEFFER. That is true, Senator. We are doing exactly the same thing but with this important difference. A lot of research that they have long ago finished is still new material to us. In other words, we have by no means caught up to the Germans in our research work.

Senator SMOOT. They never will get through with it. The business is one eternal evolution, and what you are making to-day may in five years be worthless on the market.

Mr. KILLHEFFER. That is the very crux of the situation.

Senator SMOOT. You have got to meet that the same as any other country is meeting it now, and are going to meet it as long as they are in this business.

Mr. KILLHEFFER. That is the very crux of it. We have a large corps of research chemists all the time, and the money to finance the research must come from somewhere.

Senator SMOOT. Just the same as in foreign countries.

Senator MCLEAN. But as a sound business proposition, you dare not take the venture if you are subjected to German competition?

Mr. KILLHEFFER. No, sir. Gentlemen, if you or I personally had so large an interest at stake we certainly could well afford to undersell completely a new industry if we could eliminate them in a short space of time. And Germany can certainly do that to us. I know that.

Senator SMOOT. They can not if we give you a fair protection; and that is what you can get. If we give you the American valuation, which, in part, at least, would take care of the exchange discrepancies, you can not tell me that you can not compete. It would protect over 90 per cent of all the goods of that kind that will ever be manufactured in the United States, and the other 10 per cent is, perhaps, so small in quantity that there is only one place in the world where it would be necessary to make them. What is the use of talking about putting a tariff or any other kind of a rate on a product that the whole United States will not use a thousand pounds of a year, unless it is for medicinal purposes?

Mr. KILLHEFFER. On such products we would not go into it as a sound business proposition. We would not attempt to manufacture them.

Senator SIMMONS. You think, then, because of these few articles that you can not produce profitably in this country without excessive rates of protection, that there ought to be an embargo that will protect not only those but the things that you can produce in competition with Germany with reasonable protection?

Mr. KILLHEFFER. No, sir; not because of that.

Senator SMOOT. You will admit that Germany had never sold her chemicals, as a whole, at a loss? Ever since she has been in the chemical business she has made a profit, has she not?

Mr. KILLHEFFER. I am not so sure of that.

Senator SMOOT. Do you not follow the reports?

Mr. KILLHEFFER. Yes; but I personally know of some cases where goods were sold at a loss to eliminate a competitor.

Senator SMOOT. That is done, of course; and perhaps you would do the same thing if you were in her position.

Mr. KILLHEFFER. If I were in her position I would; and that is what we fear.

Senator SMOOT. In the United States more than likely you would do that.

Mr. KILLHEFFER. That is what we fear from the Germans. We want to guard against it if possible to do so.

Senator LA FOLLETTE. That is what you strong fellows would do to the weak fellows in this country if you had an embargo.

Mr. KILLHEFFER. No, sir; we could not.

Senator LA FOLLETTE. Why could you not?

Mr. KILLHEFFER. Because there is too much of a free field. There are too many producers of the base materials.

Senator LA FOLLETTE. It depends upon the power of capital very largely. You could sell at a loss if you could eliminate the small, weak competitors.

Senator SMOOT. For instance, one of the men testified here to-day who had $150,000 capital. He is making three colors of green. Do you not think that your company and two of the other largest companies, if you wanted to, could drive him out of that business?

Mr. KILLHEFFER. That might easily be possible.

Senator SMOOT. Yes; very easy. You know it is.

Mr. KILLHEFFER. But that does not necessarily follow that it would be done, Senator.

Senator SMOOT. No; nor does it necessarily follow that it will be done on the other side. We want to give you protection against it, but not an embargo.

Senator MCLEAN. You have some protection in this country in the Sherman Act.

Senator JONES. You spoke a while ago about your trade in Japan. Is it your idea to withdraw from all foreign trade?

Mr. KILLHEFFER. We very much dislike to do so, but it has every indication at the present time that we will be compelled to.

Senator JONES. How extensive is your foreign trade now?

Mr. KILLHEFFER. It has dropped very materially in the few months of this year from what it was in 1920. There was a product mentioned here a day or two ago, Congo red, a product of which we were very large manufacturers and which was exported to India; but that is a trade that was, but is no more.

Senator JONES. Why is it no more?

Mr. KILLHEFFER. The German products have completely eliminated us up to the present time.

Senator SMOOT. On quality or price, or both?

Mr. KILLHEFFER. On price; not quality; no, sir.

Senator JONES. Are you selling those articles in the home market at the same price you have been selling them abroad?

Mr. KILLHEFFER. Yes, sir.

Senator JONES. In every case?

Mr. KILLHEFFER. Perhaps not in every case, but in most cases the prices have been about the same here and abroad.

Senator JONES. If you have no foreign trade at all how do you expect to get paid for what you send abroad?

Mr. KILLHEFFER. That is one of our chief worries.

Senator MCCUMBER. Before you proceed any further with the testimony, I think the committee owe an apology to the Tariff Commission for keeping them here all day waiting to be heard. They have been very patient, and we have given them encouragement every few minutes that we would call upon them, but it is getting so late now, and there does not seem to be any end to this testimony, that I think it but fair to the commission to say that we will excuse them until to-morrow morning.

Senator SIMMONS. And hear them the first thing in the morning?

Senator MCCUMBER. And try to hear them the first thing in the morning.

Senator SMOOT. Are we not through with the embargo question?

Senator LA FOLLETTE. Oh, no.

Mr. KILLHEFFER. I am all through, Mr. Chairman, unless somebody desires to ask me some questions.

Senator MCCUMBER. Has anyone any questions that they desire to ask the witness?

(No response.)

There will be no further testimony this evening, and there are no other witnesses——

Senator LA FOLLETTE. There are some other witnesses here, Mr. Chairman. I gave you a list of them.

Senator MCCUMBER. If you have some other witnesses we can just as well continue until 5 o'clock.

Senator LA FOLLETTE. Fifteen minutes is not any time in which to deal with this question.

Senator MCCUMBER. I know, but it will be so much less for to-morrow, if we can finish to-morrow.

Senator MCCUMBER. State your name, place of residence, etc.

## STATEMENT OF EARL J. W. RAGSDALE, NORRISTOWN, PA.

Mr. RAGSDALE. My name is Earl J. W. Ragsdale and my residence, Norristown, Pa.; my business is the die-casting business, which means the casting of nonferrous metals in a permanent mold. It has no relation to the dye industry.

Senator LA FOLLETTE. Were you in the service?

Mr. RAGSDALE. Yes, sir; about 10 years in the Regular Army.

Senator LA FOLLETTE. What was your rank when you were in the Army, or what rank did you attain?

Mr. RAGSDALE. I resigned with the rank of lieutenant colonel of the Ordnance Department.

Senator LA FOLLETTE. What connection did you have, if any, with the production of gas or chemical warfare?

Mr. RAGSDALE. In 1915 Gen. Crozier, then Chief of Ordnance, sent for me to come to his office as an assistant. One of the duties that were assigned me was the study of the new weapons which had come up in the course of the war. Trench warfare had brought out a number of weapons, including gas, with which we had no familiarity, no design, or any knowledge of where the munitions could be manufactured in this country.

At the outbreak of the war Gen. Crozier assigned to me a section of his office, known as the trench warfare section.

Senator LA FOLLETTE. Do you mean at the time of our entrance in the war or at the outbreak of the European war?

Mr. RAGSDALE. I mean at the time of our entrance into the war.

Senator LA FOLLETTE. That would be early in 1917?

Mr. RAGSDALE. Yes, sir. Among other new instruments was the use of chemicals. I had made, previous to our entrance into the war, a small study of the chemicals employed, and accumulated such data as were available and had made a tentative survey of the chemical industry in general of the country and the condition which confronted me then would be about the same as the condition which might confront the Chief of the Chemical Warfare Service 10 or 15 years from now; in other words, the condition of utilizing those existing industries to the best advantage of the Army and the Navy.

Senator LA FOLLETTE. Those were industries that were established in peace and for peace conditions?

Mr. RAGSDALE. Yes, sir; and which had not adapted themselves to war conditions.

My scope did not include that of explosives, although just up to the time we entered the war I had the explosive desk as well.

Senator LA FOLLETTE. Now, go right ahead and state what you found the conditions to be and how rapidly you were able to develop gases for chemical warfare.

