TARIFF ACT OF 1929

HEARINGS

BEFORE THE

COMMITTEE ON FINANCE
UNITED STATES SENATE

SEVENTY-FIRST CONGRESS

FIRST SESSION

ON

H. R. 2667

AN ACT TO PROVIDE REVENUE, TO REGULATE COMMERCE WITH FOREIGN COUNTRIES, TO ENCOURAGE THE INDUSTRIES OF THE UNITED STATES, TO PROTECT AMERICAN LABOR, AND FOR OTHER PURPOSES

VOLUME III

SCHEDULE 3

METALS AND MANUFACTURES OF

JUNE 26, 27, 28, and JULY 1, 2, 8, 9, 10, and 11, 1929

(With Supplement)

INDEXED

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UNITED STATES SENATE

SEVENTY-FIRST CONGRESS, FIRST SESSION

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SCHEDULE 3—METALS AND MANUFACTURES OF

DAVID A. REED, Pennsylvania, *Chairman*

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WALTER E. EDGE, New Jersey.

WILLIAM H. KING, Utah.
ALBEN W. BARKLEY, Kentucky.

FOREWORD

Under authority of Senate Resolution 335, Seventieth Congress, second session, the United States Senate Finance Committee, for the purpose of investigating the effects of the operation of the tariff act of 1922 and the proposed readjustments as set out in House bill 2667, commenced general tariff hearings on June 13, 1929, pursuant to the following public notice authorized by the committee on June 7, 1929:

Dates of hearings and tariff subcommittees

Schedules	Date to commence	Subcommittees
		Subcommittee No. 1, room 212 Senate Office Building
1. Chemicals, oils, and paints.	June 14	Smoot, chairman, Reed, Edge, King, and Barkley.
2. Earths, earthenware, and glassware.	June 19	Edge, chairman, Smoot, Reed, King, and Barkley.
3. Metals and manufactures of.	June 26	Reed, chairman, Smoot, Edge, King, and Barkley.
		Subcommittee No. 2, room 312 Senate Office Building
6. Tobacco and manufactures of.	June 13	Shortridge, chairman, Smoot, Watson, Harrison, and Connally.
8. Spirits, wines, and other beverages.	June 14	Shortridge, chairman, Smoot, Watson, Harrison, and Connally.
7. Agricultural products and provisions.	June 17	Watson, chairman, Smoot, Shortridge, Harrison, and Connally.
5. Sugar, molasses, and manufactures of.	June 26	Smoot, chairman, Watson, Shortridge, Harrison, and Connally.
		Subcommittee No. 3, room 301 Senate Office Building
9. Cotton manufactures	June 14	Bingham, chairman, Greene, Sackett, Simmons, and George.
10. Flax, hemp, jute, and manufactures of.	June 19	Greene, chairman, Bingham, Sackett, Simmons, and George.
11. Wool and manufactures of.	June 24	Bingham, chairman, Greene, Sackett, Simmons, and George.
12. Silk and silk goods	July 1 (2 p. m.)	Sackett, chairman, Greene, Bingham, Simmons, and George.
13. Rayon manufactures	July 8	Sackett, chairman, Greene, Bingham, Simmons, and George.
		Subcommittee No. 4, room 418 Senate Office Building
14. Papers and books	June 13	Deneen, chairman, Cousens, Keyes, Walsh (Mass.), and Thomas (Okla.).
4. Wood and manufactures of.	June 17	Cousens, chairman, Deneen, Keyes, Walsh (Mass.), and Thomas (Okla.).
15. Sundries	June 25	Keyes, chairman, Cousens, Deneen, Walsh (Mass.), and Thomas (Okla.).

NOTE.—Hearings on "Valuation" will be conducted before the full committee June 12. All meetings will commence at 9.30 a. m. unless otherwise noted. Hearings on free list, administrative and miscellaneous provisions will be conducted before full committee at the conclusion of the subcommittee hearings.

Stenographic reports were taken of all testimony presented to the committee. By direction of the committee all witnesses who appeared after the conclusion of the hearings on valuation were to be sworn.

The testimony presented, together with the briefs and other exhibits submitted, is grouped together as far as practicable in the numerical order of the House bill, which has made necessary the abandoning of the sequence of the statements and the order of appearance.

In this consolidated volume, which includes briefs and data filed since the publication of the original print, the arrangement of the testimony has largely been preserved, while the new matter has been arranged by paragraphs in the supplement at the end. The index has necessarily been revised to include this new matter.

ISAAC M. STEWART, *Clerk.*

TARIFF ACT OF 1929

SCHEDULE 3—METALS AND MANUFACTURES OF

WEDNESDAY, JUNE 26, 1929

UNITED STATES SENATE,
SUBCOMMITTEE OF THE COMMITTEE ON FINANCE,
Washington, D. C.

The subcommittee met at 10 o'clock a. m. in room 212, Senate Office Building, Senator David A. Reed presiding.

Senator REED (chairman of the subcommittee). The committee will come to order.

GENERAL STATEMENTS

STATEMENT OF JOHN A. TOPPING, NEW YORK CITY, REPRESENTING THE AMERICAN IRON AND STEEL INSTITUTE AND THE REPUBLIC IRON & STEEL CO., YOUNGSTOWN, OHIO

(The witness was duly sworn by the chairman of the subcommittee.)

Mr. TOPPING. Mr. Chairman and gentlemen, I am addressing myself generally to Schedule 3.

Senator BARKLEY. All of it?

Mr. TOPPING. Generally. I shall be followed by others who will be more specific in the various paragraphs, but I am talking to the general subject.

I represent the American Iron and Steel Institute as its vice president, and also the Republic Iron & Steel Co., of Youngstown, Ohio, as chairman of the board of directors.

I have been told that there exists an impression that the steel industry is indifferent to the matter of tariff duties on imported products. Permit me to say that this is not the case. The iron and steel industry is very much interested in the maintenance of sound protective principles, not only for its own protection, but for the protection of all other domestic industries.

The impression received, that we were indifferent to the tariff, doubtless is due to the fact that only a small group of steel people appeared at the recent hearing before the Ways and Means Committee of the House of Representatives. While the number present was small, yet it was a very representative body, for the reason that for the first time in the history of the American Iron and Steel Institute, which organization represents 95 per cent of the industry, I appeared before this committee as its vice president, and briefs were also filed by its tariff counsel.

I might also state that it was the suggestion of the Ways and Means Committee that we avoid duplication of briefs and reduce the number of our representatives to as few as possible, in order to save the time of the committee. In the same way we are trying to do it here by being as definite and specific as we can.

I now appear before you as vice president of the American Iron and Steel Institute, and also as chairman of the board of directors of the Republic Iron & Steel Co., and, for your information, desire to submit copies of my general brief and verbal remarks, together with a copy of the general recommendation made by our tariff counsel, under date of January 14, 1929, before the Ways and Means Committee of the House of Representatives.

Senator REED. That was submitted to the House committee, was it not?

Mr. TOPPING. Yes, sir.

Senator REED. And is printed in their records. We have copies of that.

Mr. TOPPING. Yes. I will give you the records so that you can refer to them, but I will submit copies here also.

Senator REED. We have them before us, already printed.

Mr. TOPPING. I think you have.

Senator EDGE. In other words, you do not want to duplicate it in this record.

Mr. TOPPING. Very well, then.

Senator KING. You will see them, Mr. Topping, beginning on page 1732 of the House hearings, and continuing for a large number of pages following page 1732.

Mr. TOPPING. Yes. The document is already printed in the Ways and Means Committee hearings, volume 3, pages 1721 and 1892, and volume 17, page 10457, so that to-day I shall merely present in a somewhat summary manner some ot the outstanding features for your consideration.

Since the enactment of the Payne-Aldrich law, in 1909, the general trend of iron and steel costs has been strongly upward, by reason of increases in labor costs, freight rates, and taxes. Taxes particularly, as you know, have been onerous and burdensome in many cases. Taking the one item alone of tax on iron ore, including the occupational tax and other taxes that the various iron-ore States impose, the pig-iron industry and the steel trade are taxed on that special item—taking the pig-iron output of the country, roughly, as 37,000,000 tons—close to $52,000,000 per annum.

Senator KING. Is there any tax in Pennsylvania?

Mr. TOPPING. We have no iron ore in Pennsylvania to amount to anything.

Senator KING. Well, upon the steel—upon the manufacturing companies?

Mr. TOPPING. We have the State tax, of course, but this is an iron-ore tax—an occupational tax.

Senator KING. Do you have a State tax aside from an ad valorem property tax?

Mr. TOPPING. Certainly.

Senator REED. There is no State tax on manufacturing companies in Pennsylvania.

Mr. TOPPING. Oh, I did not understand your question. There is no State tax on manufactured products; certainly not.

Senator KING. There is no State tax on manufacturing companies in Pennsylvania?

Mr. TOPPING. We do not manufacture in Pennsylvania.

Senator KING. You represent the steel industry, 95 per cent, as I understood you.

Mr. TOPPING. Yes, sir.

Senator KING. And a large part of the steel industry of the United States is in Pennsylvania.

Mr. TOPPING. A very substantial portion of it is.

Senator Reed. They pay taxes on their property like any other individual does.

Mr. TOPPING. But not on their product.

Senator REED. They pay no tax to the State.

Mr. TOPPING. Not on their product.

Senator REED. There is no tax on their products.

Mr. TOPPING. You mean to say, a State corporation tax?

Senator KING. Any form of taxes.

Mr. TOPPING. Why, certainly. I think in all States they pay taxes on their property.

Senator KING. Pennsylvania, as I understand, is specially favored, Mr. Topping. I am not complaining at all.

Mr. TOPPING. I do not understand that it is specially favored. I may be wrong.

Senator REED. I can settle this, if Senator King will accept my answer.

Senator KING. Yes; I will.

Senator REED. A manufacturing company in Pennsylvania pays city taxes and pays county taxes like any other individual. It is not taxed by the State on its output or on the value of its stock.

Senator BARKLEY. Is it taxed on its physical property?

Senator Reed. Not by the State. We have no State tax on physical property.

Mr. TOPPING. I did not know that. I had forgotten it.

Senator REED. Except railroads and telegraph companies.

Mr. TOPPING. Speaking of taxes and costs, this increase in cost has occurred notwithstanding the great improvements made in the process of manufacture through the introduction of labor-saving devices and general improvement in practice, which have resulted in speeding up output, reducing waste, and saving man power.

I may also state that since the date mentioned, base labor rates have increased about 115 per cent, and the hours of work have been reduced about 33⅓ per cent. That is to say, the rate per hour for common labor in 1909 was 15½ cents for a 12-hour day. At the present time, the rate per hour is 50 cents for an 8-hour day. In other words, common labor in 1909 earned $1.86 for 12 hours' work, as against $4 per day for 8 hours' work at the present time. Freight rates and taxes have more than doubled, and I need not point out that both of these items are determined by governmental action, and are, therefore, beyond our control.

As to freight rates, when it is considered that it requires the movement of about 6 tons of raw material to produce 1 ton of finished

product, it is obvious that this large increase in freight rates has added enormously to cost of production.

Senator KING. May I interrupt you, Mr. Topping? I do not want to if it will disturb you.

Mr. TOPPING. That is all right, sir.

Senator KING. The statement is frequently made that, per ton-mile, we have the cheapest railroad freights of any country in the world.

Mr. TOPPING. I think that is true.

As against this large increase in cost of production, prices for iron and steel to the consumer have increased only about 44 per cent, as calculated by the Iron Age in their published showing of composite steel prices, for the period mentioned. I think there are about 12 products averaged, but it is not a weighted average; just the average of prices. In some products it has been very much less than that; in some a little bit more.

While further progress may be expected in the future through additional improvement in practice, it would be unreasonable to expect the same rate of progress as heretofore. However, it may be expected, as heretofore, that whatever cost economies are effected will inure to the benefit of labor and the public.

That has been the history of the steel trade since I have been a member of it, for many years.

In view of the large increase in cost of production, it will be apparent to this committee that the rates of duty heretofore recommended are modest in the extreme, as the rates proposed on finished iron and steel are, in almost every case, substantially lower than those in the Payne-Aldrich law, whereas on almost all imported raw materials or supplies, particularly in the case of manganese ore, they are excessively higher.

On manganese ore, particularly, we feel that the duty imposed by the tariff act of 1922 is enormously burdensome and entirely without justification from any possible point of view. Manganese ore is literally a raw material, yet it bears a duty equivalent to an average ad valorem for the six calendar years 1923 to 1928 of 81.58 per cent. In 1923 the duty was equal to 107.92 per cent, and in 1928 to 88.76 per cent, and, as I view the situation, this duty is not in effect a protective one, because, as has already been demonstrated, there is no domestic industry which produces or can produce the required amount of ore in commercial quantities. Since it is not a protective duty is must be a revenue duty, and a revenue duty of approximately 100 per cent on a raw material is indefensible.

Senator KING. Have you stated, or will you state, the progressive increase in the rate of duty where it comes in as an alloy? I do not want to interrupt you, Mr. Topping.

Mr. TOPPING. I am just touching on this in a general way. I have some data here that I may be able to pick out, and I shall be followed by others who are more qualified to go over the details than I. I am just making a general argument, pointing out some of the inconsistencies that we think call for readjustment.

As showing the unscientific character of this duty, I desire to draw your attention to the fact that the Government figures show that the total duty paid on manganese during the six years 1923–1928 was more than fifteen times the total value of the domestic production of

metallurgical grade manganese ore during the same period. I estimate that our total import tax on all imported raw materials since the enactment of the Fordney bill has been increased more than $24,000,000 per annum. That includes manganese and other alloys as well.

As the manufacture of ferromanganese is an established domestic industry, we indorse the recommendation heretofore made that a proper differential duty of $12.50 per ton be placed thereon, which is almost exactly the equivalent of 25 per cent ad valorem, the rate imposed by the existing law on alloys not specially provided for, used in the manufacture of steel.

Senator KING. That argument would apply to chrome and to tungsten, as well as to manganese, would it, Mr. Topping?

Mr. TOPPING. I am speaking of ferromanganese alone. We think all those rates are high, but I am using this to illustrate why we put a $12.50 duty on ferromanganese. We are asking for free manganese ore. There should be a compensatory duty on the ferromanganese made, because it is an established industry in this country, operating on about 95 per cent of imported ore, and, allowing for the difference in labor costs and costs of operation, the makers of ferromanganese are entitled to a reasonable duty, we think, in accordance with the protective principle as we advocate it.

Senator KING. If scrap steel were imported into the United States which contained an alloy—chrome or tungsten or manganese or vanadium—what is your attitude with respect to the tariff there, and the compensatory duty upon the steel there, by reason of the alloy or the compensatory duty upon the alloy by reason of the steel?

Mr. TOPPING. If there is a reasonable duty on the finished product that should be sufficient.