Mr. RAGSDALE. The knowledge that poison gas had been used on the other side found us without any information or data as to how such were used, how such were prepared, nor did we have facilities for investigating them. Without awaiting the authorization of chemical laboratories as would be necessary to do so, we utilized other Government agencies, particularly the Bureau of Mines. This bureau assisted us in rounding up those manufacturers of chemicals, in general, which might be of assistance to us in the event of our entering the war, and this bureau further got for us a list of names of chemical engineers whose services would be necessary, should we find it impossible to evade the issue, namely, the war.

The information which came to me was entirely sincere, and in the light of perspective, after years have gone by, was not wholly true. One thing which impressed me was that we did have a chemical industry of which we could take pride and upon which the War Department could rely.

Senator LA FOLLETTE. You speak now of the general chemical industry?

Mr. RAGSDALE. Yes, sir; I wish to make that later very clear.

I found upon slight investigation that reference was made to the dyestuffs industry. There were very few plants in this country which were equipped to make dyestuffs. On the other hand, our general chemical industry was very capable. I found at Niagara Falls a chlorine capacity which surely was greater than that of England; I found one plant there, the Hooker plant, with a capacity of 40 tons of chlorine a day. There were two other chlorine plants operating. I also found a process there which, to my mind, now equals or is better than any other process of manufacturing chlorine in existence. So my original apprehension about the manufacture

of chlorine was not borne out by the evidence brought in. It is interesting also to note that we did not use any of this capacity.

Senator LA FOLLETTE. Why not?

Mr. RAGSDALE. There were other reasons—one was transportation; second, that chlorine was used more or less as an intermediate in the manufacture of toxic gases. That, again, involved the question of transportation of highly concentrated materials.

It was also considered better policy to concentrate our poison gas manufacture in one location, where we would have it under entire military control, where we could do all experimentation that we thought necessary without spying eyes.

We also felt it was necessary that the complete handling of these toxic materials be under the same head. The advantage of this was afterwards borne out. The centralized plant was at Edgewood Arsenal. I conceived the Edgewood Arsenal, and it was built under my direction. although it was completed and amplified later under the Chemical Warfare Service, which was later organized in the early spring of 1918.

At that time it was appreciated that the chemical side of warfare would assume a far greater importance than any of us had ever imagined. It was thought best to remove it from my division, where it was only one of six other sections, and to make a complete service out of it.

It is interesting to note what our plans were at Edgewood Arsenal and how they compared to the capacities of the other nations. My original plan was for 300 tons of chlorine a day. The Secretary of War cut this to 125 tons of chlorine a day. This plant was built for that capacity.

Another plant had a capacity of 40 tons of phosgene. The complete capacity was never realized, although I understand that 25 tons could be produced.

We had a capacity of from 15 to 25 tons of chloropicrin a day.

As this committee is interested in the dyestuff manufacturing, and as phosgene is the chemical which I chiefly recognize as entering into the dyestuff industry, I must say that against the capacity of 40 tons a day at Edgewood Arsenal, I would hesitate to say that the entire United States would use over 100 tons of phosgene a year.

I would like to go back to how I found the dyestuff industry. As I have said, it was a very small industry in this country, but what we did find was not encouraging toward the production of toxic materials.

As I look back over my organization of those chemists who were personally in charge of the producing units and under whose direction the various materials were manufactured, I do not recall the name of a single one who was associated with the dyestuff industry in this country. The chemists who had the greatest responsibility were recruited from the educational institutions and from the large chemical manufacturers, such as the Du Ponts, Semet-Solvay, and a number at Niagara Falls.

I have been noting in the newspapers the comments which the facts before this committee have provoked and contrasting some of the statements with the conditions I found.

The chemical plant at Niagara Falls which produced phosgene did so under compulsion, true, not physical but moral. The correspond-

ence files of the trench warfare section of the Ordnance Department will show numerous telegrams urging to be relieved of the responsibility.

The Semet-Solvay Co., after looking into the matter, flatly refused to manufacture either phosgene or chloropicrin.

The Stanford Synthetic Color Co. was in a bad financial way and undertook to manufacture chloropicrin. Officers from my office had to be sent there to not only take charge of the plant but to work out the process.

If chemical warfare had opened up to our young dyestuff industry such a wonderful vision as now appears, I should have expected a more willing cooperation. The willingness that I did find was one of pure patriotism rather than the idea of entrenching themselves in an industry which would thrive after the cessation of the war.

As for the dyestuff industry being regarded as a potential military strength, it unquestionably is. No more so, however, than the entire chemical industry of the United States. This industry has thriven in the past and was very strong when we entered the war. Personally I am still interested in the potential military strength of the country, and I should like to see any condition brought about which would develop this industry as a whole and along healthy lines.

Senator JONES. Would it interrupt your train of thought if I were to ask you what percentage of the chemical industry of the country as a whole would be represented by this dye industry if it manufactured all the dyes that this country could use?

Mr. RAGSDALE. Senator Jones, I would not be in a position to answer that line. The dyestuff industry has enjoyed a remarkable impetus during and since the war, and a great deal of attention has been attracted to it. It has been given a great deal of publicity, and that in turn must have attracted capital. So that while our dyestuff industry at the outbreak of the war was almost a negligible percentage of the total chemical industry, it has unquestionably assumed a proportion of the total chemical industry which we can not overlook.

Senator MCLEAN. Did you have the benefit of the experience of the Allies in the war to any extent?

Mr. RAGSDALE. That depends upon the time. Prior to our entrance into the war we had no cooperation from our Allies.

Senator MCLEAN. You did not need it?

Mr. RAGSDALE. No, sir. We had agents and officers abroad who furnished us with such information as we had, which was very meager. As soon as we entered the war the French dispatched to this country a very able officer and later, at my request, two British chemical manufacturers came to this country and greatly assisted us——

Senator MCLEAN (interposing). You followed their advice?

Mr. RAGSDALE. In the inception of what later developed into the Edgewood Arsenal. As to the production——

Senator LA FOLLETTE (interposing). Were they dye manufacturers or general chemical manufacturers?

Mr. RAGSDALE. None of them were, sir. They had had their experiences primarily during the war.

As for the quantities which we had in mind, we determined that ourselves.

Senator MCLEAN. Oh, certainly.

Mr. RAGSDALE. And I must say that they thought we were nothing short of crazy. Our plans were to have a toxic gas program which would equal that of Germany, plus that of France and England. We plotted a chart showing from the first use of gas how the percentage of gas shell had increased and the percentage of toxic materials in general, and we merely exterpolated that curve and then went some over it.

Their criticism—referring to our Allies—of this enormous plant did not recur when we commenced shipping at their urgent request toxic materials to both England and France.

Senator MCLEAN. But in organizing your plant for the purpose of furnishing toxic materials, you had the advice of the English and French representatives?

Mr. RAGSDALE. Yes; we sought that advice.

Senator MCLEAN. You sought it and you followed it. Now, it is unnecessary to remark that if we had been isolated and could not have had that assistance we would have been at something of a handicap, but never mind that. When did you say you entered the service?

Mr. RAGSDALE. In 1910.

Senator MCLEAN. And how long were you in the service?

Mr. RAGSDALE. A little over nine years.

Senator MCLEAN. When did you leave the service?

Mr. RAGSDALE. I left it in 1919.

Senator MCLEAN. Is this organization carried on now?

Mr. RAGSDALE. It is; under the name of the Chemical Warfare Service.

Senator MCLEAN. And you are not in the service now?

Mr. RAGSDALE. No, sir; I have no connection with the service.

Senator SMOOT. What is your present occupation?

Mr. RAGSDALE. I am a manufacturer of castings of nonferrous metals.

I have no interest in either side of this controversy except my natural interest that the military strength of the country be not impaired, but I am also interested that its finances be not impaired.

I would like to answer your question. To get back about our advisers from abroad, two of those advisers were purely of a military nature. One adviser arrived after our plans for the manufacture of chloropicrin had been completed, and he gave us many points which were helpful.

The majority of our technical information came through those officers associated with our chemical industry and educational institutions of this country, and from my associating with them I know their minds, in which the Nation can take pride, and I know they were actuated by the purest motives of patriotism and accomplished a great deal in a short time.

Senator LA FOLLETTE. How much advantage would you derive for the chemical warfare in the future by the establishment of the dye industry in this country, taking into account the very large and complete equipment which the country has in general chemical production?

Mr. RAGSDALE. My knowledge of chemical warfare leads me to believe that it is not in a crystalized state. I have a greater knowledge of ordnance.

During the war little really phenomenal ordnance came forth. Everything that came out was a development step by step and a logical development on what had gone before.

I think chemical warfare has an enormous future. If I were again to associate myself with the service I should prefer to go into that branch. I think warfare of the future will rely more and more on chemicals, but I also think that we to-day have no idea of the form in which chemical warfare of 10 or 15 years hence will take than we have whether war will be abolished or not. On the other hand, ordnance has been, as I have said, a logical development. When the Germans opened up with the 75-mile gun on Paris we found that Gen. Crozier had fired a gun with a velocity in 1906 which would have given almost like range. It was not new to ordnance engineering; I mean it was not beyond their conception.

The conception of a chemical warfare or toxic materials used in warfare was certainly beyond our stretch of imagination in itself. We refused to believe the first reports that came in that the Germans had used chlorine.

In the brief history of chemical warfare it has undergone such changes and so many new developments have been brought out that I would hesitate to predict in which way, manner, or form the future use of chemicals will take.

Senator LA FOLLETTE. How about our development in that respect compared with that of the Germans?

Mr. RAGSDALE. We followed her.

Senator MCLEAN. How do you know that some chemists in a dye factory will not discover the controlling gas in the future?

Mr. RAGSDALE. It is very possible he would, sir.

Senator MCLEAN. I understand you to say that you did not think the dye industry was of any consequence.

Mr. RAGSDALE. I spoke of the past.

Senator MCLEAN. We are figuring on the present and on the future.

Mr. RAGSDALE. I would not assume that the inventor of the key-note of chemical warfare would come from the dye industry any more than he would come from—well, the tannery interests or something else. I think the chances are more likely that he would come from an educational institution, which, of course, is again dependent upon the general chemical needs of the country, because if we have no needs for chemists we will have no chemical institutions.

It is remarkable, in speaking of these discoveries of the key gas, and it runs through the entire history of warfare, that there has not been yet anything invented that has not a counter instrument.

Senator LA FOLLETTE. For defense?

Mr. RAGSDALE. For defense; even the submarine. We found the instrument was expensive, but we also found that we could keep the submarines down.

I think in the history of warfare the submarine enjoyed probably for the longest period of time a free field.

Senator SMOOT. Are you a chemist yourself?

Mr. RAGSDALE. No, sir; I am not.

Senator SMOOT. The chlorine plant at Niagara Falls existed before Europe went into the war?

Mr. RAGSDALE. Yes, sir; the Hooker plant at Niagara was built a good many years before we went into the war. It is true they did

not make chlorine gas. They made bleach and they had a very good process and had done a great deal in that direction. The use of chlorine was then becoming greater and greater, owing to its extensive employment in sanitary engineering, such as chlorinating of water and sewage, and it was used either in its liquid form or as bleach.

Senator JONES. If I get the drift of your testimony, it is about this, is it not—that while the chemical forces engaged in the dye industry would probably be valuable in the time of warfare, there is no reason to suppose that they would be more valuable than chemical organizations engaged in other lines; is that your thought?

Mr. RAGSDALE. I should hesitate to say this is greater than that, because the chemical warfare of the service might lean more heavily on one phase of the industry than on the other. I will grant you that the training of a chemist in the dye industry is a severe one, and one which fits him to undertake the research work which is so essential to the improvement of existing chemical weapons or the invention of new ones. But I mean to infer that emphasis should not be placed on the dyestuff industry rather than on any of the other manifold phases of the chemical industry.

Senator JONES. That is what I was wanting to bring out. I assume that that was your notion; in other words, that there are other chemical organizations engaged in other lines which you think would be as valuable in chemical warfare as the dye industry organizations.

Mr. RAGSDALE. Yes, sir. In other words, if there were given to my control funds to subsidize industries for their potential military strength, I would certainly be subjected to severe criticism if I placed it in any one phase of the chemical industry, be it dyestuff, be it sugar, be it any other thing. It is quite conceivable that the by-product of sugar manufacturing or some other manufacture may be the raw material from which this key gas the Senator has spoken about is ultimately derived. I know that during the war we understood that the Germans were making a terrible gas which would penetrate our gas masks and have a terrible effect, and they were making it from the seed of some rare plant in Venezuela. We afterwards found out there was nothing in it. But still it was so conceivable at that time that a corps of chemists were put on the trail of this information to find out whether there was any truth in it.

Senator SUTHERLAND. To what branch of the chemical industry would you go to get the most highly skilled chemists in the world to-day, if you were looking for them?

Mr. RAGSDALE. I think that would provoke interprofessional strife.

Senator SUTHERLAND. I want to get your opinion about it.

Mr. RAGSDALE. I do think, though, that the dyestuff industry requires chemists of as great ability as any other phase of the general chemical industry.

Senator SUTHERLAND. Have you any knowledge as to where the Germans drew most largely for their chemical skill with reference to the manufacture of these noxious gases that they used?

Mr. RAGSDALE. Of course, the dyestuff industry played a larger proportion of the German chemical industry than it did with us or does with us now.

Senator SUTHERLAND. That is only due to the fact that our dyestuff industry is comparatively undeveloped?

Mr. RAGSDALE. Yes, sir; so that it would be natural that a larger proportion of the chemists whose activities were diverted to military lines should come from the dyestuff industry than did obtain in this country.

Senator SMOOT. Who were the men who actually worked out the formulæ for the poisonous gases used by America in warfare?

Mr. RAGSDALE. The actual formulæ, or, more properly speaking, analyses of the gases which we originally used came from abroad. Our agents and officers sent us that information.

Senator SMOOT. Did they come from the dyehouses or chemical concerns or from officers of the French or English armies?

Mr. RAGSDALE. The two gases used most largely, being phosgene and chloropicrin, were used by the Germans, and phosgene and chloropicrin were known, although sparingly known, in this country; and then it devolved upon us to work out a process for the manufacture of these in the United States.

Senator SMOOT. You mean the officers of the Army?

Mr. RAGSDALE. I mean the officers of the Army.

Senator SMOOT. And did they work that out?

Mr. RAGSDALE. They worked the process out by themselves, and the phosgene was first produced at the plant of the Oldbury Chemical Co. at Niagara Falls.

Senator SMOOT. Was that produced before we went into the war?

Mr. RAGSDALE. I think it was shortly afterwards.

Senator SMOOT. You did not furnish, then, our allies with any phosgene?

Mr. RAGSDALE. We did not, sir; not before we entered the war.

Senator MCLEAN. You mean that the military men worked out the formulae?

Mr. RAGSDALE. I mean those chemists who were thrown into the military service worked out those formulæ. They were not difficult.

Senator MCLEAN. They had the benefit of the experience, of course, of the chemists of the Allies?

Mr. RAGSDALE. They were trained chemists. We had the formulae for both chlorpicrin and phosgene worked out and production methods drawn up before we had any information from abroad.

Senator JONES. Those gases used in that warfare were known gases before the war, were they?

Mr. RAGSDALE. Yes, sir; they were recognized. Phosgene had been used in the dye industry and is still used in the dye industry. I do not know any commercial use for chlorpicrin. There is one or two uses, but I am not acquainted with them.

Senator JONES. Then, there was no discovery of a new gas for the war?

Mr. RAGSDALE. I was going to continue my argument, that after the Chemical Warfare Service was created and Gen. Sibert was put in charge of that as a separate service my further connection with it was purely one of personal interest, and I followed it as closely as I could as an interested audience rather than actually participating in their activities. So that I am not thoroughly familiar with the developments which came just prior to the armistice. I understand these developments were very praiseworthy, and that the work which had been inaugurated earlier had come to some fruition. But I can not speak of the newer gases.

Senator LA FOLLETTE. May I ask your opinion of this statement? Dr. Reese, director of the E. I. du Pont Co., said, before the annual convention of the Cotton Manufacturers' Association, May, 1918:

> There has also been much talk in the papers with regard to the wonderful advantage Germany had on account of her extensive dye industry, in that she could immediately turn all the great dye plants into munition factories.
>
> I do not consider that the presence of the factories themselves was a matter of very great importance to the Germans. It might have been an important factor in a small war, but the requirements for this great war have been such that their mere existence have been a very small factor.

What do you think of that statement?

Mr. RAGSDALE. I could not very well contradict it, because it was practically the argument on which I based my request to have funds appropriated for the Edgewood Arsenal, that even the chemical industries of this country were not adequate to take care of the enormous needs for chemicals as I then foresaw them; and I think that was unquestionably true of Germany, although Germany did more intensive developing in an industrial way than we did. What I mean is, with the capacity for minuteness that the Germans unquestionably have, they could go into a garage and make munitions. We are not psychologically so situated; when we want to make munitions we have to have the proper plant and appliances, and we have to do it right. So that in Germany I think they utilized their small plants to far greater advantage than we did.