Senator KING. Would you call scrap a finished product?

Mr. TOPPING. I would not. It is raw material.

Senator KING. Exactly.

Mr. TOPPING. I submit a statement of comparative imports and approximate ad valorem equivalent rates of duty on various alloys and supplies as compared with the present approximate equivalent rates on various iron and steel finished products, which comparison will emphasize the claim that these raw-material import duties are all out of line with the protection accorded finished products, which statement follows my remarks. I have it appended here, showing the whole schedule, which I think will be quite informative.

(The matter referred to will be found printed at the end of Mr. Topping's statement.)

Senator KING. Does it correspond with the schedule found here at the end of your testimony in the House hearings?

Mr. TOPPING. No, sir; it is a different schedule.

Senator REED. The schedule that you put in takes the list of duties as increased by the House, does it, Mr. Topping, or the duties in the 1922 law?

Mr. TOPPING. It compares the rates of duty and ad valorem equivalents on iron and steel products and raw materials required by the steel industry as provided for in bill H. R. 2667, passed in the House of Representatives May 28, 1929—yes; the House bill.

Senator REED. It deals with the House bill, and not with the 1922 law?

Mr. TOPPING. Yes. These were as compiled by the United States Tariff Commission.

Senator REED. You think the rates established by the House are not sufficient, although they are increases over the present law?

Mr. TOPPING. These were taken from the Tariff Commission's statement.

Senator REED. May I have an answer, please?

Mr. TOPPING. Pardon me.

Senator REED. You think that the rates as increased by the House are not sufficient?

Mr. TOPPING. I think the rates as increased by the House are that much of an additional burden. I think they are burdensome, and we are pointing out to you that the duties on finished products as related to the raw material, the import duties, are unjust. Either one should be reduced or the other increased.

Senator REED. I see.

Senator EDGE. Does that apply generally, in your judgment, to the product of which you are speaking—that the compensatory duty is not in line with the duty on the raw material, if there is a duty on the raw material? Does that follow right along, in your judgment?

Mr. TOPPING. I think it applies to the whole steel tariff schedule, because our duties have been reduced repeatedly, and we have complacently accepted the reductions in duty on the finished product, and we have kept pace with the reduced duty by reducing our costs, but we feel that we have nearly reached the limit, not only by very large expenditures of money, but we have advanced labor, and are maintaining a very high schedule, which I am glad to say is a very efficient one as well, and, due to labor-saving devices, we are able to pay a very high rate per day per man.

Senator EDGE. Have you specifically entered your protest on the different items of raw material in your brief that you are filing?

Mr. TOPPING. No; not in my brief, but in the brief that has been prepared by our tariff counsel, Mr. Doherty. He gave specifically what we are asking for.

Senator REED. That will be given to us?

Mr. TOPPING. That will be given to you.

Senator EDGE. The same information is in your brief before the House Ways and Means Committee?

Mr. TOPPING. Yes, sir. This has been compiled from the record and put in convenient form for comparison—part of your Tariff Commission record.

Senator KING. When you say you have checked the one which appears beginning at page 1737 of the House hearings, you do not mean to say that you put it in the record without checking it?

Mr. TOPPING. I mean to say that I put it in the record without checking, because it has been carefully checked by one in whom I have great confidence.

Senator KING. Exactly, but it came from your organization?

Mr. TOPPING. It came from our organization.

Senator KING. As a finished product?

Mr. TOPPING. And therefore I assume it has been carefully checked.

Senator BARKLEY. Do I understand that you are asking for increases generally on the metals?

Mr. TOPPING. No; we are not. We are asking for adjustments. We are asking for some administrative changes which we think will simplify the law, and at the same time avoid importations that might be called dumped. We think it will minimize litigation for the Customs Court—the things that we have in mind. They are all based on practical experience of counsel in the administration of that work.

Senator REED. Your idea is that as long as the duties are not to be increased on steel products—and I think we can safely assume that they are not going to be—the duties on the raw materials like tungsten and chromium and manganese and molybdenum ought not, in justice, to be increased?

Mr. TOPPING. They out to be reduced—certainly not increased.

Senator EDGE. Have those four particular items of raw material been increased under the pending bill—the four that Senator Reed spoke of?

Mr. TOPPING. No. I have not checked each item, but I think as a general statement they are about the same as they were in the old law, substantially.

Senator EDGE. Then they have not been increased?

Mr. TOPPING. Except that I think tungsten was increased.

Senator BARKLEY. Manganese has not been increased?

Mr. TOPPING. No; manganese has not been increased.

Senator BARKLEY. You are asking that that be put on the free list?

Mr. TOPPING. We are asking that that be reduced, because there is not a domestic industry that we think justifies the protection.

Senator BARKLEY. The interests that you represent purchase manganese?

Mr. TOPPING. We are consumers of manganese.

Senator BARKLEY. The raw product?

Mr. TOPPING. We are consumers of the ferromanganese. We do not buy the ore, but we buy the metal, ferromanganese.

Senator KING. But the House bill, as I understand, increased the duty on tungsten, the raw ore, 5 per cent ad valorem.

Mr. TOPPING. Yes; on tungsten.

Senator KING. And then there are some compensatory increases with respect to those other metals which some have denominated as alloys.

Mr. TOPPING. I think that is true.

Senator EDGE. But, Mr. Topping, if you have indicated that they have not increased the duties on raw material, with the exception of tungsten, and the bill before us still retains the 1922 rates, your argument falls, does it not, because you are not asked to meet increased rates on raw materials, unless your argument is going back to the 1922 bill?

Mr. TOPPING. It is going back to the 1922 bill in the sense that we think those rates are entirely unfair as related to the protection accorded us on the finished products. In other words, the compensatory duty is not sufficient.

Senator EDGE. Then you are really discussing the 1922 rates, and not the pending House bill, except in the case of tungsten?

Mr. TOPPING. We are discussing the House bill as it relates to the old rate. We argued for a reduction, as we are arguing to you, and we have not received the consideration to which we think we are entitled, so we are bringing it up again.

Senator BARKLEY. In other words, you asked for no increase on steel products, but you asked for a reduction on the raw material which you purchase to go into steel products?

Mr. TOPPING. There are some nominal increases on some of the finished products; for instance, in the bar-iron schedule and on pig iron, from 87½ cents to $3 a ton. On the bar-iron schedule, the base rate, we want to eliminate all values below 1½ cents a pound, because there are no 1-cent steel bars any longer, and we think that if the base rate is put on as we recommend, with a nominal duty of $6 a ton, or three-tenths of a cent a pound, it would avoid some of the errors that creep into the present administration of the bill. In other words, they bring in undervalued products at a cent a pound. There is no such thing as a cent a pound bars in Europe at the present time. The domestic rate on bars is about $1.95.

Senator KING. You mean the wholesale price?

Mr. TOPPING. The wholesale price. That is about $39 a ton.

To illustrate, for the year 1928 the ad valorem equivalent rate on ferrosilicon was 32.39 per cent; manganese ore, 88 per cent; and on the three principal tonnage items of finished steel, viz., steel bars, 24½ per cent; sheets and plates, 23.4 per cent; structural material (angles, beams, and channels), 16 per cent. It is therefore plain that there should be an adjustment of these rates.

On the heavy products, from 16 to 20 per cent, as against 88 per cent on manganese, does not look exactly like a square deal. With an average rate somewhere near 20 per cent, we will say—because there is about 3,000,000 tons of structural steel produced per annum—as against 88 per cent on one of our raw materials, it does not look as if it was an equitable arrangement, and we think we are fairly entitled to a reconsideration of that schedule.

Senator KING. You mentioned ferrosilicon.

Mr. TOPPING. We do not make that. We consume it. We are buyers.

Senator KING. I am asking for information. Is it not a fact that a year or two ago, ferrosilicon—which is produced in Switzerland; the Swiss have the patent for it, and it is very valuable in the production of steel—was prohibited from importation at all by reason of some Treasury ruling which made the tariff so altitudinous that they could not get over the fence?

Mr. TOPPING. I do not recall that. Norway and Sweden produce more or less of it, and we make it in this country, I think—a very large percentage of that which we consume of ferrosilicon. It is an electric smelted process. At Niagara Falls they have a number of very large works that produce it. In other words, our recommendation is, Senator, that we should either reduce the import rate on such of our supplies as are not produced in sufficient amount to meet domestic requirements or advance the rates on finished products which are out of line with the raw-material rates of duty.

Senator KING. I hope you will pardon me; when I said "ferrosilicon" I was in error. It is silicon-aluminum, or aluminum-silicon, the trade name being alsimin.

Mr. TOPPING. That is used in steel practice. I believe that is what we call shot aluminum. It is not a finished product. Some of our metallurgists here can tell you more about that in detail. It

is not used largely. It is used to quiet the heat before we pour the steel.

I also desire to indorse the recommendations submitted to the Ways and Means Committee of the House of Representatives by my associate, Mr. Thomas J. Doherty, tariff counsel of the American Iron and Steel Institute, which recommendations are strictly in accord with the principle of tariff adjustment and protective principles. These recommendations are suggested by the changes in economic conditions since the date of the last tariff enactment. The purpose of the changes in the phraseology recommended is to remove the temptation to further litigation, as well as to clarify and simplify the administrative features of the bill.

As the general representative of the iron and steel industry, I recommend the adoption of these changes, as they are all made in the interest of maintaining high wages and full employment, without which we can not maintain the maximum purchasing power of our people, which is the basis of our present prosperity. If we are to meet European competition on finished iron and steel products we should reduce the cost on such of our raw materials and supplies as are not produced at home, and maintain reasonable protection on finished products in order to retain our present wage schedules.

Senator REED. Is that all, Mr. Topping?

Mr. TOPPING. That is all, Senator.

Senator REED. We are very much obliged to you.

Senator BARKLEY. Mr. Topping, let me ask you one question: To what extent does American capital own the manganese deposits and mines in foreign countries?

Mr. TOPPING. I could not answer that question. Of course there are a number of large interests in Brazil that are owned by Americans. To what extent they are owned now in Russia and Africa, I do not know. The African mines are not as yet developed.

Senator BARKLEY. Do you know whether the United States Steel Corporation owns its mines in Brazil?

Mr. TOPPING. I understand they do.

Senator BARKLEY. What proportion of the imports do they bring in?

Mr. TOPPING. I could not answer that question. I have not the record before me. I should not think it would be large in proportion to the total. It might be 40 per cent, as a guess.

Senator BARKLEY. That is all.

Mr. TOPPING. I again thank you, gentlemen, for your very kind consideration.

(Mr. Topping submitted the following tables:)

Comparison of rates of duty and ad valorem equivalents on iron and steel products, and raw materials required by steel industry, as provided for in bill H. R. 2667, passed in the House of Representatives, May 28, 1929

[Import statistics extracted from Summary of Tariff Information, 1929, compiled by Tariff Commission]

Par.	Material	Imported into United States	Value	Duty	Duty, act of 1922		Proposed duty under H. R 2667	
					Rate	Ad valorem equivalent, per cent	Rate	Ad valorem equivalent, per cent
		1928	1928	1928		1928		
204	Magnesite, dead burned and grain magnesite	57,006 net tons	$833,964	$655,576	23-40 cents per pound	78.61	23-40 cents per pound	78.61
207	Fluorspar (Jan. 1 to Nov. 15)	41,502 gross tons	408,943	232,411	$5.60 per gross ton	56.83	$8.40 per gross ton	85.24
	High grade chemical use (Nov. 16 to Dec. 31)	757 gross tons	9,053	4,239	do	46.82		
	Duty increased (Nov. 16 to Dec. 31)	107 gross tons	898	899	$8.40 per gross ton	100.11		
302	Manganese ore	637,258 gross tons (manganese content 268,176 gross tons).	6,767,219	6,007,142	1 cent per pound on manganese content.	88.76	1 cent per pound on manganese content.	88.76
		1927	1927	1927		1927		
302	Molybdenum ore and concentrates	12,541 pounds (molybdenum content).	10,472	4,389	35 cents per pound on molybdenum content.	42.01	35 cents per pound on molybdenum content.	42.01
		1928	1928	1928		1928		
302	Tungsten ore and concentrates	1,428 net tons (tungsten content).	672,199	1,285,196	45 cents per pound on tungsten content.	191.19	50 cents per pound on tungsten content.	212.43
302	Ferromanganese, containing more than 1 per cent carbon.	48,554 gross tons (manganese content).	4,863,848	2,039,268	1⅛ cents per pound on manganese content.	41.93	1⅛ cents per pound on manganese content.	41.93
302	Manganese silicon, manganese metal, and manganese boron.	191 gross tons	17,995	10,721	1⅛ cents per pound on manganese content and 15 per cent ad valorem.	59.58	1⅛ cents per pound on manganese content and 15 per cent ad valorem.	59.58
302	Ferromanganese, containing not over 1 per cent carbon.	118 gross tons	13,777	7,024	do	50.98	do	50.98
302	Spiegeleisen, containing less than 30 per cent manganese and over 1 per cent carbon.	5,260 gross tons	147,406	3,945	75 cents per gross ton	2.68	75 cents per gross ton	2.68
302	Ferromolybdenum, metallic molybdenum, molybdenum powder, calcium molybdate, and all other molybdenum alloys.	576 pounds	1,385	496	50 cents per pound on molybdenum content and 15 per cent ad valorem.	35.81	50 cents per pound on molybdenum content and 15 per cent ad valorem.	35.81