Senator LA FOLLETTE. Mr. Ragsdale, do you think you can get through your testimony to-night, or do you prefer to go on to-morrow?

Mr. RAGSDALE. Yes, sir; I think I can finish this evening. I have prepared nothing for this committee. I was merely requested to come up here to give the committee the benefit of my information.

Senator LA FOLLETTE. If he has finished, that is all.

Senator SUTHERLAND. Which of those gases, phosgene or chlorpicrin, do you consider the most efficacious?

Mr. RAGSDALE. Phosgene is unquestionably the most deadly material there is.

Senator SUTHERLAND. That, you say, was used largely in the developing of the dye industry, was it not?

Mr. RAGSDALE. Yes, sir; that was known in the dye industry and used in the dye industry.

Mr. METZ. Sixty-four tons were used last year in Germany.

Senator SUTHERLAND. But they had to study that gas?

Mr. RAGSDALE. Yes, sir. We found people in this country who knew how to make phosgene, but they did not know how to make it at the rate of 40 tons a day. That was the problem which confronted us. We could make 3 tons a day at Niagara Falls.

Senator SUTHERLAND. If you had not known about the gas and how to make it, you could not have made it even in small quantities?

Mr. RAGSDALE. No, sir; and naturally much less a large quantity.

Senator LA FOLLETTE. I think that is all, Colonel. Mr. Chairman, I desire to introduce into the record at this point extracts from the address of Dr. Reese, from which I just read, and also a quotation from the United States Department of Commerce, and also a statement made by Dr. B C. Hesse, an eminent American chemist before the Franklin Institute. November 6, 1919, and I hand it to the reporter.

The CHAIRMAN. The statement will be printed as requested.

(The matter referred to is as follows:)

Dr. Reese, director of E. I. du Pont de Nemours & Co., said before the annual convention of the Cotton Manufacturers' Association in May, 1918:

"There has also been much talk in the papers with regard to the wonderful advantage Germany had on account of her extensive dye industry, in that she could immediately turn all the great dye plants into munition factories.

"I do not consider that the presence of the factories themselves was a matter of very great importance to the Germans. It might have been an important factor in a small war, but the requirements for this great war have been such that their mere existence must have been a very small factor.

"However, the real assistance that Germany obtained from the existence of these factories came from the chemical organizations which they maintained. As this war has become, in a sense, a chemical war, these chemical organizations in the German factories have been able to assist the Government very materially in its prosecution.

"Now, what were the conditions in this country? There was no dye industry of any great magnitude, but there was a well-organized explosive industry with a well-organized chemical organization. I might say that at the beginning of the war the du Pont Co. had in the neighborhood of 400 chemists in their employ, many of whom were functioning along the lines above indicated.

"The first effect of the Great War was to call upon this organization to meet problems which seemed to be almost as insolvable as those presented by the dye situation, since many of the raw materials necessary for the manufacture of munitions had been secured in Europe, just as the dyes had been.

"This organization, however, was able to meet the situation in such a short time that the want of these materials did not occasion a day's delay in the production of powder. One of these materials, diphenylamine, which is an intermediate in the manufacture of dyestuffs, was produced on a large scale, and three separate and distinct processes were developed for its production. Dimethylaniline, another dye intermediate, was necessary for the production of tetranitromethylaniline, commonly called tetryl, and had to be produced, and a satisfactory process for its production was developed in ample time, as well as for the production of tetryl.

"These accomplishments gave courage and confidence to the chemists of the du Pont Co., and from the fact that this organization was manufacturing and using all of the basic raw materials necessary for the manufacture of dyes, namely, sulphuric acid, nitric acid, benzol, toluol, zylol, naphthalene, nitrobenzol, aniline, and picric acid, it was perfectly natural to consider the possibility of entering this great industry."

The United States Department of Commerce in its report for October, 1920, says:

"With the return of peace it is evident that whatever the demand for dyes made in Germany may be, that country will never regain its lost supremacy in the world trade in dyestuffs. * * * The United States has abundant coal to supply the raw materials for making aniline dyes. Private capital has been supplied as fast as it could be utilized in establishing scores of factories and in training skilled operatives and chemists for actual and experimental work on a large scale. There has been an increasing tendency since 1916 to centralize or consolidate the domestic enterprises in order to cut overhead expense, utilize all by-products, and reduce the price of finished dyes. This has not only increased production but has developed the foreign trade, as shown by the wide distribution of American aniline dyes exported in the calendar years of 1918 and 1919. * * * The world-wide shortage of dyestuffs and the growing demand for both quality and variety of such materials offer every opportunity to extend the foreign market for American colors. * * * Germany, it is now conceded, will not be the strenuous competitor she was formerly in the foreign trade. Switzerland is the only country, other than the United States, now making aniline colors sufficient to meet its own requirements and able to export on a large scale, and the Swiss are dependent on other countries for the raw materials."

Dr. B. C. Hesse, an eminent American chemist, thoroughly familiar with the situation, who was chairman of a committee of the American Chemical Society in 1916 which made recommendation for protective rates very similar to those finally approved in the present Hill bill, and who is now an advocate of licensing, said before the Franklin Institute on November 6, 1919:

"To particularize: In the explosives industry the coal-tar portion is very simple, the testing out of new products very complex and detailed; hence the invention, development, and manufacture of explosives from coal-tar materials is properly wholly an affair of the explosives industry, so highly and efficiently productive and progressive with us and not of the still-to-be-created dye industry. The invention, development,

and distribution of photographic chemicals properly belong to the photographic industry, now and for a long time past so well developed with us, and their manufacture belongs to our well-developed organic and fine chemical industry and not to the infant dye industry.

"The discovery of new synthetic remedies is properly the function of the many medical institutes and schools of research in this country; they can be manufactured by our organic and fine chemical industry, helped out by our large pharmaceutical factories and distributed by the latter; synthetic flavors and perfumes have for years been successfully made here at a number of establishments, and they have also conducted much of the research in this field; there is no reason, compelling or otherwise, why the struggling dye makers should share their work. In the manufacture of toxic and like gases for military purposes, whose invention and development belong to the Chemical Warfare Service, the largest single material involved and at the same time the one most difficult to transport is chlorine, which in 1914 was normally made in 23 different factories in this country, and in an amount approximating 65,000 tons annually, while during the war we made a total of but 12,000 tons of toxic-gas war materials; their manufacture, therefore, should be linked up with our going chlorine industry.

"The coal-tar materials needed in any or all of these arts of peace are, and have been, obtainable if we only wanted them, in any needful quantity and quality, without in any way calling upon the dye maker for them, their total requirement being under 300 tons per year. For each of these important collateral developments we have domestic industrial points of attachments and growth of long and firmly established competitive ability; would it not be the very height of folly to ignore them and to stake our entire future in these fields wholly upon the dye industry, whose future with us is by no means established? I am thoroughly convinced that no one can seriously or for long take any other view than the foregoing; we can surely have all of these other industries in the highest possible state of efficiency if we only will, whether we have a dye industry or not. That we should have our own supply of dyes is the only reason for having a domestic dye industry. The war itself proved that conclusively and beyond question."

The CHAIRMAN. The committee will now stand adjourned until to-morrow morning at 10.30 o'clock. The witnesses are excused.

(Thereupon, at 5.30 o'clock p. m., the committee adjourned to meet to-morrow, August 10, 1921, at 10.30 o'clock a. m.)

## Wednesday, August 10, 1921.

The committee met, pursuant to adjournment, at 2.30 o'clock p. m., in room 312, Senate Office Building, Hon. Reed Smoot presiding.

Present: Senators Smoot (acting chairman), McCumber, La Follette Dillingham, McLean, Watson, Calder, Sutherland, and Jones.

Present, also, Senator Edwin F. Ladd, of North Dakota.

Senator SMOOT. Senator Ladd, the committee would be very glad to hear you on the question of the embargo on dyestuffs. Kindly give your full name to the reporter.

### STATEMENT OF SENATOR EDWIN FREEMONT LADD, OF NORTH DAKOTA.

Senator LADD. Mr. Chairman and members of the committee, I simply desire to come before the committee and record my interest in American organic chemistry and the chemical industry in this country. For nearly 40 years I have been engaged as a research chemist, and in chemical laboratories as a teacher. I have seen in the past the need of building up organic chemistry, which has not been made possible because of the fact that the Germans had apparently complete control of manufacturing and supplying the needs of this country.