302	Ferrotungsten, metallic tungsten, tungsten powder, tungsten acid, and all other compounds of tungsten.	112,463 pounds (tungsten content).	45,103	78,754	60 cents per pound on tungsten content and 25 per cent ad valorem.	174.61	60 cents per pound on tungsten content and 25 per cent ad valorem.	174.61
302	Ferrosilicon, containing 8 per cent or more silicon and less than 60 per cent.	10,514,142 pounds	649,191	210,282	2 cents per pound on silicon content.	32.39	2 cents per pound on silicon content.	32.39
		1927	1927	1927		1927		
302	Ferrosilicon, containing 60 per cent or more silicon and less than 80 per cent.	11,200 pounds	1,850	336	3 cents per pound on silicon content.	18.16	3 cents per pound on silicon content.	18.16
		1923	1923	1923		1923		
	Ferrosilicon, containing 80 per cent or more silicon and less than 90 per cent.	2,200 pounds	73	90	4 cents per pound on silicon content.	122.74	4 cents per pound on silicon content.	122.74
		1928	1928	1928		1928		
	Ferrosilicon, containing 90 per cent or more silicon.	7,900 pounds	543	633	8 cents per pound on silicon content.	116.57	8 cents per pound on silicon content.	116.57
	Silicon metal				do		do	
302	Ferrochrome or ferrochromium, containing 3 per cent or more carbon.	154,385 pounds	15,344	5,403	3½ cents per pound on chromium content.	35.21	3½ cents per pound on chromium content.	35.21
302	Ferrochrome or Ferrochromium, containing less than 3 per cent carbon.	1,369,442 pounds	170,069	51,021	30 per cent ad valorem.	30.00	30 per cent ad valorem.	30.00
302	Chromium metal or chromium	22,168 pounds	2,508	752	do	30.00	do	30.00
302	Ferrocerium	1,494,000 pounds	57,418	14,355	25 per cent ad valorem.	25.00	25 per cent ad valorem.	25.00
302	Titanium	38,448 pounds	9,486	2,372	do	25.00	do	25.00
302	Ferrotitanium	808,335 pounds	214,708	53,677	do	25.00	do	25.00
302	Ferrosilicon titanium, zirconium, zirconium-ferrosilicon	941 pounds	529	132	do	25.00	do	25.00
302	Ferrouranium	110 pounds	275	69	do	25.00	do	25.00
302	All alloys used in the manufacture of steel not specially provided for.	569,903 pounds	47,461	11,865	do	25.00	do	25.00
301	Pig iron	140,694 gross tons	2,232,094	158,281	$1.12½ per gross ton	7.09	$1.12½ per gross ton	7.09
303	Muck bars, bar iron, and round iron in coils or rods; iron in slabs, blooms, loups, or other forms less finished than iron in bars and more advanced than pig iron, except castings; all the foregoing—							
	Valued at not over 1 cent per pound				2-10 cents per pound	22.79	2-10 cents per pound	22.79
	Valued above 1 cent and not above 1½ cents per pound				3-10 cents per pound		3-10 cents per pound	
	Valued above 1½ cents and not above 2½ cents per pound				5-10 cents per pound		5-10 cents per pound	
	Valued above 2½ cents and not above 3½ cents per pound	5,517,696 pounds	159,914	36,450	8-10 cents per pound		8-10 cents per pound	
	Valued above 3½ cents and not above 5 cents per pound				1 cent per pound		1 cent per pound	
	Valued above 5 cents per pound				1½ cents per pound		1½ cents per pound	

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Comparison of rates of duty and ad valorem equivalents on iron and steel products, and raw materials required by steel industry, as provided for in bill H. R. 2667, passed in the House of Representatives, May 28, 1929—Continued

Par.	Material	Imported into United States	Value	Duty	Duty, act of 1922		Proposed duty under H. R. 2667	
					Rate	Ad valorem equivalent, per cent	Rate	Ad valorem equivalent, per cent
		1928—Con.	1928—Con.	1928—Con.		1928—Con.		
304	Steel ingots, cogged ingots, blooms, and slabs, by whatever process made; die blocks or blanks; billets and bars, whether solid or hollow; shafting; pressed, sheared, or stamped shapes not advanced in value or condition by any process or operation subsequent to the process of stamping; hammer molds or swaged steel; gun-barrel molds not in bars; all descriptions and shapes of dry sand, loam, or iron; molded steel castings; sheets and plates not specially provided for; all the foregoing—							
	Valued at not over 1 cent per pound	246,425,444 pounds	$4,929,946	$1,290,975	2-10 cents per pound	26.19	2-10 cents per pound	26.19
	Valued over 1 cent and not over 1½ cents per pound				3-10 cents per pound		3-10 cents per pound	
	Valued over 1½ cents and not over 2½ cents per pound				5-10 cents per pound		5-10 cents per pound	
	Valued over 2½ cents and not over 3½ cents per pound				8-10 cents per pound		8-10 cents per pound	
	Valued over 3½ cents and not over 5 cents per pound				1 cent per pound		1 cent per pound	
	Valued over 5 cents and not over 8 cents per pound				1⅞ cents per pound		1⅞ cents per pound	
	Valued over 8 cents and not over 12 cents per pound				2½ cents per pound		2½ per cents pound	
	Valued over 12 cents and not over 16 cents per pound				3½ cents per pound		3½ cents per pound	
	Valued over 16 cents per pound				20 per cent		20 per cent	
	Details of imports under par. 304:							
	Steel ingots, blooms, billets, and other products provided for under par. 304, except sheets, plates, steel n. s. p. f., and circular saw plates—							
	Not containing alloy	46,202,155 pounds	748,362	182,133		24.34		24.34
	Containing alloy	1,755,431 pounds	157,074	47,009		29.93		29.93
	Steel bars—							
304	Not containing alloy	180,209,768 pounds	2,981,889	730,939		24.51		24.51
	Containing alloy	10,901,060 pounds	857,118	284,669		33.21		33.21

	Sheets and plates, n. s. p. f.—							
	Not containing alloy	7,071,899 pounds	135,307	31,747		23.46		23.46
	Containing alloy	145,100 pounds	32,519	9,289		28.56		28.56
	Steel circular saw plates—							
	Not containing alloy	42,865 pounds	6,321	1,499	¼ cent per pound ex.	23.71	¼ cent per pound ex.	23.71
	Containing alloy	97,166 pounds	11,356	3,690		32.49		32.49
307	Boiler or other plate iron or steel, except crucible plate steel and saw plate steel not thinner than 109/1000 inch, cut or sheared to shape or otherwise, or unsheared, and skelp iron or steel sheared or rolled in grooves—							
	Valued at 1 cent per pound or less	17,966,771 pounds	250,403	91,702	7–20 cents per pound	36.62	7–20 cents per pound	36.62
	Valued over 1 cent and not over 3 cents per pound				5–10 cents per pound		5–10 cents per pound	
	Valued over 3 cents per pound				20 per cent		20 per cent	
308	Sheets of iron or steel, common or black, of whatever dimensions, and skelp iron or steel, valued at 3 cents per pound or less—							
	Thinner than 109/1000 inch and not thinner than 85/1000 inch	43,220,595 pounds	816,795	200,851	45–100 cents per pound	24.59	45–100 cents per pound	24.59
	Thinner than 85/1000 inch and not thinner than 23/1000 inch				55–100 cents per pound		55–100 cents per pound	
	Thinner than 23/1000 inch and not thinner than 19/1000 inch				75–100 cents per pound		75–100 cents per pound	
	Thinner than 19/1000 inch				85–100 cents per pound		85–100 cents per pound	
	Corrugated or crimped				75–100 cents per pound		75–100 cents per pound	
	All foregoing valued over 3 cents per pound				20 per cent		20 per cent	
309	All iron or steel sheets, plates, bars, or rods, and all hoop, band, or scroll iron or steel, except what are known commercially as tinplates, terneplates, and taggers tin, when galvanized or coated with zinc, spelter, or other metals, or any alloy of those metals	2,813,826 pounds	60,457	13,322	2–10 cents per pound ex.	22.04	2–10 cents per pound ex.	22.04
310	Sheets and plates of iron or steel, polished, planished, or glanced, by whatever name designated				2 cents per pound			
	Provided, That plates or sheets of iron or steel by whatever name designated other than polished, planished, or glanced, herein provided for which have been pickled or cleaned by acid or by any other material or process or which are cold-rolled smoothed only not polished shall pay additional				2–10 cents per pound ex			
310	Tinplates, terneplates, and taggers tin	2,085,254 pounds	152,666	20,653	1 cent per pound	13.53	1 cent per pound	13.53
312	Beams, girders, joists, angles, channels, car truck channels, ties, columns and posts, or parts or sections of columns and posts, deck and bulb beams, and building forms, together with all other structural shapes of iron or steel, not assembled, manufactured or advanced beyond rolling or casting	168,478 gross tons	5,377,129	873,073	1–5 cents per pound	16.24	1–5 cents per pound	16.24
	Fabricated for use				20 per cent		20 per cent	

Comparison of rates of duty and ad valorem equivalents on iron and steel products, and raw materials required by steel industry, as provided for in bill H. R. 2667, passed in the House of Representatives, May 28, 1929—Continued

Par.	Material	Imported into United States	Value	Duty	Duty, act of 1922		Proposed duty under H. R. 2667	
					Rate	Ad valorem equivalent, per cent	Rate	Ad valorem equivalent, per cent
		1928—Con.	1928—Con.	1928—Con.		1928—Con.		
313	Hoop, band, and scroll iron or steel not specially provided for, valued at 3 cents per pound or less, 8 inches or less in width, and—							
	Thinner than 5/16 inch, and not thinner than 100/1000 inch.	40,465,079 pounds	$681,417	$143,459	25-100 cents per pound.	21.05	25-100 cents per pound.	21.05
	Thinner than 100/1000 and not thinner than 25/1000 inch.				35-100 cents per pound.		35-100 cents per pound.	
	Thinner than 230/1000 inch.				55-100 cents per pound.		55-100 cents per pound.	
	Bands and strips of iron or steel, whether in long or short lengths, not specially provided for.				25 per cent.		25 per cent.	
314	Hoop or band iron and hoop or band steel, cut to lengths, or wholly or partly manufactured into hoops or ties, coated or not coated with paint or any other preparation, with or without buckles or fastenings, for baling cotton or other commodity.	69,973,709 pounds (cotton ties.)	1,342,060	174,934	¾ cent per pound.	13.03	¾ cent per pound.	13.03
315	Wire rods: Rivet screw; fence and other iron or steel wire rods, whether round, oval, or square, or in any other shape; nail rods and flat rods up to 6 inches in width ready to be drawn or rolled into wire or strips; all the foregoing, in coils or otherwise—							
	Valued at not over 4 cents per pound	43,197,707 pounds	1,122,018	147,518	3-10 cents per pound.	13.15	3-10 cents per pound.	
	Valued at over 4 cents per pound				6-10 cents per pound.		20 per cent	
	Treated or tempered				¾ cent per pound ex.		¾ cent per pound ex.	
	Bars and rods, cold-rolled, cold-drawn, cold-hammered, or polished in addition to hot rolling.	201,635 pounds	13,856	3,726	⅛ cent per pound ex.	26.89	⅛ cent per pound ex.	26.89
	Strips, plates, and sheets, cold-hammered, blued, brightened, tempered, or polished, better than grade of cold-rolled smoothed only.	1,498,575 pounds	482,934	123,944	2-10 cents per pound ex.	25.64	2-10 cents per pound ex.	25.64

316	Round iron or steel wire—								
	Not smaller than $\frac{25}{1000}$ inch in diameter	8,766,240 pounds	688,755	159,636	¾ cent per pound 1¼ cents per pound	24.99	¾ cent per pound 1¼ cents per pound		
	Smaller than $\frac{25}{1000}$ inch and not smaller than $\frac{23}{1000}$ inch.								
	Smaller than $\frac{23}{1000}$ inch in diameter				1½ cents per pound		1½ cents per pound		
	All foregoing, valued at over 6 cents per pound				25 per cent		25 per cent		
	All wire composed of iron, steel, or other metal not specially provided for (except gold, silver, or platinum.)				do		do		
	All flat wires and steel in strips not thicker than ¼ inch and not exceeding 16 inches in width, whether in long or short lengths, in coils or otherwise, and whether rolled or drawn through dies or rolls, or otherwise produced.	4,117,335 pounds	1,046,701	263,282	25 per cent	25.15	do		25.15
	Galvanized wire in addition to rates on wire	64,976 pounds	10,014	2,640	2-10 cents per pound ex	26.36	2-10 cents per pound ex		26.36
	Telegraph, telephone, and other wire and cables				35 per cent	35.00	35 per cent		35.00
	Wire rope and wire strand	4,007,876 pounds	312,189	109,266	do	35.00	Rope, 40 per cent Strand, 35 per cent		40.00 35.00
317	Galvanized wire, not specially provided for, not larger than $\frac{8}{1000}$ inch and not smaller than $\frac{5}{1000}$ inch in diameter, commonly used for fencing purposes.	1,658,378 pounds	59,541	8,292	½ cent per pound do	13.93	½ cent per pound do		13.93
	Galvanized wire fencing composed of wire not larger than $\frac{9}{1000}$ inch in diameter and not smaller than $\frac{5}{1000}$ inch in diameter.								
317	Wire commonly used for baling hay and other commodities.	2,039,963 pounds	44,761	10,200	½ cent per pound	22.79	½ cent per pound		22.79
322	Fishplates, splice plates, tie-plates	38,972,235 pounds	566,703	43,257	¼ cent per pound 1-10 cents per pound	7.63	¼ cent per pound 1-10 cents per pound		7.63
	Rails								
323	Axles and parts thereof, axle bars, axle blanks, and forgings for axles, valued at more than 6 cents per pound.	608,241 pounds	16,146	3,649	6-10 cents per pound	22.60	6-10 cents per pound		22.60
324	Wheels for railway purposes, and parts thereof, of iron or steel, and steel-tired wheels for railway purposes, wholly or partly finished, and iron or steel locomotive, car, or other railway tires and parts thereof, wholly or partly manufactured.	2,438,612 pounds	123,188	24,386	1 cent per pound	19.80	1 cent per pound		19.80
328	Lap welded, butt welded, seamed, or jointed iron or steel tubes, pipes, flues, or stays—								
	Not thinner than $\frac{25}{1000}$ inch if not less than ⅜ inch in diameter.	101,917,407 pounds	4,137,666	949,517	¾ cent per pound (minimum.) 1¼ cents per pound (minimum.) 1¾ cents per pound (minimum.) 1¼ cents per pound (minimum.)	22.95	¾ cent per pound (minimum.) 1¼ cents per pound (minimum.) 1¾ cents per pound (minimum.) 1¼ cents per pound (minimum.)		22.95
	Less than ⅜ inch and not less than ¼ inch in diameter.								
	Less than ¼ inch in diameter								
	Charcoal-iron tubes								
	Cylindrical and tubular tanks		450,101	112,525	25 per cent	25.00	25 per cent		25.00
	Flexible metal tubing	566,787 feet	37,697	11,309	30 per cent	30.00	30 per cent		30.00
330	Nuts, nut blanks, and washers of wrought iron or steel.	485,239 pounds	25,966	4,826	5-10 cents per pound 1 cent per pound 35 per cent	18.59	6-10 cents per pound 1 cent per pound 35 per cent		18.59
	Bolts with or without threads or nuts and bolt blanks or iron or steel.								
	Spiral nut locks and nut washers								

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					Rate	Ad valorem equivalent, per cent	Rate	Ad valorem equivalent, per cent
		1928—Con.	1928—Con.	1928—Con.		1928—Con.		
331	Cut nails and cut spikes exceeding 2 inches in length	3,609,353 pounds	$89,915	$14,452	4-10 cents per pound	16.06	4-10 cents per pound	16.06
	Cut tacks, brads, hob nails, and cut nails not exceeding 2 inches in length.	56,488 pounds	4,367	655	15 per cent	15.00	15 per cent	15.00
	Horseshoe nails and other iron or steel nails not especially provided for.	330,091 pounds	50,395	4,951	1½ cents per pound	9.83	1½ cents per pound	9.83
	Wire nails, spikes, tacks, brads, and staples—							
	Not less than 1 inch in length, nor smaller than $\frac{8}{32}$ inch in diameter.	17,848,401 pounds	406,250	71,883	4-10 cents per pound	17.69	4-10 cents per pound	17.69
	Less than 1 inch in length and smaller than $\frac{8}{32}$ inch in diameter.	139,795 pounds	7,868	1,048	¾ cent per pound	13.33	¾ cent per pound	13.33
	Spikes, tacks, brads, and staples, n. s. p. f.	454,289 pounds	116,541	2,726	6-10 cents per pound	2.34	6-10 cents per pound	2.34
332	Rivets, studs, and steel points, lathed, machined, or brightened, and rivets or studs for nonskidding automobile tires.	133,648 pounds	15,897	4,615	30 per cent	29.03	30 per cent	29.03
	Rivets, iron or steel, not specially provided for				1 cent per pound		1 cent per pound	
333	Common horse or mule shoes				1-5 cents per pound	9.12	1-5 cents per pound	9.12
	Punched, drilled, or tapped, of wrought iron or steel, for use with adjustable wrought-iron or steel skid calks, and solid drop-forged calked shoes of wrought iron or steel.	14,170 pounds	537	49	1 cent per pound		1 cent per pound	
334	Steel wool				10 cents per pound plus 30 per cent.		10 cents per pound plus 30 per cent.	
	Steel shavings				5 cents per pound plus 30 per cent.		5 cents per pound plus 30 per cent.	
338	Wood screws	94,945 gross	14,660	3,665	25 per cent	25.00	25 per cent	25.00
1697	Barbed wire	12,624,800 pounds	328,751		Free		Free	

STATEMENT OF THOMAS J. DOHERTY, NEW YORK CITY, REPRESENTING THE AMERICAN IRON AND STEEL INSTITUTE

(The witness was duly sworn by the chairman of the subcommittee.)

Senator REED. Mr. Doherty, did you testify before the Ways and Means Committee of the House?

Mr. DOHERTY. Not on the matter which I am going to present this morning. I did file with the subcommittee on metals of the House a long memorandum embodying certain recommendations and suggestions as to changes in phraseology, incidentally affecting rates in some instances.

Senator REED. Were those suggestions adopted?

Mr. DOHERTY. Some of them were and some of them were not.

Senator KING. They affected rates, did they?

Mr. DOHERTY. In some cases they did. Where they did, or do now, I will frankly say so.

Senator REED. What is your occupation?

Mr. DOHERTY. I am a lawyer by profession, specializing in customs law. I have been at it for 28 years, now.

Senator REED. You represent the American Iron and Steel Institute?

Mr. DOHERTY. I am the tariff counsel of the American Iron and Steel Institute, and as such I am here this morning.

Inasmuch as some of the recommendations I am making cover ground that is also covered by the tariff experts of the Tariff Commission and the Attorney General's office, I want to state briefly my experience, as showing my qualifications.

I was a Government attorney in 1908. At that time I made a compilation of customs laws and a digest of decisions. That is the only one that was ever made. There has not been any made since.

When Mr. Payne undertook to rewrite the tariff act of 1908 I was assigned to duty with him, with the Committee on Ways and Means, to review the court decisions which had driven very large holes in the tariff law, and suggest changes in phraseology to meet those decisions.

My collaborator in doing the general work was the then Major Lord, who was later General Lord, Director of the Budget. He did the encyclopedic work and I did the law work. In other words, we did the work that is now done by the Tariff Commission people.

Again, in 1913, when the tariff revision of that year was under way, I was down here with the Finance Committee, at the request of the late Senator Penrose and of Senator Smoot, to assist them in handling the bill.

In 1908 the result of my work was published in a very large quarto volume, and in 1913 I commented on the bill as it passed the House of Representatives. It was printed as a Senate Document, No. 122. Then, when the Senate bill was reported I had to go through that and indicate what changes the Senate had made in the House bill. That was also printed as a Senate document.

I left the Government service in 1918, and have been practicing customs law independently since, specializing as a representative of the domestic manufacturers.

I have prepared a memorandum here which I will be glad to submit to you.

Senator KING. Mr. Doherty, I have examined hastily your brief and your suggestions, as found in volume 17 of the House hearings, beginning on page 10457, and extending over to page 10,479. As I interpret that—and I confess a great fallibility and profound ignorance in regard to these matters—you asked there for an increase which would be equivalent to a raise of one-fourth in the aggregate, upon the steel items referred to; some much more than one-fourth and some less, but the aggregate would be an increase of one-fourth upon the duties which they now bear.

Mr. DOHERTY. An increase of 25 per cent over the present duties?

Senator KING. No; an increase of one-fourth, which would be 25 per cent on the existing duties.

Mr. DOHERTY. I was not aware of that. Of course, I did not figure out any general average of that kind. I do not think that is correct, Senator. I do not contradict you.

Senator KING. I hope you are right.

Mr. DOHERTY. I know I am.

Senator KING. The tariff representative here corrects me. He says between 15 and 25 per cent.

Senator REED. Let us let him go ahead, Senator.

Mr. DOHERTY. I want to take up, in the order of the tariff bill, a few paragraphs.

The first is paragraph 302. The particular item there is silicon aluminum and aluminum silicon. You heard something about that from the witnesses yesterday.

Senator KING. What item is that?

Mr. DOHERTY. That is in the House bill, paragraph 302.

Senator REED. Page 65, line 4.

Senator KING. Silicon aluminum, which bears the trade name of alsimin.

Mr. DOHERTY. Yes.

Senator REED. We have been told that that is a complete embargo on ferrosilicon aluminum.

Mr. DOHERTY. That is true. That witness yesterday was not able to get over to you what the Senator asked. Of course, the duty of 5 cents a pound was laid on the whole product, just as it comes in. That is equivalent to an ad valorem of 82½ per cent. That is what it figures out. That is an embargo. The material is used only for steel making. It is just a rough stuff, thrown in the ladle, I believe. In a sense, it is a matter of administration, which is why I am taking it up. It has been held twice by the Treasury Department to be classified as an alloy, not specifically provided for, at 25 per cent.

In September, 1927, the department issued a ruling directing the collectors to assess 5 cents a pound, and they allowed only 30 days grace. The result is that these people were caught with some cargoes which are in this country now, in bond, and which are eating their heads off. However, that does not concern me.

The point is that there is no reason why this particular alloy should be treated any different from the rest of the alloys, even those which are specifically named; and they all carry a 25 per cent ad valorem rate.

This is comparable with them. This is not aluminum. This is made by throwing bauxite into an electric furnace, adding coal or coke so as to add carbon, and adding a little silica if the bauxite does not contain enough. Then it is subjected to great heat. They can not measure it, but it is over 2,000° C.

That comes out rough, in plates. It is broken up and shipped in bulk. It never passes through the aluminum stage. They could not make aluminum that way. Aluminum is a very long and complicated process.

Senator REED. You could not use that for the manufacture of aluminum any better than the crude ore?

Mr. DOHERTY. You could not. It is not the same class of alloys covered by paragraph 374, because they are made by mixing an alloy with pure aluminum. Sometimes they can not do it all at once, because of the difference in the melting point. They are obliged to make first what is called a secondary alloy, and that is mixed into the aluminum.

Senator KING. That ought to go into which paragraph?

Mr. DOHERTY. The same paragraph, but carrying 25 per cent ad valorem.

Senator EDGE. Instead of the 5 cents a pound specific?

Mr. DOHERTY. Yes. It is used by the steel industry.

Senator REED. Does anybody else use it?

Mr. DOHERTY. Other than the steel industry?

Senator REED. Yes.

Mr. DOHERTY. I can not imagine anybody else, because that is all it is used for. That is all it can be used for. It is a little higher priced than the aluminum.

We come to a paragraph 303, which is the bar-iron paragraph. I have recommended there that the three brackets of that paragraph be merged, because there is no iron in the world valued at less than 1 cent a pound.

Senator REED. You mean no wrought iron, of course. There is lots of pig iron.

Mr. DOHERTY. Yes. I refer to the iron in this paragraph. That is what the domestic people say, and that is confirmed by an importing corporation. I found that in the Ways and Means hearing, volume 17, page 1084.

Referring to my suggestion to merge those brackets, they said it would do no harm, because neither here nor in Europe is there any iron——

Senator KING. Which bracket? There is only one in paragraph 303.

Mr. DOHERTY. Paragraph 303; yes.

Senator REED. There is a bracket up to one cent a pound, and then from one to one and one-half. You suggest merging the first two brackets, do you?

Mr. DOHERTY. Yes; so that the amended bracket would read "valued at not above 1½ cents per pound," leaving the rate as it is. It would not affect any iron. That seems to be admitted, and the advantage of it is that it would remove an incentive to undervaluation and dumping.

Senator REED. So that it would read "all the foregoing valued at not above 1½ cents per pound, three-tenths of 1 cent per pound."

Mr. DOHERTY. Yes, sir.

Senator REED. That would remove an invitation to undervaluation, would it not?

Mr. DOHERTY. That is the only effect it would have, and it is a very desirable effect.

Senator KING. Would it increase the tariff rates at all?

Mr. DOHERTY. It would not.

Senator KING. Or the revenue to the Government?

Mr. DOHERTY. It would not.

Senator KING. Or diminish it?

Mr. DOHERTY. It would not.

Senator EDGE. It would not increase the tariff rate, as you say, if the commodity was honestly invoiced.

Mr. DOHERTY. That is correct.

Senator KING. While you are on that paragraph, one witness testified to this Swedish granular or sponge iron. What have you to say with respect to that item?

Mr. DOHERTY. I wanted to talk about that briefly. Here are the facts in that case.

The question as to the proper classification of sponge iron came up at Baltimore. The appraiser there asked the department for instructions. The department made some investigations and finally ruled that they could not find any other place for it but under paragraph 214, in the provision for earthy or mineral substances—mineral substances, not earthy substances—at 30 per cent. That is what they are assessing now when it comes in. Protests, however, are being filed against that assessment, and one of the alternative claims in the protest is for free entry under paragraph 1562.

As someone who is at least competent in customs law, I say the 30 per cent assessed will not hold. Under the present law that is free of duty, as an unwrought metal, under 1562.

Those who are interested in getting it in, of course, adopted the proper policy of silence. That is the policy our Swedish friends followed. They are the ones who suggested that this new product ought to be provided for. I suggested that it go into paragraph 303, and that is one of the suggestions the Ways and Means Committee adopted.

If nobody had called it to your attention, and this new tariff act went into effect, it would be free of duty, and it ought not to be free of duty.

Senator REED. Why ought it not to be put in with pig iron, in 301?

Mr. DOHERTY. It could be put in there but not at the same rate of duty. I think it ought to carry a higher rate of duty than pig iron.

Senator KING. Why?

Mr. DOHERTY. It is much more valuable. I think the witness said the Swedish price was $34.20 a ton.

Senator EDGE. He also said it was absolutely noncompetitive; that there was nothing comparable made in this country.

Mr. DOHERTY. That man has a curious theory. He was talking to me. He insisted that if this were allowed to come into this country freely it would build up a domestic sponge-iron industry. I could not follow him. I do not know how it would do that. That is his logic.

Senator KING. Is it in competition with any domestic product?

Mr. DOHERTY. There are experiments being made on a very large scale now, I understand. I understand that a bath of 100 tons of steel has been made from sponge-iron, or granular iron, as we call it here, in Lorrain, Ohio. No doubt the process will be perfected. There is no reason for its free entry at all.

Senator REED. What is its particular advantage?

Mr. DOHERTY. It is free from carbon, and, as I gather from what the witness says, it is used in making electric steel, high-grade steel. The duty that is on it now, of three-tenths of a cent a pound, would be $6.72 a gross ton. As I hope you will put a duty of $3 on pig iron, that rate would not be disproportionate. But it can stand a little shading. It ought to be higher than pig iron.

Senator REED. If we do not put a duty of $3 on pig iron, this would seem to be a little high.

Mr. DOHERTY. This is a little different proposition, of course, from pig iron.

Senator KING. You concede that under this rating it would be too high, do you not?

Mr. DOHERTY. No; I do not concede it, Senator. I think it could stand $6.72 a ton. At 30 per cent, it is $10.26, on the valuation he gave yesterday. That would be a reduction of duty from the rate that is now being collected.

Senator KING. If it remains in paragraph 303, it would bear a higher duty.

Mr. DOHERTY. $6.72 a ton. That is what it takes the way we have it there now, but the Treasury Department is now collecting $10.26 a ton.

Senator REED. Let us get on to the next paragraph.

Mr. DOHERTY. The next one is paragraph 304. I made the same recommendations there. It is too low a bracket. That is possibly more true of steel than of iron. There is no such animal as steel at a cent a pound or under. I ask that that action be taken there.

Senator KING. What harm is there in that? It is the present law.

Mr. DOHERTY. The harm is this, that with that in existence at 1 cent, there is a temptation for a man to undervalue and a temptation to dump.

I do not believe any appraising officer on earth could appraise within a few mills of a cent a pound. Inasmuch as the testimony is unanimous from both sides that there is no such steel, why not take it out of the tariff altogether? Why specify something that does not exist?

Senator KING. Suppose some did exist? What rate would it bear?

Mr. DOHERTY. It is there now, under a cent a pound.

Senator KING. If you take it out, it would bear a rate of one and one-half——

Mr. DOHERTY. If there were any such. Of course, as there is not any, it is not affected. You have cleared up the tariff and removed the incentive to wrong.

Mr. DOHERTY. Now I come to paragraph 312.

Senator REED. Before you get to that, tell me about 307. Why should we not put plates and structural together? They are always quoted together in the American market.

Mr. DOHERTY. It depends on which way you put it. Structural shapes are at this ridiculously low rate of duty. I do not know anything about the steel business, but I do know that structural shapes are in this and at the same rate of duty as the steel, which is one-fifth of a cent per pound. There is no such steel as that at all. I think I have demonstrated that. There is no consistency in having them in at the rate of two-tenths of a cent a pound.

Senator REED. I am speaking now merely of the logic of the situation in the way of urging symmetry of rates.

Senator KING. I repeat the question, if I understood Senator Reed, why we should not put iron and the materials that are found in 307 into paragraph 312, or vice versa—beams, girders, joists, angles, channels, and so forth.

Mr. DOHERTY. Could I answer that by saying this: We recognize that the need for revision and clarification ought to go through the same process as schedule A, the chemical schedule, went through some years ago. The Tariff Commission arranged it more scientifically. This is full of obsolete terms and inconsistencies; assymetry in rates is characteristic of it.

If I may revert to the testimony of my friend of last night, he is not qualified to speak for the industries here; he is not a practical steel man in any sense of the word. He is a salesman; and he is worse than that, indeed; he is an agent of German exporters.