I feel that if England and France and Italy and Japan found it necessary to place an embargo on dyes for a certain length of time,

on dyes made in those countries and to afford protection to those that are to be built up, the United States ought to do the same thing. I do not feel that it is likely that a tariff, however high it may be placed, will enable the organic chemical industry of this country to develop as we hope for.

I have heard considerable and read considerable on the question of a monopoly in the dye industry. I doubt very much that that is true in any real sense of the word. If there is to be a dye monopoly I would rather see it in the hands of the American manufacturers, where they can be controlled by Congress and the American people, rather than in the hands of foreigners. I think we can render a distinct service at this time to chemistry and to the industries of this country by protecting the organic chemical industry and the dye industry, to furnish means of training our young men who are graduates of educational institutions in chemistry for work along the lines and in the lines necessary for development of the industry in this country. If we are to be drawn into another war at any time it seems to me that we will be in a very poor position unless our organic chemistry and our institutions for manufacturing organic materials of all classes are well protected.

I do not know that I have anything more to say. I simply desire to place myself on record in connection with this question.

Senator SMOOT. Have you studied the question as to whether the amount of dyestuffs that are being made in this country can, with a reasonable protection, compete with Germany or any other country in the world?

Senator LADD. I have not to that extent, because I have not gone into that phase of it.

Senator SMOOT. If there were 90 per cent of all of the dyes made in the United States consumed in the United States, would you feel that we ought to put an embargo on all of it, and particularly such an embargo as we have in this bill, an embargo on the goods that we do make enough of and not on the goods that we do not make enough of?

Senator LADD. That would be a difficult matter to say without knowing what particular ones they are. If we made 90 per cent of all the dyes sold in this country and needed in this country there might not be the necessity for an embargo; but I question, at least in my own mind, whether that is true when you take into consideration all the types of dyes and all the dye preparations.

Senator SMOOT. If the dye manufacturers themselves would testify to that you would think it was all right, would you not?

Senator LADD. If they testify to that and it covers some of the information as I heard testimony while I was here I would not want to accept it on that basis. My understanding is that the vat dyes are not very generally made in this country.

Senator SMOOT. Hardly any of them are. That is the 10 per cent.

Senator LADD. The question is whether those other dyes can compete against the foreign dyes if they are not protected.

Senator SMOOT. We are exporting $32,000,000 worth.

Senator LADD. Have we not decreased that amount very materially during the past six months?

Senator SMOOT. No. In 1920 there was nearly 50 per cent more than in 1919. In 1919 there was 50 per cent more than in 1918.

Senator LADD. How about the first six months of 1921?

Senator SMOOT. We have not that report yet.

Senator DILLINGHAM. And that was under an embargo.

Senator LADD. The understanding is that it has very materially decreased during 1921. I am not in position to say.

Senator SMOOT. If it has not, it has not followed everything else in the world, because everything else has decreased, whether embargoed or not. I think you can not take a manufactured product in the United States but what has decreased in manufacture and also in consumption and in the exportation of it.

Senator LADD. I am not sure as to that. I would have to look up the data on some of those points. I agree with you in general, but not as to the organic chemical industry.

Senator MCLEAN. You think that protecting and encouraging experiments in industrial chemistry are very important, do you not, Senator?

Senator LADD. I certainly do. I consider it one of the most important things in this country.

Senator MCLEAN. You look upon that as not only the key industry but it is rather the master-key industry?

Senator LADD. It certainly is, and a large share of the organic preparations used in the chemical laboratories are not to be had in this country except by importation.

Senator MCLEAN. There is no limit to the possibilities of accomplishment in chemistry, is there?

Senator LADD. No, sir. If there were the same protection and the same encouragement through means of employing our young men in research laboratories, the United States could go forward very rapidly, and has gone forward because of the protection it has had during the period of the war.

Senator MCLEAN. You do not think it is worth while to take chances in an industry of that importance?

Senator LADD. Not by any means. I would rather see a monopoly in this country than to take any chances on it.

Senator MCLEAN. I agree with you.

Senator LADD. I thank you, Mr. Chairman.

# APPENDIX.

## SOUTHERN TARIFF ASSOCIATION.

### STATEMENT OF E. P. WHARTON, PRESIDENT OF THE NORTH CAROLINA DIVISION, SOUTHERN TARIFF ASSOCIATION.

The CHAIRMAN. What is your occupation?

Mr. WHARTON. I am president of the Greensboro National Bank.

The CHAIRMAN. You recently attended a convention, did you not?

Mr. WHARTON. Yes.

The CHAIRMAN. Was the convention held at Savannah?

Mr. WHARTON. No; at Greensboro.

The CHAIRMAN. Will you state the nature of the convention and what you have in mind to call to the attention of the committee?

Mr. WHARTON. Yes. I have brought with me some resolutions from the Southern Tariff Association which held a meeting in North Carolina—the North Carolina division of it—at Greensboro, N. C., on yesterday and the day before. I would like to read the resolutions.

The CHAIRMAN. You may go ahead in your own way. I want to state, for your information, that I have sent a telephone notice to all the absent members of this committee informing them that you and your associates are proceeding to address the committee.

Mr. WHARTON. I thank you very much.

Senator REED. I want to say, Mr. Chairman, that they are voting on a bill in which a great many are interested. They are voting on different phases of the bill.

The CHAIRMAN. I realize, of course, the number of engagements the Senators have and my only thought was to properly call the attention of the gentlemen to the fact that ample notice has been given.

Mr. WHARTON. This meeting was held on the 15th and the 16th, at Greensboro, N. C. We were asked to join the Southern Tariff Association. I hesitated, as I thought we were ably represented in both branches of Congress—that is, in the House and in the Senate; and since this was so, I thought it was unnecessary, but after discussing it with others we thought it could do no harm at least to get together and talk the matter over in a meeting and thus become better informed ourselves.

The CHAIRMAN. What States were represented?

Mr. WHARTON. This was only the North Carolina division, but there were about 13 States represented at this meeting. There were representative manufacturers and bankers of 13 States, but this was really the call of the North Carolina people to meet. In fact, no one took any part in the meetings, so far as voting was concerned, except the people from North Carolina.

The resolution adopted by the Southern Tariff Congress at Greensboro, on August 16, reads as follows:

We submit the following facts and recommendations:

First. That the tariff policy of the Sixty-seventh Congress was definitely settled at the November election.

Second. That we recommend such tariff schedules of southern products as will equalize the cost of production in this country with that of foreign countries, so far as may be consistent with the public welfare, such schedules to be so placed as to fairly distribute the burdens among our industries without discriminating against any sections, class, or product, to the end that there may be maintained American standards of living in every line of effort.

Third. That we are opposed to the doctrine of free raw material on agricultural, pastoral, and mineral products.

Fourth. That we appeal to all Congressmen to give consideration to the economic welfare of the South by favoring the same tariff policy for southern products that is applied to the products of other sections.

I hardly think that is necessary, because I believe that the committee and Congress will be fair.

The CHAIRMAN. I want to say for myself that I have been here over 20 years and the location of any industry never made any difference to me.

Mr. WHARTON. We are sure of that. I did not place much importance on that part of it.

Fifth. That agricultural, pastoral, and mining products of the South do not come in competition with the products of our debtor nations and the tariff levy will, therefore, not interfere with the payment of our foreign loans.

We were discussing the different phases of the subject. I want to say this is now approved by 248 banks in our State.

Senator REED. How many banks are there in your State?

Mr. WHARTON. We have over 600, I believe.

The CHAIRMAN. You may have inserted in the record, as part of your remarks, the list of banks. I have seen the list and examined it carefully, and it is very impressive.

Mr. WHARTON. Yes.

RESOLUTION ON PROTECTIVE TARIFF ADOPTED BY THE SOUTHERN TARIFF CONGRESS AT GREENSBORO, N. C., AUGUST 16.

We submit the following facts and recommendations:

First. That the tariff policy of the Sixty-seventh Congress was definitely settled at the November election.

Second. That we recommend such tariff schedules on southern products as will equalize the cost of production in this country with that of foreign countries, so far as may be consistent with the public welfare, such schedules to be so placed as to fairly distribute the burdens and benefits among all industries without discriminating against any section, class, or product, to the end that there may be maintained American standards of living in every line of effort.

Third. That we are opposed to the doctrine of free raw material on agricultural, pastoral, and mineral products.

Fourth. That we appeal to all Congressmen to give consideration to the economic welfare of the South by favoring the same tariff policy for southern products that is applied to the products of other sections.

Fifth. That agricultural, pastoral, and mining products of the South do not come in competition with the products of our debtor nations and a tariff levy will, therefore, not interfere with the payment of our foreign loans.

E. P. WHARTON,
*President North Carolina Division Southern Tariff Association.*

Approved by a large number of the leading banks of North Carolina.

RESOLUTION ON DYES EMBARGO ADOPTED BY THE SOUTHERN TARIFF CONGRESS AT GREENSBORO, N. C., AUGUST 16.

*Resolved*, That we favor such national legislation as may be required to permanently establish the dye industry in the United States, and that we consider as essential to such establishment the continuance of the temporary embargo now in force under the emergency tariff act beyond its expiration date of August 28, and until such time as permanent tariff legislation shall be enacted by Congress.

JAS. N. WILLIAMSON, Jr.,
*Chairman Manufacturing Division Southern Tariff Association.*

Approved by a large number of the leading business organizations of North Carolina.

Senator SMOOT. What other classes of business were represented? Were other classes of business represented?

Mr. WHARTON. Yes. They were manufacturers and bankers principally. The manufacturers seem to be very much interested in the preservation of the dyeing interests in this country. Although we do not manufacture dyestuffs in the South, our manufacturers seem to be more interested in that subject than any other that came before us.

Senator SMOOT. What I had reference to was your resolution adopted on August 16 signed by two hundred and some odd banks.

Mr. WHARTON. Yes.

Senator SMOOT. Were the bankers the only ones that you could get to sign this?

Mr. WHARTON. Those are the only ones we asked to sign. We did not have time to go to everyone. I knew the banks. The other industries were not asked to sign. We did not have the time.

Senator REED. Didn't you have a convention?

Mr. WHARTON. Yes.

Senator REED. Was there no one besides bankers at the convention?

Mr. WHARTON. Yes; there were merchants, manufacturers, and bankers.

Senator REED. The manufacturers signed the last one of the sheets which has to do with the dyes.

Mr. WHARTON. Yes.

Senator REED. But the bankers signed the other resolution?

Mr. WHARTON. Yes. That was not confined to those there. Those who were not there were asked to approve this resolution by letter or by wire.

Senator REED. Your general business men do not seem to be represented. Their names do not seem to appear on either of these sheets. You have manufacturers and bankers. The rest of the business men do not seem to be represented there, except one lumber concern.

Mr. WHARTON. There are two lumber concerns.

Senator REED. Do the lumber concerns want protection too?

Mr. WHARTON. I hardly think so. I think they were not asking for it. I do not think they came before you.

Senator REED. Are they interested in the dyeing business?

Mr. WHARTON. The manufacturers are interested in the dyeing business. I would like to say, in that connection——

Senator MCLEAN. I notice a great number of these men represent the textile industry.

Mr. WHARTON. Some of them are textile manufacturers. A great many of them are, but not all of them.

Senator McLEAN. Are these firms in favor of an embargo on dyes?

Mr. WHARTON. The largest concern using dyestuff in our State and in the South, and one of the largest in the country, the Proximity Manufacturing Co., has this to say—I would like to read what Mr. Cone, representing that company, has to say.

The CHAIRMAN. Your purpose is largely to protect the live-stock and agricultural interests of the South, is it not?

Mr. WHARTON. Yes; anything in the South.

The CHAIRMAN. Oh, I understand that.

Senator REED. How are you going to protect the live-stock interests?

Mr. WHARTON. That is for the live-stock men to say. They will come before you with a proposition at the proper time.

Senator REED. I notice several coffin manufacturers want a dye embargo.

Mr. WHARTON. I want to say this: The manufacturers who were present and those to whom we wrote or wired approved of it, whether they were textile men or not.

I would like to read an extract of an interview handed to me a few minutes ago by Mr. Cone, who is not interested in the dyestuffs at all, but who is president of the Proximity Manufacturing Co., the largest denim factory in the country, and using more dyes than any one in the South, and probably nearly as much as any concern in the country. This is an extract from an interview on yesterday:

So far as any fear of monopoly in the American industry resulting from a strict embargo is concerned, I may say that the experience of the Proximity Mills with American dye manufacturers has been such as to convince me that such a fear is ill founded. We are large users of dyestuffs. We use several of the basic dyes in large quantities. We paid dearly for these in the first years of the war, but under the pressure of competition among three of the large American chemical plants we have seen this war price gradually reduced, until now we are paying less than one-third the peak price, and recently the reductions have been frequent.

From all information which I have at hand, the continuance of an adequate dye embargo is quite as vital to southern textile mills as it is to national safety, and I for one am in hearty favor of it.

Senator SMOOT. The resolution which I have before me reads, in part, as follows:

We favor such national legislation as may be required to permanently establish the dye industry in the United States, and that we consider as essential to such establishment the continuance of the temporary embargo now in force under the emergency tariff act beyond its expiration date of August 28 and until such time as permanent tariff legislation shall be enacted by Congress.

Mr. WHARTON. Yes. I had not read the resolution. I was going to read that second resolution indorsed by 185 of our manufacturers.

Senator REED. Do you believe that the South is particularly interested in the dye industry in any way that the rest of the country is not?

Mr. WHARTON. No, sir; I think not. I think the whole country should be interested and should be considered.

Senator REED. You are asking for protection for the South. Of course, you produce a great deal of cotton. Do you think there should be any protection on common, ordinary cotton?

Mr. WHARTON. Now, so far as details of that kind are concerned, I am not able to answer. I do not raise cotton myself. We are just out of the cotton belt. We think that when these people come up and ask for anything, it deserves your careful consideration.

Senator REED. Yes. Do you think there is anything raised down South that deserves protection?

Mr. WHARTON. Yes; of course.

Senator SMOOT. There would be cotton cloth.

Mr. WHARTON. And our beef interests in the Southwest.

Senator REED. How are we going to protect you on that? You ship beef abroad, do you not?

Mr. WHARTON. What is the price of hides to-day?

Senator REED. Nothing.

Mr. WHARTON. I am not posted on the schedule part of it at all. I wanted to ask a question about hides. They are shipped in here in tremendous quantities.

Senator REED. Are they?

Mr. WHARTON. I understand so. You can tell from your records whether I am correct or not. That was a statement made before the convention.

Senator REED. I want to ask you three or four questions.

Outside of what is called sea-island cotton, you produce a great deal more cotton in the South than can be used in the South, do you not?

Mr. WHARTON. I do not think the cotton people are going to ask for protection in the South.

Senator REED. Are you suffering from the importation of cattle in the South?

Mr. WHARTON. It was stated at the meeting that while hides are by-products, they are a large by-product, and that they are selling for almost nothing to-day.

Senator REED. I am speaking of live stock.

Mr. WHARTON. I can not answer you.

Senator REED. As a matter of fact, you used to get a great many cattle from Mexico. You brought them into Texas and fed them up and then you made money on them.

Mr. WHARTON. You are much better posted on that than I am.

Senator REED. Well, I will not ask any more questions.

### STATEMENT OF A. B. HIGH, OF GREENSBORO, N. C.

The CHAIRMAN. What is your occupation?

Mr. HIGH. I am a builder—a contractor.

The CHAIRMAN. Will you state to the committee your views on the subject?

Mr. HIGH. Mr. Chairman, I simply came as a messenger bearing these resolutions. These resolutions carry the signatures of 400 business firms in our State. In addition to these signatures there are many telegrams and signatures still coming in. This meeting was held without any great preliminary work being done. The signatures represent at least 400 concerns, and we simply desire to give them to you that you may have some idea of the trend of thought of the business men of that State. We are asking only that they be recognized in considering the tariff bill. They are very much interested in the dye industry. It seems that the users of dyes in our country want good protection on dyestuff. Outside of that, I do not care to go into details.

Senator REED. How did this meeting happen to be gotten up? There seem to be two gentlemen here who are representatives, but both of you do not seem to know anything about the matter.

Mr. HIGH. Mr. Wharton is president of the North Carolina division. As I stated before, I came simply as a messenger bearing these resolutions. I may say that possibly Mr. Arnold, who is secretary of the Southern Tariff League, may be able to answer your questions.

The CHAIRMAN. Mr. Arnold, will you answer these questions? Will you please state your name for the record?