Senator KING. And you are an agent of the American steel producers.

Mr. DOHERTY. We do not like the agents of foreign shops, of course. We have had more trouble with them than anybody else. They do not buy the goods; the goods are consigned to them and sold in this country, and the profits remitted to the old country.

Senator EDGE. He represents the importers; and he has a perfect right to present their views to the committee; and they should be given consideration.

Mr. DOHERTY. He does not represent the importer; he is only the agent of an exporter.

Senator EDGE. However that may be, he has a perfect right to appear before this committee and make his statement.

Senator KING. We are exporting to Germany more than we are importing from Germany.

Mr. DOHERTY. Not the same kind of goods.

Senator KING. All right; but you do not take the position that we should not export the goods?

Mr. DOHERTY. By no means. I am not assailing him either.

Senator KING. Your logic would seem to imply that.

Mr. DOHERTY. I beg your pardon.

Senator EDGE. I do not think I have to assert my conviction as a protectionist, but I do contend very positively that every importer has a perfect right to come before this committee and present his views; and I do not think it is within the province of a witness having the other viewpoint to rather indicate that he should not even be considered.

Mr. DOHERTY. I had no intention of that, for I have had too long experience in these legislative halls.

Senator EDGE. I do not agree with the viewpoint of all the men who are trying to change the tariff, but, nevertheless, it is a finely bal-

anced problem that it is the first and fundamental duty of this committee to consider.

Mr. DOHERTY. The only idea I had on that was to point out that he is the agent of a German exporter or shipper.

Senator KING. And I have brought out the point that your interests are opposed to his.

Mr. DOHERTY. Certainly.

Senator KING. You are representing steel companies; and you are trying to prevent importations.

Mr. DOHERTY. Not prevent them; no.

Senator KING. Well, you are trying to get higher rates, are you not?

Mr. DOHERTY. They may or they may not affect the importations.

Senator REED. When the smoke has cleared away I would like to ask you some questions about this tariff.

Mr. DOHERTY. Yes, sir; and I will be glad to answer them.

Senator REED. I am very much impressed by the lack of symmetry in these steel sheets. Under the Underwood bill, structural material carried a 10 per cent duty.

Mr. DOHERTY. Ad valorem.

Senator REED. And there were practically no imports, and what there were at very high rates. Since the present bill was enacted the imports have grown very much and appear to have been 165,000 long tons last year. Now, in plates, while they have increased somewhat, the aggregate is comparatively small—page 647.

Mr. DOHERTY. Plates under 304 or 307?

Senator REED. Under 307. I find that imports of plates under section 307 in 1928 were only about 9,000 tons as against——

Senator KING. Seventeen million pounds.

Senator REED. I was translating that into tons.

Senator KING. Yes; I understand.

Senator REED. About 8,000 long tons.

Mr. DOHERTY. Yes.

Senator REED. As against 165,000 long tons of structural material. It seems to me the conclusion is inevitable that either the duty on plates is too high or the duty on structural material is too low; they are out of line. Is not that so?

Mr. DOHERTY. That would not necessarily account for the difference in the quantity of our importations. There may be other conditions or demands for the boiler or other plate, iron or steel.

Senator REED. I understand, of course, that shipbuilding has fallen off and there is not the same demand for ship plates. We know that.

Mr. DOHERTY. The duty is only one of the factors, after all, in commerce.

Senator REED. The other demands for plates have increased as the shipbuilding demands have diminished. Do you known of any trade conditions that would account for this disparity?

Mr. DOHERTY. No; I do not.

Senator KING. I have received information, which I do not vouch for, that within the last six months, and in this last year shipbuilding has taken on a new increase.

Senator REED. I think it is true that it has picked up a little bit.

Mr. DOHERTY. On 312 I have some criticism of the phraseology. In the first place, structural steel shapes—that is, the basket clause, one of the basket clauses in that paragraph—all other structural steel——

Senator KING. You mean beams, girders, and so forth?

Mr. DOHERTY. Well, they are all right. I am criticizing the language referring to all other structural shapes of iron or steel, because of the very low rate of duty carried in that paragraph. The protection on the basket clause, therefore, is very dangerous because it is being met constantly by classifications under a low rate of duty on articles that Congress really never dreamed of as being structural shapes.

Senator REED. Just what kind of articles do you refer to?

Mr. DOHERTY. For instance, brewery mash filters were held to be structural shapes because the court reasoned out that that was a structure and being structural shapes that were intended to go into it were structural shapes; and these shapes for the chassis of an automobile were said to be structural shapes. They were not classified that way for any reason, but they were declared to be structural shapes.

When you consider the multiplicity of things that can be called structural you can see it leaves the door wide open for the entry of that material under this paragraph where it really does not belong.

Senator REED. Suppose we strike out that phrase there under that "all other structural shapes of iron or steel."

Senator EDGE. He also wants building forms struck out in the last two paragraphs.

Mr. DOHERTY. Building forms are mentioned twice in this paragraph and carry different rates of duty according to whether they are machined or not, and finally in the last bracket they are included without any words of qualification or restriction at all; and yet it develops in a very recent court case decided by the Court of Customs Appeals that they could not find anybody who knew what building forms were and yet the steel importer there tried to get that stuff in as building forms but failed because he could not tell the court what building forms were. Nobody could tell what they were.

Senator KING. There must be a basket clause there to cover some of these commodities that may not properly be allocated to preceeding or succeeding provisions of the bill.

Mr. DOHERTY. Well, then, name them; I would name them, then.

Senator KING. Can you name them?

Mr. DOHERTY. No doubt somebody can, but I can not.

Senator KING. Are you afraid of chassis coming in with Ford and all those making them cheaper than anybody else in the world?

Senator EDGE. The only difficulty about your suggestion which occurs to me is this: What paragraph would they come under; or whether there are other paragraphs that an appraiser may properly put them in.

Senator REED. You have got to have a basket clause for steel.

Mr. DOHERTY. They applied 304 in general principles to shapes, plates, and forms.

Senator EDGE. Those three anyway?

Mr. DOHERTY. Yes.

Senator EDGE. And those that are fabricated take a duty of 20 to 25 per cent?

Senator REED. Building forms, not manufactured or advanced are dutiable under the present law at one-fifth of a cent.

Mr. DOHERTY. When it is fabricated, it is 20 per cent. The one-fifth-of-a-cent rate is when they are not machined or advanced, and so forth.

Senator EDGE. The first column carries 20 and the second column carries 25 per cent.

Mr. DOHERTY. No; if you take out building forms nothing will happen, because there are no such things; they will be classified as structural shapes and come in under 304 and be dutiable according to value.

Senator REED. Every structural shape is a building form in one sense of the word, is it not?

Mr. DOHERTY. No; it is not, because they have held things to be structural shapes without regard for the ordinary acceptance of the term. They have held such things as automobile chassis and brewery mash filters to be structural shapes.

Senator KING. Of course, if the price of steel was high, perhaps 20 or 25 per cent of the articles that come in now under the language that you are now challenging attention to would carry between 16 and 20 per cent.

Mr. DOHERTY. You base that on one-fifth of a cent a pound duty?

Senator KING. Yes.

Mr. DOHERTY. I do not believe as high as 20 per cent.

Senator KING. The duty would depend on the price, would it not?

Mr. DOHERTY. Yes; it would depend on the price.

Senator REED. $4 a short ton.

Mr. DOHERTY. $4 a short ton and $4.48 a long ton. In the same paragraph the House added the provision for sheet piling, one-fifth of a cent per pound; and I want to call your attention to the fact that they did not limit it; they did not provide two rates for it as they did in the other case mentioned in the forepart of the paragraph; so that even if it is fabricated, or advanced, it still carries the ridiculous duty of one-fifth of a cent a pound.

In sheet piling there are also corner piles which are made up of two or more numbers. They may be riveted or welded together. They might be subject to a duty of 20 per cent as having been machined or advanced, but the House put that in without any qualification or restriction at one-fifth of a cent a pound, which is the rate at present on rods and on raw steel. That does not exist. That rate is entirely out of line.

According to the witness yesterday there was a production of 65,000 tons for all this great country, and I find in the hearing he said we are importing this year over—he said in his testimony before the Ways and Means Committee this year we will probably go over 15,000 tons. That 15,000 tons presents a very severe competition.

Senator KING. Competition with what do you mean?

Mr. DOHERTY. With the domestic producers. Lackawanna Steel Co., Jones & Laughlin, Bethlehem Steel——

Senator KING. And Crucible Steel?

Mr. DOHERTY. I do not think Crucible makes that much. They do not make sheet piling.

Senator REED. It would be much better, then, to put sheet piling in at the beginning of the paragraph along with beams, girders, joists, and so forth, and let it take the advanced rate if it has been fabricated?

Mr. DOHERTY. I would suggest that sheet piling go along with concrete reinforcement bars. Those sheet piling and concrete reinforcement bars were victims, so to speak, of adverse and to my mind mistaken court decisions. The House put concrete reinforcement bars in paragraph 304; and it would be a good thing to put sheet piling there; and then it would be dutiable according to its value, which is fair. It is a building material. It is a rolled product, just like those in paragraph 304.

Senator KING. How much would it increase the tariff?

Mr. DOHERTY. That would depend on the value. It might increase it only one-tenth of a cent a pound. If it was higher, it might be one-fifth of a cent a pound.

Senator KING. The House has put it in section 304?

Mr. DOHERTY. Yes.

Senator KING. And that would give you a $10 increase?

Mr. DOHERTY. No. The increase would be $6, would it not? The House has not added $10 to it.

Senator KING. The present rate is what?

Mr. DOHERTY. $4 a ton.

Senator KING. It would increase it more than 100 per cent?

Senator REED. The rate appears to be 20 per cent ad valorem.

Mr. DOHERTY. For the fabricated portions. They are very difficult to roll and there are a great many rejections. It is a highly developed product.

Senator KING. It has been developed, you say?

Mr. DOHERTY. I say it is a highly developed product. It is still being developed.

Senator KING. And is being produced in that state?

Mr. DOHERTY. Yes; it is.

Senator KING. By these large manufacturers?

Mr. DOHERTY. By the three corporations I mentioned.

Senator KING. Bethlehem, Jones & Laughlin, and Lackawanna Steel.

Mr. DOHERTY. Yes.

Senator KING. Those are large plants?

Mr. DOHERTY. Carnegie steel plant also.

Senator KING. Those are large plants, large corporations?

Mr. DOHERTY. Oh, yes, indeed.

Senator KING. With large assets, and large returns?

Mr. DOHERTY. I hope so. I am not familiar with their financial statements.

Senator REED. What next, Mr. Doherty?

Mr. DOHERTY. The next we wish to call attention to is paragraph 313, hoop, band, and scroll iron or steel.

Senator KING. What paragraph?

Mr. DOHERTY. Paragraph 313.

Senator REED. What do you suggest there?

Mr. DOHERTY. To make a general suggestion now, that paragraph conflicts with 314, inasmuch as in a recent case in Boston some steel that was assessed as band was claimed to be flat wire rods. I saw the stuff. It was very much alike; no man could tell which was which; and the difference in duty is only one-twentieth of a cent a pound.

My suggestion is that if the two things are so much alike as that they ought to be treated alike; but that is only part of the general suggestion that this whole schedule ought to be revised.

Senator EDGE. That is just what you are doing, suggesting a lot of general changes. You have suggested about a dozen specific changes, have you not?

Mr. DOHERTY. There are so many other things that might be done, Senator, that is all.

Senator REED. I imagine we will never get a better chance to do it than now.

Mr. DOHERTY. In fact that is not of outstanding importance. That is what was in my mind.

Senator REED. Going back to paragraph 312 for a minute, I am curious about the double use of the term "building forms." You will find it in the last line on page 73 where building forms are put in at one-fifth of a cent a pound; and you find it again in line 7 on page 74 at 25 per cent ad valorem. It seems to me they refer to exactly the same article in each place.

Mr. DOHERTY. Yes; the words and description are the same.

Senator KING. One is fabricated and one is not.

Mr. DOHERTY. No; it is not.

Senator REED. No; there is no such distinction.

Mr. DOHERTY. As a matter of fact, it is provided for three times.

Senator KING. It is what?

Mr. DOHERTY. It is provided for three times. In the first part of the paragraph building forms not assembled or manufactured, or advanced, one-fifth of a cent a pound; then, any of the foregoing manufactured, assembled, or advanced, at 20 per cent; and, finally, in the last bracket it is covered again by a flat rate of 25 per cent ad valorem without any restrictions.

Senator KING. So, evidently, no man can tell where it goes.

Mr. DOHERTY. No.

Senator REED. And nobody knows what it is.

Mr. DOHERTY. No.

Senator REED. In other words it is very clear?

Mr. DOHERTY. Probably nothing is able to come in under that designation at all.

Senator EDGE. Right there the suggestion of Mr. Doherty has impressed me very strongly with the assertion that no effort will be made to lower or decrease the rates, but simply from the standpoint of clarity in phraseology and to overcome duplications. Why not officially request the Tariff Commission experts to submit to the committee before we get ready to consider the rates such suggestions as they could make along that line? If they want to consult Mr. Doherty and others they have a perfect right to.

Senator KING. I was wondering if a semicolon were placed after the word "fitted" in line 5 instead of the comma, it would not give

a little more indication of the distinction that is sought to be made—fabricated for use or otherwise advanced beyond hammer and rolling, or casting, 20 per cent, and so forth—building forms—I admit it is cumbersome.

Senator REED. I do not know what it means.

Senator KING. It appears to me that the first part of the paragraph undertakes to deal with unfabricated material, and the latter part, to which I just called attention, in lines 5, 6, 7, 8, and 9 are intended to deal with fabricated material.

Senator REED. The words "building forms" seem to me to be synonymous with "structural shapes." I think it means the same thing if it means anything.

Mr. DOHERTY. If it means anything nobody seems to know what it means.

Senator KING. The House committee with its perspicasity and wisdom—and I saw that in all sincerity—evidently quite understood it.

Mr. DOHERTY. I do not agree with you there, Senator at all, because if they did they would not have retained it in the three brackets. It has simply been overlooked; they have had a lot of things to do and they have overlooked it.

Senator REED. Are you leaving your brief with the stenographer?

Mr. DOHERTY. Yes, sir.

Senator REED. I think that brief ought to be printed in the record.

Senator EDGE. I thing it would be very useful.

Senator KING. You will be available for further calling if the committee desires it, Mr. Doherty, will you?

Mr. DOHERTY. I hope you will call on me; I will, Senator. I will hold myself in readiness.

(The brief submitted by Mr. Doherty is as follows:)

BRIEF OF THE AMERICAN IRON AND STEEL INSTITUTE

SUBCOMMITTEE NO. 1, COMMITTEE ON FINANCE,
United States Senate, Washington, D. C.