STATEMENT OF J. A. ARNOLD, FORT WORTH, TEX., SECRETARY SOUTHERN TARIFF ASSOCIATION.

Mr. ARNOLD. J. A. Arnold.

The CHAIRMAN. What is your address?

Mr. ARNOLD. Fort Worth, Tex.

The CHAIRMAN. You are secretary of this association?

Mr. ARNOLD. Of the Southern Tariff Association.

The CHAIRMAN. What is your occupation in addition to that?

Mr. ARNOLD. I give my entire time to that.

The CHAIRMAN. Will you answer the questions put to you by Senator Reed?

Mr. ARNOLD. Yes.

Senator REED. You had a meeting down in Greensboro, N. C.

Mr. ARNOLD. Yes.

Senator REED. Before I come to that, I want to ask you when this Southern Tariff League was organized.

Mr. ARNOLD. The first meetings were held in New Orleans on October 9 and 10, I believe, of last year.

Senator REED. You had a great many oilmen there, didn't you?

Mr. ARNOLD. Yes, sir.

Senator REED. And you had some very prominent oilmen there, as well as lumbermen, didn't you?

Mr. ARNOLD. If there were any of them there, I do not recall.

Senator REED. You had some lumbermen there, did you not?

Mr. ARNOLD. Well, Mr. Kirby is a lumberman. He is president of our organization.

Senator REED. Do you favor a tariff on lumber?

Mr. ARNOLD. Our organization has not passed upon it.

Senator REED. Do you favor a tariff on oil?

Mr. ARNOLD. The organization has not passed on oil. This resolution represents more nearly——

Senator REED (interposing). Do you favor a tariff on sea-island cotton or on long-staple cotton?

Mr. ARNOLD. We are on record as in favor of it.

Senator REED. How much is produced in North Carolina?

Mr. ARNOLD. I do not know.

Senator REED. There is not any, is there?

Mr. ARNOLD. I do not know.

Senator REED. How much is produced in this country in proportion to the total amount consumed?

Mr. ARNOLD. I could not tell you. We have a division of cotton growers who know about that.

Senator REED. Do you claim that you represent the sentiment of the South?

Mr. ARNOLD. I claim that these signatures represent the men who signed.

Senator REED. Yes; but do you claim that that is representative of the sentiment of the South?

Mr. ARNOLD. I think it is a true reflection of it.

Senator REED. Don't you know that nine men out of ten in the South are against a high protective tariff and always have been?

Mr. ARNOLD. That depends upon how you look at it.

The CHAIRMAN. Senator, you doubtless recall the Angora goat of Congressman Garner's district. Under the revenue act of 1913 the sheep of Montana were permitted to perish under free trade, while a heavy duty was placed upon the hair of the Angora goat.

Senator REED. But that is not the question I am asking this witness?

Do you want protection on cotton seed?

Mr. ARNOLD. The organization stands for that.

Senator REED. Is there any cotton seed shipped in?

Mr. ARNOLD. I know of cottonseed oil. There has been cottonseed oil shipped.

Senator REED. I was speaking of cotton seed.

Mr. ARNOLD. I suppose so.

Senator REED. Don't we ship abroad a great deal of cottonseed oil?

Mr. ARNOLD. I could not say that. The cottonseed division of our organization has that matter in charge.

Senator REED. Do you want protection on hides now?

Mr. ARNOLD. Yes.

Senator REED. How many cattle does North Carolina produce?

Mr. ARNOLD. We have 18 States in our organization. This is one division, one State division.

Senator REED. Did you have any cattlemen at your convention? Are there any cattlemen's signatures attached to these resolutions?

Mr. ARNOLD. It was not worked among the cattlemen.

Senator REED. You have coffin men on the list, why not cattlemen?

Mr. ARNOLD. Only the manufacturers and bankers have been circulated.

Senator REED. How many States are in this association?

Mr. ARNOLD. Thirteen States, including Missouri.

Senator REED. How many men were there from Missouri?

Mr. ARNOLD. I do not know. We had 13 States represented. I do not know whether your State was represented or not.

Senator REED. I know the State was not represented. There may have been a man down there. You would not want to tell me that the people of Missouri favor these things.

Mr. ARNOLD. I am sure they do. I think that reflects southern sentiment.

Senator REED. I live in Missouri and I know it does not represent the Missouri sentiment.

Mr. ARNOLD. We may hold a convention there to see.

Senator REED. Yes; you may do that. How many people were at your convention?

Mr. ARNOLD. We held four or five.

Senator REED. Take the last one.

Mr. ARNOLD. About 50.

Senator REED. What is the population of these 14 or 15 States?

Mr. ARNOLD. Our congress has delegates who are sent to these meetings.

Senator REED. Delegates from whom?

Mr. ARNOLD. From the organizations.

Senator REED. What organizations?

Mr. ARNOLD. The National Mohair Growers' Association, the American Wool Association, and that line of organizations. We have 57 different industries.

Senator REED. Fifty-seven different industries. Do you claim that any one of these organizations represents the whole industry?

Mr. ARNOLD. They are authorized spokesmen of that industry, as near as I can get at it.

Senator REED. Let us see about that. Don't you know that, as a matter of fact, a few men in an industry join an organization, and the organization then sends the men down to a convention, and that is the way your convention is made up?

Mr. ARNOLD. Yes.

Senator REED. It is not made up of delegates assembled at public meetings.

Mr. ARNOLD. These resolutions are signed.

Senator REED. Yes. You have 250 men out of about 40,000,000 people.

Mr. ARNOLD. No. We circulated the bankers. No one else was asked to sign.

Senator REED. You have 240 bankers in North Carolina out of 600. How many banks have you in the 15 States?

Mr. ARNOLD. I do not know. We are not through with that resolution yet.

Senator WATSON. Did you circulate your petition among all the banks of the South?

Mr. ARNOLD. Only in North Carolina, to get the sentiment of that State.

Senator WATSON. What was the size of that meeting? What was the size of the last national convention of the 13 States?

Mr. ARNOLD. We just held one annual meeting. We will hold another within a reasonable time. The last meeting was at Atlanta. We called that our largest meeting, and all the States were represented.

Senator WATSON. How many were there?

Mr. ARNOLD. I suppose a couple of thousand.

Senator WATSON. A couple of thousand of business men representing all those States?

Mr. ARNOLD. We had 57 industries all represented by delegates sent there for that purpose and authorized to speak for them and authorized to join in this work.

Senator WATSON. How long did that congress last?

Mr. ARNOLD. It lasted three days.

Senator WATSON. What was the object of it?

Mr. ARNOLD. Well, it was to discuss the tariff in relation to southern industries and in relation to southern prosperity and progress.

Senator REED. You had 2,000 business men at the meeting. How many business men live there who were not represented there?

Mr. ARNOLD. I do not know. We did not expect them all.

Senator REED. When you say that you represent the sentiment of a State, you mean this, that certain organizations in these different States send delegates. Those business men get together and you try to get the sentiment of the people. But you surely do not pretend to say that you represent all the people of that State?

Mr. ARNOLD. We are not presenting that kind of a resolution. That is signed by the majority of the bankers and manufacturers of that State.

Senator REED. Let us see about that. It is not signed by a majority because one witness said that there were over 600 banks.

Mr. ARNOLD. By to-day there would be a majority, if we had the latest records.

The CHAIRMAN. Mr. Arnold, Senator Gooding wishes to ask you some questions.

Senator GOODING. Mr. Arnold, how many governors were at that meeting at the Atlanta convention? I mean, now, real live governors?

Mr. ARNOLD. There were two there. Governors and governors-elect of 13 States signed the call.

Mr. GOODING. How many signed the resolution?

Mr. ARNOLD. The call is the declaration of principles and is the only resolution we had. The call is itself our declaration of principles. They signed the call calling the conference together.

Senator WATSON. Did the Southern Congress pass those resolutions?

Mr. ARNOLD. Well, not anything more than the resolutions would be contained in what we have here; that is probably what the South stands for, what is contained in that banker's resolution.

Senator REED. You mean that is what this part of the South that signed this paper stands for?

Mr. ARNOLD. That reflects the sentiment as expressed by their representatives, and that section, I think, truly represents the sentiment of the South. Those bankers, in some instances, called meetings of their boards of directors, and business men, and that is the consensus of opinion of them who represent the South as expressed by those bankers and would be reflected in any State.

Senator REED. You sent out a call to people who were in favor of the tariff to "get busy," and this is the result?

Mr. ARNOLD. No; those resolutions were sent out, and they signed the resolutions.