GENTLEMEN: The committee on tariff of the American Iron and Steel Institute, which organization comprises about 95 per cent of the iron and steel industry of the United States, submits the following:

Memorandum commenting on, and suggesting amendments to, certain paragraphs in Schedule 3 of H. R. 2667 as passed by the House of Representatives.

The changes here requested are necessary or desirable for the following general reasons:

(1) Decisions of the customs tribunals whereby the evident intent of the lawmakers of the Sixty-seventh Congress was frustrated.

(2) The introduction into commerce of commodities that either did not exist or were of no commercial importance when the tariff act of 1922 was enacted.

(3) For the purpose of removing the temptation to further litigation by imposing the same or approximately the same rates of duty upon the same or approximately the same classes of products notwithstanding that they are known by different names.

The changes suggested are mostly in phraseology, and where they affect the rates in existing law or in H. R. 2667 it will be so stated. The items are taken up in order in which they appear in H. R. 2667.

Par. 302. Alloys used in the manufacture of steel.—H. R. 2667 contains a new subdivision of this paragraph, which reads as follows:

"(j) Silicon aluminum, aluminum silicon, alsimin ferrosilicon aluminum, and ferroaluminum silicon, 5 cents per pound."

The steel industry is particularly interested in the last three items, which are three names for the same article. It is an alloy made directly from

bauxite ore in the electric furnace without reaching the stage of aluminum metal. It had been held by the Treasury Department in 1924, and again in 1926, to be properly classifiable under the provision in paragraph 302 for all alloys used in the manufacture of steel not specially provided for, but in September, 1927, the Treasury Department directed a change in practice and instructed collectors to assess the material for duty at 5 cents per pound under paragraph 374 as an alloy of aluminum. A protest against this assessment was sustained by the United States Customs Court, but upon appeal this decision was reversed by the United States Court of Customs Appeals and the material was held subject to duty as an aluminum alloy at 5 cents per pound.

This is a raw product not capable of being worked or machined and fit for no other purpose than to be thrown into a steel bath to deoxidize the steel. It has nothing in common with the aluminum alloys of paragraph 374 and it does not and can not compete with them in any way. It is literally an alloy used in the manufacture of steel, and there is no reason apparently why it should pay any higher rate of duty than that imposed in subdivisions (1), (m), (n), and (o)—namely, 25 per cent ad valorem.

Duty of 5 cents per pound on this material is equivalent of 82½ per cent ad valorem. It can not bear such a duty, and the importation has ceased.

It is recommended that subdivision (j) of paragraph 302 be stricken out and that the words "ferrosilicon-aluminum alloy used in the manufacture of steel and" be inserted in subdivision (o), so that the same shall read:

"(o) Ferrosilicon-aluminum alloy used in the manufacture of steel and all alloys used in the manufacture of steel or iron, not specially provided for, 25 per centum ad valorem."

PAR. 303. *Iron.*—Recommendations were made to the House Ways and Means Committee to merge the first three brackets of this paragraph so that as amended the bracket will read "all the foregoing valued at not above 2½ cents per pound."

It is not believed that this will raise the duty on any substantial quantity of iron that is honestly invoiced. This is what domestic manufacturers contend, and it is confirmed by the following statement found in a brief filed by an importing corporation printed in volume 17 of the hearings, Ways and Means Committee, page 10484. This corporation, referring to the recommendation made by the American Iron and Steel Institute, said:

"Their proposal to merge the two lower brackets in paragraphs 303 and 304 would, in my opinion, have little or no effect, from the standpoint of the Government or domestic manufacturers or importers, as, to the best of my knowledge, no iron or steel can be brought into this country under the valuation as shown in these two lower brackets."

It would have the effect of preventing the dumping or undervaluation of iron.

PAR. 304. *Steel.*—This is the paragraph of the tariff law that deals with steel material and articles, rolled products for the most part. The first bracket of this paragraph provides for "all of the foregoing valued at not over 1 cent per pound." It is urged, in the first place, that this bracket be stricken out in toto. There is no steel made that can be sold for this price. This statement is made by domestic manufacturers and it is confirmed by the following, which appears in a brief filed by a corporation engaged in the importation of steel, printed in volume 17 of the hearings, Ways and Means Committee, page 10484. This corporation, in referring to the recommendation made by the American Iron and Steel Institute for the merging of the first two brackets of paragraph 304, said:

"Their proposal to merge the two lower brackets in paragraphs 303 and 304 would, in my opinion, have little or no effect, from the standpoint of the Government, or domestic manufacturers or importers, as, to the best of my knowledge, no iron or steel can be brought into this country under the valuation as shown in these two lower brackets."

The elimination of the first bracket would have this effect: It would prevent the dumping or undervaluation of steel at an invoice value of 1 cent per pound or under. It is recommended, therefore, that the first bracket of paragraph 304 be eliminated and the second bracket be changed to read "all the foregoing valued not above 1½ cents per pound."

H. R. 2667 inserts in this paragraph a new provision for concrete-reinforcement bars. A recommendation to this effect was made by the American Iron and Steel Institute because of a decision of the United States Court of Customs Appeals, which held that concrete-reinforcement bars, although admittedly bars

and made in a bar mill, were entitled to entry as structural shapes of steel at a duty of one-fifth of 1 cent per pound.

PAR. 307. *Boiler or other plate iron or steel.*—This paragraph provides three rates of duty according to whether the plate iron or steel is valued at 1 cent per pound or less, or above 1 cent and not above 3 cents, or over 3 cents per pound. For precisely the same reasons given in paragraphs 303 and 304 supra, we urge that the first bracket of this paragraph be stricken out, leaving only the two classifications, namely, plate iron or steel valued at not over 3 cents per pound and plate iron or steel valued at over 3 cents per pound.

PAR. 312. *Structural steel shapes.*—Owing to the vague and indefinite terms used in this paragraph there has been a great deal of litigation thereunder. In the first place the term "structures" is not confined to buildings or ships, and steel forms or shapes entering into the construction of a brewery mash filter were held to be structural shapes as were steel shapes designed for use in the frames of automobiles (Kuyper *v.* U. S., 5 Ct. Cust. Appls. 175, and Simon *v.* U. S., 8 Ct. Cust. Appls. 273). Furthermore, the rate of duty carried by this paragraph being so excessively low, there has been a strong incentive on the part of importers to secure entry for their products hereunder, and many articles have been claimed and some held to fall within the meaning of the term "structural shapes."

Our suggestion is that the term "all other structural shapes of iron or steel" be stricken out altogether, leaving the paragraph to operate only on articles mentioned by name, to which may be added such other designations as may seem wise.

An alternative suggestion, and a preferable one, is to let the language stand and change the rates of duty for those that are not assembled, manufactured, or advanced, etc., to one-half of 1 cent per pound, and on those manufactured or advanced to 1 cent per pound. These rates are consistent with the rates named in paragraph 304.

As further showing the looseness of phraseology used in this paragraph, attention is invited to the fact that the term "building forms" is used twice in this paragraph at three different rates of duty. Building forms not manufactured or advanced are dutiable under the present law at one-fifth of 1 cent per pound and those that are manufactured or advanced at 20 per cent ad valorem. Besides these two enumerations the last bracket in the paragraph provides for building forms, without any qualification or restriction, at 25 per cent ad valorem.

Yet, nobody seems to know what building forms are. In Soule *v.* U. S. (16 Ct. Cust. Appls. 524) the importer tried to utilize the term "building forms" to cover the product there in suit. The court said:

"Just why the words 'and building forms' appear twice in the paragraph, we are not called upon to decide. * * * Adverting to the third contention of the importer there is no testimony as to what constitutes a building form, the briefs of counsel on both sides are silent as to this question, we have found no applicable authority to which we may refer."

It would seem that a term should not be used in the law when nobody knows what it means.

PAR. 312. *Steel sheet piling.*—H. R. 2667 inserts a new enumeration for sheet piling at a duty of one-fifth of 1 cent per pound. It is well to make provision for sheet piling as this is an article of considerable importance and is imported in substantial quantities. It is a highly developed rolled product and the duty the House has assigned to it, one-fifth of 1 cent per pound, has no relationship whatever to its value and it is wholly out of line with the rates of duty on rolled steel products generally. In fact, the duty assigned to it the same as that imposed on steel valued at not over 1 cent per pound, which, as already stated in paragraph 304 supra, does not exist.

The American Iron and Steel Institute suggested that concrete reinforcement bars and sheet piling, both of which were victims, so to speak, of adverse court decisions, be placed in paragraph 304 where they would take duty according to value along with the other steel bars, steel plates, and rolled steel products generally. The Ways and Means Committee accepted the suggestion as to concrete reinforcement bars, but took contrary action on sheet piling.

It should also be pointed out that the provision in H. R. 2667 for sheet piling is without any words of restriction or description, and therefore, even if it is further advanced or assembled, or has attachments added, it would still take this excessively low rate.

This article is extensively used in the construction of buildings, bridges, docks, jetties, sea walls, etc., and because of its peculiar cross section, which includes edges so rolled that each piece of piling interlocks with its neighbor thus forming a continuous wall, it is a highly developed product of the rolling mill.

Until the court decision holding it dutiable at one-fifth of 1 cent per pound was handed down in 1927, the imported piling had paid duty under paragraph 304 generally, at the rate of five-tenths of 1 cent per pound because of its value, and the importations were continuous and substantial in amount, although, as the figures are not segregated in the Government statistics, no official figure can be given. However, inquiry in the trade leads to the belief that production in this country in 1928 was about 65,000 tons. As to importations, we have the statement of George E. Dix, who is agent in New York for the German manufacturers of steel piling, that in 1928 "we have brought in something over 15,000 tons of piling."

It is recommended that the separate provision for sheet piling be continued but that the duty thereon be made five-tenths of 1 cent per pound, which is the rate that was intended by the tariff act of 1922 to be levied thereon. It is plain from this that such a duty would not stop foreign importations.

PAR. 313. *Hoop, band, and scroll iron or steel.*—This paragraph provides for the commodities named above when valued at 3 cents per pound or less, but makes no specific provision for them when they are valued at over 3 cents per pound. Apparently, the latter articles would fall in the basket provision, which in the present law and in H. R. 2667 carries the rate of 25 per cent.

In a case recently decided in the Customs Court (Abstract 8251, March 20, 1929), the merchandise consisted of flat steel in coils of indefinite lengths, and the collector of customs at Boston classified and assessed it for duty under the second subdivision of paragraph 313 at thirty-five one-hundredths of 1 cent per pound. The importers protested and claimed the merchandise to be flat steel wire rods dutiable under paragraph 315 at only three-tenths of 1 cent per pound. At the trial the witness for the importer said the merchandise was flat steel wire rods and the witness for the Government said it was hoop or band steel. The court decided in favor of the importer on the weight of the testimony. As the differential between the two rates is only five one-hundredths of 1 cent per pound, it would seem wise to abolish it. Since the two products are so much alike, it does not seem as though there ought to be any difference in the duty. The same criticism of these two paragraphs appear in a letter from the Thompson Wire Co. of Boston, Mass., printed on page 1044, hearings, Ways and Means Committee, volume 3.

PAR. 328. *Tubes.*—This paragraph prescribes certain rates of duty on lap-welded butt-welded, seamed, or joined iron or steel tubes, pipes, flues, and stays, the rate varying with the diameter of the tube. The statute does not mention however, whether the diameter is the outside or the inside diameter, and some difficulties of administration have arisen. We repeat the suggestion that was made to the House Ways and Means Committee that the statute prescribe the outside diameter, and necessarily this requires an adjustment of the rates of duty. The following schedule of duties is proposed:

Lap-welded, butt-welded, seamed, or joined iron or steel tubes, pipes, flues, and stays, not thinner than sixty-five one-thousandths of an inch if not less than five-eighths of an inch in outside diameter--cent per pound--	1
If less than five-eighths and not less than one-half of an inch in outside diameter----------cents per pound--	1¼
If less than one-half of an inch in outside diameter---cents per pound--	1¾
Provided that no tubes, pipes, flues, or stays made of charcoal iron shall pay a less rate of duty than----------cents per pound--	1¼
Cylindrical and tubular tanks or vessels, for holding gas, liquids, or other material, whether full or empty; welded cylindrical furnaces, tubes, and flues made from plate metal, whether corrugated, ribbed, or otherwise reinforced against collapsing, pressure, and all other finished or unfinished iron or steel tubes not specially provided----------per cent--	35
Flexible metal tubing or hose, whether covered with wire or other material, including any appliances or attachments affixed thereto, not specially provided for, and rigid iron or steel tubes or pipes prepared and lines or coated in any manner suitable for use as conduits for electrical conductors----------per cent--	35

PAR. 331. *Nails and spikes.*—The provision in the present law and H. R. 2667 for wire nails does not conform to commercial practice, and it is suggested that the provisions for such nails and the rates of duty thereon be as follows:

Nails, spikes, tacks, brads, and staples, made of iron or steel wire not less than 1 inch in length and exceeding one hundred and forty-eight one-thousandths of an inch in diameter, four-tenths of 1 cent per pound; not less than 1 inch in length, seventy-two one-thousandths of an inch or more in diameter, but not exceeding one hundred and forty-eight one-thousandths of an inch, three-fourths of 1 cent per pound; less than 1 inch in length or less than seventy-two one-thousandths of an inch in diameter, 1½ cents per pound.

Respectfully submitted.

COMMITTEE ON TARIFF, AMERICAN IRON AND STEEL INSTITUTE,
By THOMAS J. DOHERTY, *Tariff Counsel.*

STATEMENT OF DR. J. A. MATHEWS, NEW YORK CITY, REPRESENTING COMMITTEE OF MANUFACTURERS OF TOOL AND FINE STEEL

(The witness was duly sworn by the chairman of the subcommittee.)

Senator REED. What is your occupation?

Doctor MATHEWS. Metallurgist. I am vice president of the Crucible Steel Co.

Senator REED. Did you testify before the House?

Doctor MATHEWS. I did and filed a brief. I am representing not only our company and its interests, but a group of 20 or 25 makers of tool and fine steel, representing about 20 different individual companies scattered around in different States. I represent about 25 plants with perhaps $250,000,000 invested capital, and employing about 25,000.

Senator REED. Which paragraph do you want to draw our attention, to, Doctor?

Doctor MATHEWS. Principally 304, but there are some other paragraphs that are also affected.

Senator REED. With regard to billets?

Doctor MATHEWS. Ingots, billets, blooms, and slabs. Several of the gentlemen who appeared yesterday called attention to the unfortunate arrangement of 304, in which all classes of steel are subject to virtually one rate of duty, approximately 20 per cent ad valorem, regardless of the pyramiding of labor from the time you melt a certain unit of raw material up through the ingot, then the billet, bar, wire rods, wire, and on through. The rates are almost constant. We have been asking that the rates on the specific groups as outlined in 304 be gradually stepped upward to take care of the pyramiding of labor that goes on from the time you start to melt a unit of raw material.

Senator REED. Is that not practically the effect of the scale of rates?

Doctor MATHEWS. No. The equivalent at valorem is almost constant, about 20 per cent. If you will figure the specific rates based on the highest price in each group, from 1 to 1½ cents, from 2 to 2½, and from 2½ to 5, you will find those figure out very close to 20 or 21 per cent.

That does not take into consideration the protection of the additional labor that enters in as the material is more highly advanced in the manufacture.

We have asked the House, and we are asking again here that those rates be scaled from, say, 20 per cent at the start up to about 35 per cent ad valorem on carbon steels, making a gradual upward scale, as the most practical way of taking care of the additional labor investment in the manufacture of such steels.

I want to explain also that the steels we are interested in and discussing are only those imported at a value of 2½ cents and upward. Practically every witness who has appeared, including those on behalf of the importers, has been dealing with products that have been declared for entry at below 2½ cents. Such steels cover about 99 per cent of the production of the United States. This little one-half of 1 per cent, approximately, represents the interests for which I am appearing. They manufacture about one-half of 1 per cent of the tonnage of the country, and it has been very difficult to get any special consideration for that industry, in which the wages per ton of product are about seven times as great as they are in the tonnage industry, and the investment per ton of the product is about six to nine times as great as in the tonnage industry.

Senator KING. You say you represent only about one-half of 1 per cent of the production?

Doctor MATHEWS. Of the 50,000,000 tons of steel that is made.

Senator KING. But more than one-half of 1 per cent of the production of the products that come under paragraph 304.

Doctor MATHEWS. The products that enter——

Senator KING. Is it not more than one-half of 1 per cent of the products that come under paragraph 304?

Doctor MATHEWS. I have not analyzed it in that direction, but I have in this direction. Under 304, bars without alloys, 9.1 per cent of the bars without alloys, representing 37 per cent of the value of bars without alloys, come in in competition with this little one-half of 1 per cent industry. Ninety-nine per cent of the bars with alloys, and practically the same in value, come into competition with the fine steel industry. With respect to the ingot and billet item, I think 16.16 per cent come in at a value over 2½ cents a pound, representing over 50 per cent of the value of all ingots and billets, so that approximately 50 per cent of the imports, in value, in paragraph 304, comes in competition with our industry, which makes one-half of 1 per cent of the steel of the country.

Senator KING. I do not understand you yet. The steel of the country is more than 56,000,000 tons?

Doctor MATHEWS. It is about 50,000,000 tons. We make about 200,000 tons, or perhaps 250,000 tons, in that group of tool and fine steel makers.

Senator KING. Under paragraph 304, steel ingots, cogged ingots, blooms and slabs, and so forth, there would be a very large tonnage.

Doctor MATHEWS. There were about 125,000 tons total, I believe, entered in 1927, according to this information.

Senator KING. You mean of all the articles in paragraph 304?

Doctor MATHEWS. Yes. I think that is the total, from page 633 of the summary of information.

Senator KING. But the Crucible Steel Co. is interested in more than paragraph 304?

Doctor MATHEWS. Yes; rolling mill highly finished products, such as wire, wire rod, cold rolled, and all that.

Senator KING. Because its output is tremendous.

Doctor MATHEWS. No. It is not tremendous, excuse me, sir.

Senator KING. It is in great variety.

Doctor MATHEWS. It is in a great variety, but it covers only from 200,000 to 250,000 tons of real high grade material, that will sell for, say, 5 cents a pound and upwards. That is not much steel, but against that fully 50 per cent of all imports in that paragraph, in value, comes in competition.

After the war there were about 40 or more individual units making tool and fine steels. Since that time eleven of them have passed clear out of existence, and were mostly scrapped. Two others have undergone two reorganizations each. One of them has undergone one reorganization and receivership, and our own company has scrapped one plant and dismantled it, and closed another. So that there are now, instead of 40, about 25 still active plants making the higher grade specialties.

Senator REED. Of that 25, how many does your company own?

Doctor MATHEWS. We have six.

Senator REED. Six out of the 25.

Doctor MATHEWS. Yes; two in New York State, two in New Jersey, and two in Pennsylvania.

Senator REED. Your company still makes some plates?

Doctor MATHEWS. Very few plates. We make a few plates in the stainless or corrosion resistant type of steel. It is not much of anything else except saw plates or circles.

Senator REED. It seems to me that the lumping of semifinished and finished products in paragraph 304 is responsible for part of our difficulties.

Doctor MATHEWS. Well, it is. The rate is nearly constant throughout the paragraph, regardless of the number of processes and the labor that enters into it.

Senator REED. There is a good deal more labor entering into the making of a bar than into the making of an ingot, is there not?

Doctor MATHEWS. Yes.

Senator REED. And yet they are taxed exactly the same.

Doctor MATHEWS. Step by step; and the rate of protection is the same. It continues on, in fact, to wire rods, and practically to wire, where the percentage is almost a flat rate. The labor is continually pyramiding, step by step, until there is very little relation between an ingot and the finishing product, which may represent from ten to twenty times the labor.

Senator REED. Do wire rods come under paragraph 304?

Doctor MATHEWS. No. Wire rods are in paragraph 315, and they are divided into two classes, those below four cents a pound and those above. We are interested in those above four cents a pound. I think those are also 20 per cent. When it comes to wire, the dividing point is 6 cents a pound. Practically all the wire that comes into the country is above 6 cents a pound. It does not come into competition largely with the fence wire and telegraph wire that is made by numerous tonnage mills.

Senator REED. The imports, then, I gather are mostly of fine steel.

Doctor MATHEWS. In value, about 50 per cent of the imports under this paragraph are fine steel. There are about 34,000 tons, as I gather it from this analysis, in competition with 200,000 tons manufactured in this country, of an approximately equivalent grade and price of sale here.

Senator KING. Doctor Mathews, have you not overstated that? Is it not a fact that the amount that comes in of those products in paragraph 304 would not exceed 5 per cent of the domestic production?

Doctor MATHEWS. You mean the total domestic production of steel?

Senator KING. Those that are under paragraph 304.

Doctor MATHEWS. Are you talking about fine steel only, or the total production of steel in the United States?

Senator KING. No. I said those that were under paragraph 304.

Doctor MATHEWS. Paragraph 304 includes both tonnage steels and fine steels. It includes steels not over 1 cent per pound; from 1 cent to a cent and one-half per pound; and from 1½ to 2½ cents a pound. We are talking about steel from 2½ cents a pound upwards, as approximately representative——

Senator KING. If you will permit me to ask my question, under paragraph 304 the imports are approximately 5 per cent of the domestic production. Is that not true? [After examining papers.] I am mistaken. It is very much less than that, is it not?

Doctor MATHEWS. Of the production of steel in the United States, it is a fraction of 1 per cent.

Senator KING. Of steel ingots?

Doctor MATHEWS. But it is about 15 per cent of the production of fine steels.

Senator KING. It is less than 1 per cent of all the items under paragraph 304.

Doctor MATHEWS. Less than 1 per cent of the steel made in the United States.

Senator KING. Now, coming to what you call tool and fine steels, the domestic production is about 94 to 95 per cent, is it not?

Doctor MATHEWS. No. I would say the domestic production, in proportion to these items, is about 85 to 90 per cent.

Senator KING. You mentioned "these items." Will you kindly indicate what items you refer to, so that there will be no misunderstanding?

Doctor MATHEWS. Page 633, the bottom table.

Senator KING. Have you any objection to referring to the paragraph itself?

Doctor MATHEWS. Paragraph 304, referring to the items valued above 2½ cents a pound.

Senator KING. Then, commencing on page 68, the items valued at 2½——

Doctor MATHEWS. One and one-half, and not above 3½.

Senator KING. Down to the end of the paragraph?

Doctor MATHEWS. Down to the end of the paragraph. That covers 9.1 per cent of the total bars without alloys that came in, in volume, and 37 per cent in value, at the declared price

Senator KING. You say about 9 per cent in quantity.

Doctor MATHEWS. Nine per cent in quantity, of all bars without alloys.

Senator KING. Now, take the items above that, if you will permit me to do so, which would be, I presume, comprised within the figures valued at not over 1 cent a pound down to the 2½ cents a pound and not over 3½ cents.

Doctor MATHEWS. That is 89.9 per cent in tonnage and 62.7 per cent in value.

Senator KING. As to that large amount, as I understand you, you are not interested?

Doctor MATHEWS. No.

Senator KING. And you make no complaint with respect to the tariff imposed there.

Doctor MATHEWS. That is covered by Mr. Topping, and the gentleman from Texas, and others, and will be covered by Mr. Doherty.

Senator KING. Are you interested in the production of those products?

Doctor MATHEWS. The Crucible Steel Co. also has a large mill manufacturing commercial tonnage steel, for which we are saying nothing, and making no requests.

Senator KING. It is interested in those products?

Doctor MATHEWS. It is interested in those products indirectly, and they constitute 80 per cent or more, by volume, of our manufacture. We are talking here only about the higher-grade stuff.

Senator KING. Would the profits which your company make be attributable, in part, to that 80 per cent?

Doctor MATHEWS. They would be attributable in very large part.

Senator KING. And in part to the smaller production?

Doctor MATHEWS. The whole thing goes together to make up the total profits of the company.

Senator KING. And the total profits of the company, if I may be permitted by the chairman at this point to call attention to them, are very large.

Doctor MATHEWS. At the moment; yes.

Senator KING. I have here a photostatic copy of the Wall Street Journal for Friday morning, June 7, 1929, which states as follows:

Dividend action due on Crucible. Directors considering cash increase and stock payment—may declare both.

I have here also an article from the Journal of Commerce of Tuesday, June 18, 1929, which states as follows:

CRUCIBLE STEEL IN STOCK DIVIDEND PLAN. WILL BE GIVEN BY END OF THIS YEAR—PROFIT HIGH IN FIRST SIX MONTHS

H. S. Wilkinson, chairman of the Crucible Steel Co. of America, in a letter to stockholders yesterday telling of half-year results, announced that before the end of the current year it is the intention of the directors to declare a stock dividend. The amount of this disbursement will be determined later by the board. Crucible's statement was the first official outgiving to be made covering results of the half-year's operations among steel companies.

You are familiar with that statement, are you?

Doctor MATHEWS. Yes.

Senator KING. It states further:

The chairman reported that operations over the first half of the year had been highly satisfactory, net earnings for the period aggregating $4,202,500.

Second quarter net profits, after allowing for preferred dividends, amounted to $1,090,731, or $3.61 per share on the common stock, or at the annual rate of $14.44. Second quarter net profits before deduction for dividends on the senior stock totaled $2,428,231.

At a meeting of the board of directors held yesterday it was decided to continue the present cash dividend of 1¼ per cent, or 5 per cent annually on the common stock of the company. Explanatory of this dividend, a statement said: "The directors took this action after very careful consideration of the best interests of the stockholders."

Further reading from the report of Mr. Wilkinson, chairman of the Crucible Steel Co.:

For your information the charman desires to report that the company has had a steadily increasing volume of business. The net earnings for the first six months of 1929 were $4,202,500.

I will not repeat that.

In conclusion Mr. Wilkinson stated that the company has enjoyed a record volume of business in the high grade tool, alloy, and special steels that "has greatly increased its earnings during the past six months, and the condition of your company is the best it has been since its organization."

That is true, is it not, Doctor Mathews?

Doctor MATHEWS. That is true.

Senator KING. Your company has real estate, plant, and equipment carried on the books at $85,000,000. That is right, is it not?

Doctor MATHEWS. I suppose so.

Senator KING. Total assets of $120,000,000 against $118,000,000 on the final day of 1928. Appropriated and unappropriated surplus, $29,504,000. How many stock dividends have you paid?

Doctor MATHEWS. I filed all that in the House committee. I forget. I think they have doubled their original common capital of $25,000,000, to $75,000,000, out of surplus accumulated during the war, when we did make some money.

Senator KING. You have declared a stock dividend which was double the original capital.

Doctor MATHEWS. The original $25,000,000 they made $50,000,000.

Senator KING. Now you have assets of $128,000,000, and you have a surplus of cash of more than $29,504,000.

Doctor MATHEWS. Not cash.

Senator KING. I beg your pardon. I am in error—appropriated and unappropriated surplus stood at $29,504,992, of which $28,216,000 was unappropriated. So the appropriated was only small and $28,216,000 was unappropriated. That means cash, does it not?

Doctor MATHEWS. No; not all cash. The cash is a small item compared to that. I could not tell you what form it is in.

Senator KING. On December 31, 1928, the total surplus, under designations, was reported as $27,000,000, so that your surplus has increased there nearly $2,000,000 during the year after the dividends. That is true, is it not?

Doctor MATHEWS. I presume it is.

Senator KING. Now, you plan another stock dividend, do you not?

Doctor MATHEWS. A stock dividend of stock that has been bought on the market, when the prices were low, and will be given to the stockholders; not a new increase in capitalization.

Senator KING. That is to say, your company, out of its surplus and its earnings, went out and purchased its own stock.

Doctor MATHEWS. Yes. There will be no more stock outstanding after that dividend than there is at present.

Senator KING. Then you are declaring that as a stock dividend to the stockholders?

Doctor MATHEWS. Yes.

I would like to state that for 20 years the company paid nothing on its common, and since 1919 it has paid an average of 4.83 per cent to the common stockholders, and that is solely because it has developed along the lines of tonnage commercial steels, whereas for the first 20 years we devoted almost all our time to this business of special tool and fine steel.

Senator KING. When was the company organized?

Doctor MATHEWS. Somewhere around 1900.

Senator KING. How much money was actually put into it?

Doctor MATHEWS. I could not tell you, sir.

Senator KING. Do you know how much has actually been put into it from the beginning? And when I say "actually," I mean not stock, dividends, or earnings, or surplus.

Doctor MATHEWS. No, sir. I can not tell you that early history.

Senator REED. I think I was connected with it before Doctor Mathews was, and it was a combination——

Doctor MATHEWS. You or your father. I don't know which.

Senator REED. It was a combination of a lot of companies, some of which have existed for the last 75 years.

Doctor MATHEWS. Yes.

Senator KING. The Crucible Steel Co. is the largest individual manufacturer of tool steel in the United States, is it not?

Doctor MATHEWS. Yes, sir.

Senator KING. And, as Mr. Wilkinson says, the company has enjoyed a record volume of business in the high-grade tool and alloy steels.

Doctor MATHEWS. For the last six months; yes, sir.

Senator KING. He does not limit it to that.

Doctor MATHEWS. He is speaking for the current half year; yes, sir.

Senator KING (reading):

has greatly increased its earnings during the past six months, and the condition of your company is the best it has been since its organization.

Doctor MATHEWS. Yes.