Senator REED. And if they did not favor it they did not come, and if they did favor some of them came and signed the resolutions?

Mr. ARNOLD. And I think we got the consensus of opinion that way.

Senator REED. How were these delegates appointed?

Mr. ARNOLD. They were appointed by chambers of commerce, by industrial organizations, and they were authorized to speak for them on those subjects.

Senator MCLEAN. The chambers of commerce and the industrial organizations, did they have anything in the nature of a referendum? What interest did they represent, what proportion of the people?

Mr. ARNOLD. Yes; our organization undertakes to represent, and I think does at least reflect the organized element of the South; that is, those industries and those organizations who are concerned in the development, progress, and welfare of the South.

Senator REED. These delegates are chosen by local organizations?

Mr. ARNOLD. They are chosen by local organizations and not by us.

Senator REED. And those organizations in your opinion fairly represent the sentiment of the people of the South?

Mr. ARNOLD. They are authorized to do so.

Senator SUTHERLAND. They were appointed by boards of trade, chambers of commerce, and civic associations?

Mr. ARNOLD. Yes; those associations, and they are authorized to speak for the community.

Senator REED. Did the chambers of commerce of the Southern States send delegates to your convention in North Carolina?

Mr. ARNOLD. They always send delegates—not all the Southern States.

Senator REED. That was North Carolina. But is that true of the Atlanta convention?

Mr. ARNOLD. We had 240 chambers of commerce join in the call, and I think most of them were represented there.

Senator REED. Did they all vote one way?

Mr. ARNOLD. When they signed our call there; it is a call for a congress for that purpose.

Senator REED. Have you got that call?

Mr. ARNOLD. No; I have not; I do not believe I have it with me.

Senator MCLEAN. Are the agricultural interests represented—agricultural societies of agricultural interests?

Mr. ARNOLD. Yes; the agricultural interests are usually represented, and I think of those at least a dozen secretaries of agriculture or commissioners of agriculture in the States were in it, and agricultural organizations sent delegates—agriculture, commerce, and industry; we gathered that element that concerns itself in those organizations.

Senator MCLEAN. But, generally, are the farmers organized in the South? Do you have granges or other organizations and are they pretty general?

Mr. ARNOLD. I think they are pretty well organized, such as farmers' unions and granges.

Senator MCLEAN. Do you mean to say that the delegates which come to your convention fairly represents the agricultural interests in the South?

Mr. ARNOLD. I should say the commissioners of agriculture are a fair representation, and the delegates appointed by them who would come to that conference.

Senator REED. Is the commissioner of agriculture a State officer in the South?

Mr. ARNOLD. In many cases; sometimes they are appointed and sometimes they are elected.

Senator REED. He is a State officer?

Mr. ARNOLD. Yes.

Senator REED. Let us see about it. Was there a single farmer's organization, as such, that went to your convention and voted for a high tariff duty?

Mr. ARNOLD. They voted with the resolution.

Senator REED. What resolution? We have not any resolutions.

Mr. ARNOLD. We are presenting the resolutions of the North

Carolina division, and we are discussing the Southern States. We did not intend to appear for the southern delegation.

Senator REED. Let us stick to North Carolina which you have presented.

Mr. ARNOLD. Yes.

Senator REED. This is in two divisions.

Mr. ARNOLD. Yes.

Senator REED. The first were asked generally for such tariff schedules on southern products as would equalize the cost of production, etc., and the other proposed to free raw materials on agricultural, pastoral and mining products, that is the essence of it. These resolutions are signed practically exclusively by banks; there may be somebody else on here besides the bankers, but if there is I have not found him.

Mr. ARNOLD. We have everything on here.

Senator REED. Let us see what we have here. I am looking at the one you have offered; I can not look at the two papers at once.

Mr. ARNOLD. They are coming in at the rate of about 40 or 50 a day, and a week later we would have had the whole State.

Senator REED. Take the first sheet. Is there anybody on that first sheet but bankers? I do not know it if there is.

Mr. ARNOLD. It was not circulated to any one but banks.

Senator REED. The second sheet recites that—

We favor such national legislation as may be required to permanently establish the dye industry in the United States, and ask for an embargo.

That is signed by a large number of manufacturers. Speaking broadly, I should judge from the names that they are manufacturers, a large number of them, of cotton goods. Then there seems to be a choice selection of casket makers and a great number of furniture manufacturers. Do you know of any other class of people on here?

Mr. ARNOLD. Yes; we have the poultry associations, the poultry producers of central California.

Senator REED. Poultry associations; yes. Of course, they are interested in the embargo on dyes?

Mr. ARNOLD. The whole sentiment in the South, Senator, is for a tariff; that is the one purpose of our organizations.

Senator REED. You say the whole sentiment of the people of the South, or these people you gathered together?

Mr. ARNOLD. Those people who produce and create in the South want a duty.

Senator REED. How many farmers' organizations are on this? Tell us one.

Senator GOODING. Read that list.

Mr. ARNOLD. There are four poultry associations: The American Poultry Association; the Central California Association, who had a man there; the Poultry Association of Washington; the Chamber of Commerce of Phoenix, Ariz.; the Arizona Cotton Growers' Association.

Senator REED. I am asking for farmers' associations.

Mr. ARNOLD. The Arizona Cotton Growers' Association is a farmers' organization.

Senator REED. They are the long-staple fellows who want a tariff, and they have got a hundred acres of land, or something like that, out there in long-staple cotton.

Mr. ARNOLD. They need a tariff, no matter who owns the land; it is a question of building up the industry.

Senator REED. Do you tell me that you can build up in this country a long-staple cotton industry that will supply the needs of this country, with the amount of ground in the United States that will raise that kind of cotton?

Mr. ARNOLD. I rather think so. We have some of it in Texas.

Senator REED. You know, as a matter of fact, that the long-staple cotton used to be called "sea island," because they raised it on sea islands, but that ground has become worthless and you are now trying to raise it in a few localities, and that the acreage of that character at this time is exceedingly small, and they are raising a little out in Arizona on irrigated land?

Mr. ARNOLD. No; I do not know of that.

Senator SUTHERLAND. These signers are by no means all Republicans?

Mr. ARNOLD. I have no idea what their politics is.

Senator SUTHERLAND. The resolutions were not circulated with reference to political affiliations?

Mr. ARNOLD. No; we circulated banks, and in many instances the boards of directors passed on it. It represents the commercial interests of that State.

Senator SUTHERLAND. Without regard to political opinion?

Mr. ARNOLD. The banker we consider the best authority we have on financial matters and policy of the Government that would build up an industry; that is his business; we think he is the highest authority in the State or in the Nation, for that matter.

Senator GOODING. Is that the reason you went to the bankers down there?

Mr. ARNOLD. That is the reason, because they were the best authority with respect to finances or government of the country; that is their business.

Senator SUTHERLAND. They usually have some very substantial farmers on the boards of directors of these banks?

Mr. ARNOLD. They always have.

Senator REED. Do you know who is at the head of the farmer organizations of the United States? Do you know where he lives?

Mr. ARNOLD. I have not the information with me.

Senator REED. He lives at Atlanta, Ga. Was he at your meeting and did he join for a high tariff?

Mr. ARNOLD. This was the North Carolina meeting.

Senator REED. I am talking about your big Georgia meeting.

(No response.)

Senator REED. That is all.

The CHAIRMAN. Are there any further questions?

Senator GOODING. I believe not.

The CHAIRMAN. Gentlemen, the committee have been very glad to hear your views. It cheers them up to know that the inspiration of the protective doctrine is growing in the South.

Senator GOODING. I think it should be understood that these gentlemen represent a committee coming from North Carolina from that convention. I do not know whether that has been made clear.

Senator WATSON. It is understood.

The CHAIRMAN. I want to say for the committee that a majority of the committee this year are earnest protectionists, and I do not believe any one represents a sectional view. They are as anxious to encourage industry in Texas and North Carolina as they are in the State of Pennsylvania. If any one of you have any representation to present to the committee we will be glad to hear from you.

Mr. WHARTON. We thank you, Mr. Chairman. I do not think the resolution implies especially to high tariff, but the manufacturers in our State are in favor of a protective tariff, and there in only one tie that has kept them from expressing themselves much stronger than they have expressed it.

The CHAIRMAN. I think the committee realizes your position.

Mr. WHARTON. I do not think Senator Reed denies that fact.

Senator REED. I do not know of a manufacturer anywhere who does not want all the protection he can get.

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