Senator KING. And the net earnings in six months were more than $4,000,000. A large part of that was from these high-grade steel products.

Doctor MATHEWS. From both kinds. I do not know the proportion that comes from the tonnage. It is almost impossible to discriminate, because some mills make both classes, and the profits are totaled.

Senator KING. He used the words "a record volume of business in the high-grade tool, alloy, and special steels that 'has greatly increased its earnings during the past six months.'" I assume from that there had been a very large earning.

Doctor MATHEWS. It has been very satisfactory, I should say, in the last six months.

Senator KING. That is all for the moment. I would like to put into the record at this point the statement from the Journal of Commerce, and also the statement from the Wall Street Journal.

(The statements referred to are as follows:)

[From the Journal of Commerce, Tuesday, June 18, 1929]

CRUCIBLE STEEL IN STOCK DIVIDEND PLAN—WILL BE GIVEN BY END OF THIS YEAR—PROFIT HIGH IN FIRST SIX MONTHS

H. S. Wilkinson, chairman of the Crucible Steel Co. of America, in a letter to stockholders yesterday telling of half-year results, announced that before the end of the current year it is the intention of the directors to declare a stock dividend. The amount of this disbursement will be determined later by the board. Crucible's statement was the first official outgiving to be made covering results of the half-year's operations among steel companies.

The chairman reported that operations over the first half of the year had been highly satisfactory, net earnings for the period aggregating $4,202,500. Second quarter net profits, after allowing for preferred dividends, amounted to $1,990,731, or $3.61 per share on the common stock, or at the annual rate of $14.44. Second quarter net profits before deduction for dividends on the senior stock totaled $2,428,231.

At a meeting of the board of directors held yesterday, it was decided to continue the present cash dividend of 1¼ per cent, or 5 per cent annually on the common stock of the company. Explanatory of this dividend, a statement said: "The directors took this action after very careful consideration of the best interests of the stockholders."

Chairman Wilkinson's letter in part, read as follows:

"Your chairman stated in the last annual report that action in the matter of disbursing to stockholders a dividend in stock in addition to the cash dividend should be forthcoming soon. It is now the intention of the directors, in line with this statement, to declare at or before the end of this year a dividend in stock in amount as determined by the action of the directors and based on the earnings and condition of the company.

"For your information the chairman desires to report that the company has had a steadily increasing volume of business. The net earnings for the first six months of 1929 were $4,202,50. The results for the first five months have been ascertained, and for the present, or sixth month, have been conservatively estimated in order to arrive at the figures submitted on the comparative balance sheet. The volume of business at the present time has in no way decreased, and, based on the present business and unfilled orders on the books of the company, we look forward to a continuation of increased earnings in the future."

In conclusion Mr. Wilkinson stated that the company has enjoyed a record volume of business in the high-grade tool, alloy, and special steels that "has greatly increased its earnings during the past six months, and the condition of your company is the best it has been since its organization."

The company's balance sheet, carrying comparisons as at June 30 of this year, and December 31, 1928, reveals cash on hand and in banks at the close of the current half-year period amounting to $5,084,600 against $5,041,714 at the close of 1928, while listed securities marked at less than market value totaled $7,350,540, compared with $6,069,766 on December 3, 1928. Real estate, plant, equipment, etc., at June 30, were returned at $85,609,190, compared with $85,352,569. Total assets aggregated $120,310,360, against $118,385,021 on the final day of 1928. Appropriated and unappropriated surplus stood at $29,504,992, of which $28,216,543 was unappropriated. On December 31, 1928, total surplus under both designations was reported at $27,552,492.

[From the Wall Street Journal, Friday morning, June 7, 1929]

DIVIDEND ACTION DUE ON CRUCIBLE—DIRECTORS CONSIDERING CASH INCREASE AND STOCK PAYMENT—MAY DECLARE BOTH—NET EARNINGS SOARING

Directors of Crucible Steel Co. of America will face a much more encouraging situation than they did a year ago, when they meet in about two weeks to take action on the common dividend. It is likely Chairman Wilkinson's promise of a dividend increase will be considered at this meeting.

About this time a year ago directors decided that in view of the reduced rate of earnings it would be advisable to pay only $1.25 quarterly on the common instead of $1.50, reducing the annual rate to $5 from $6. Earnings for the half year, at that time, were estimated at $2,427,973, equivalent to $2.82 a share on the common, or $546,563 below the corresponding period of 1927. This reduction amounted to almost $1 a share on the 550,000 shares of common outstanding.

But business has improved considerably since then. Mr. Wilkinson recently estimated earnings for the first six months of this year would be well over double those in the corresponding period of 1928. What is more important, earnings in the past three months have been at a much better rate than in January and February, so that consideration of an increase in the dividend has been reinforced recently and any change in opinion in this respect could be only toward the liberal side.

MORE THAN $6 RETURN LIKELY

With earnings at their present rate it would seem likely common stockholders will get more than a return to a $6 basis on their stock, if not at this time, before the end of the year. At the close of 1926, when the stock was put on a $6 basis, compared with $5 previously, Mr. Wilkinson said:

"With a continuance of reasonable business conditions in the country, your chairman believes that you can look forward to further increase in the rate of dividend in the near future. It is the intention of your board of directors not to pay a rate of dividend that they do not have every reason to expect they can continue."

Net income for stock in that year was $6,547,731. Book value of the common was around $147 a share. If demand in the latter half of this year is maintained at a rate close to the first half, net should be in the neighborhood of $10,000,000 and book value of the common around $160 a share. This would mean earnings for the common of around $15 a share, compared with $7.06 in 1928. Following table compares earnings and working capital since 1922:

	Net for stock	A share	Dividends	Working capital
1928 [1]	$5,634,417	$7.06	$4,637,450	$26,202,449
1927 [2]	5,617,145	7.03	5,049,937	25,713,121
1926 [1]	6,547,731	8.72	4,637,439	25,794,105
1925 [2]	4,525,466	5.05	3,949,939	26,369,248
1924 [2]	4,250,049	4.85	3,949,924	23,770,400
1923 [2]	5,302,243	5.20	2,299,979	21,948,886
1922 [2]	[3] 3,709,517	.....	2,749,817	23,627,469

[1] Year ended Dec. 31. [2] Year ended Aug. 31. [3] Deficit.

STOCK DIVIDEND POSSIBLE

It is possible directors may decide to distribute some of the common held in the treasury. There are about 100,000 shares of Crucible common which the company purchased some time ago in the open market. In the annual report for 1928 Mr. Wilkinson told stockholders it was the intention of the board to distribute this in the form of stock dividends from time to time and that action in this matter would be forthcoming soon. This block of stock is carried in the balance sheet at $6,811,000, whereas at present market price it has a liquidating value of more than $9,700,000.

Directors, therefore, will be confronted with the twofold problem at the forthcoming meeting of an increase in the cash dividend and a distribution in stock. Both of these steps are being actively considered, but both are predicated on how well demand holds in the final six months of the year. The margin of increase in earnings is great enough to cause no uneasiness as far as the immediate future is concerned, but the management does not want to set a dividend basis which can not be maintained on an additional amount of common in periods of less satisfactory demand. This leads to the conclusion that two steps may be taken this year with regard to common dividends: an early increase in the cash rate, and a distribution in stock when it is certain earnings in the last half will justify such action.

Crucible Steel has no bonds outstanding but guarantees a $4,000,000 5 per cent first mortgage bond of a subsidiary. There are 250,000 shares of 7 per cent cumulative preferred outstanding. Common sells currently at around 87½ compared with a high for the year of 94 and a low of 85.

Senator REED. Have you finished, Senator?

Senator KING. For the moment.

Senator REED. Coming back to the tariff, Doctor, I was about to ask you about section 304 of the bill. It seems to me that the lumping of the semifinished products, like ingots, and finished products, such as shafting and bars, and what not, leads us into difficulties, and that probably the duty on ingots and blooms and slabs is higher than it needs to be, while the duty on the products into which more labor has gone may be too low. Are there many ingots, blooms and slabs imported?

Doctor MATHEWS. I think not many ingots. There are some billets and blooms.

Senator REED. Where do they come from?

Doctor MATHEWS. This analysis here shows a considerable importation of ingots, and so forth, without alloying; with alloy, the figure is 1,500 tons.

Senator KING. Of what?

Doctor MATHEWS. Twelve per cent of ingots and billets without alloy.

Senator KING. You mean steel ingots?

Doctor MATHEWS. Ingots, and so forth. That means ingots, billets, and slabs.

Senator KING. Would that be steel ingots, cogged ingot, blooms, and slabs?

Doctor MATHEWS. I presume it would, but it just says "ingots, etc."

Senator KING. 1,500 tons?

Doctor MATHEWS. 1,500 tons, or 12 per cent.

Senator REED. It is a little off your subject, Doctor, but can you tell us any reason why plates should be so differently treated from structural materials, speaking of these finished products?

Doctor MATHEWS. I am not familiar with the plate industry particularly. The plate paragraph includes only two rates, one below and one above three cents a pound. In the upper category there are some high-grade plates coming in that we would be interested in, but I could not tell you why they are distinguished from structural material, because I know nothing about the structural field.

Senator REED. You are not much concerned with paragraph 307, which deals with plates?

Doctor MATHEWS. No. There may be a very small importation of high-grade plates that would interest us, but it is not a material item.

Senator KING. Boiler or other plate, iron or steel?

Doctor MATHEWS. No.

Senator KING. You are not interested in all of 307?

Doctor MATHEWS. Paragraph 308 includes some high-grade sheets that we are interested in. I estimate, from this tariff information——

Senator EDGE. Does 305 help out at all in your products?

Doctor MATHEWS. Paragraph 305, in its present form, has overcome a great many objections that existed in the old bill. There were some uncertainties and some litigation, and matters of interpretation that are very well taken care of and straightened out in paragraph 305 as it stands now.

Senator KING. You mean the existing law?

Doctor MATHEWS. In the existing law there are a good many uncertainties about where it applies, and where it does not. There was litigation under the old law. Paragraph 305 is in much better form than the present law. I refer to paragraph 305 in the new bill, the House bill. As it now stands in the House bill, paragraph 305 corrects a great many of the difficulties and shortcomings of the corresponding paragraph in the existing law.

Senator EDGE. I asked that specific question in order to secure the information as to whether it helped out along the particular line of the request you are making. Does it not increase the duty somewhat on those higher grade products, containing tungsten, and various other alloys?

Doctor MATHEWS. Yes. When they contain alloys they carry the additional duty for the alloy, and the alloy itself is dutiable; so we have to pay the duty on the alloy and the ores in various cases.

Senator EDGE. I understand that.

Doctor MATHEWS. That is, in a measure, compensatory.

Senator EDGE. It is in a measure compensatory, but it does slightly increase the duty on a number of products over the existing rates.

Doctor MATHEWS. On the alloy steels versus the carbon steels.

Senator EDGE. That is, those containing alloys?

Doctor MATHEWS. Yes.

Senator KING. Of course, if you get your allows at home, you do not pay a duty on them.

Doctor MATHEWS. There are mighty few to be had at home. We are very short in the steel-making alloys.

Senator KING. Before you get through with your testimony, Doctor, I want to direct your attention to that, because I have been somewhat impressed with that view.

Senator REED. I have nothing else I want to ask the doctor.

Senator EDGE. The imports on all these commodities covered under paragraph 304, without attempting to subdivide them, which seems to be almost impossible, have been constantly increasing up until 1926, have they not, and there has been a slight decrease since that time?

Doctor MATHEWS. In the items that I picked out, at 2½ cents a pound and upwards, for 1923 and 1924, the first full years of the present law, versus 1927 and half of 1928, there seems to be about a 33 per cent increase in the imports of items falling in the category of 2½ cents a pound upwards; for bars, plates, and sheets, 3 cents a pound and upwards; wire rods, 4 cents a pound and upwards; and wire, 6 cents a pound and upwards. Those are the items selected as generally competing.

Senator EDGE. The imports of the items containing alloys have been increased.

Doctor MATHEWS. Yes.

Senator EDGE. If I have it correctly here, steel bars, for instance, containing alloys, increased from 7,000,000 pounds in 1927 to almost 11,000,000 pounds in 1928.

Doctor MATHEWS. Yes.

Senator EDGE. And that is one of the particular types of product on which you are seeking a rearrangement.

Doctor MATHEWS. I am more concerned with paragraph 304 and the carbon features alone. Alloys are fairly well covered now, but the full 20 per cent rate, regardless of the amount of labor that enters into the product, whether it is a 1-cent steel or a 10-cent steel, I would like to see stepped up proportionately to the value.

Senator EDGE. You say they are pretty well covered in the House bill, but they were not covered previous to that, were they?

Doctor MATHEWS. No; because they did not apply to alloy steels coming in under any other paragraph than 304.

Senator EDGE. It would be perfectly obvious that if they were covered, the imports have increased just the same—33⅓ per cent.

Doctor MATHEWS. That is, imports of all steels that we enter into competition with.

Senator KING. You have not attempted to indicate the imports of this particular class embraced in paragraph 304, or these other paragraphs in which you have indicated your company has an interest.

Doctor MATHEWS. Under paragraph 304, from the published tables, there were about 24,757 tons of bars, carbon and alloy, representing prices above 2½ cents at the port; under paragraph 308, sheets, there are about 384,000 tons. Under paragraph 313, there are about 1,400 tons of certain high-grade hoop, band, and scroll iron; under wire rods, paragraph 315, there are 1,116 tons; and under wire, 6,241 tons, or a total of 33,898 tons, representing the higher-priced brackets in those five paragraphs.

Senator KING. In all those five paragraphs there has been no particular increase in the importations.

Doctor MATHEWS. The same items for 1923 and 1924 are about a third less.

Senator KING. So there has been a diminution in the imports?

Doctor MATHEWS. No; an increase.

Senator KING. An increase in 1928?

Doctor MATHEWS. 1923 and 1924 are about a third lower than 1927 and half of 1928.

Senator KING. I see there has been a diminution of the imports in 1928.

Doctor MATHEWS. I have only the figures for half of 1928.

Senator KING. Did the House make any increase in paragraph 304?

Doctor MATHEWS. I think not, except in hollow bars and hollow drill steel.

Senator KING. What increase did they make there?

Doctor MATHEWS. One and three-tenths cents a pound.

Senator KING. Reduced to ad valorem, what would that be?

Doctor MATHEWS. That is around 15 per cent.

Senator KING. Then, that would make 35 per cent on that item.

Doctor MATHEWS. That would cover the difference between the manufacture of a hollow bar versus a solid bar of the same kind and character.

Senator KING. That would be an increase over the existing law of 15 per cent.

Doctor MATHEWS. Approximately that.

Senator KING. Does your company, the Crucible Steel Co., make that product?

Doctor MATHEWS. We make hollow bars, and they are made by four other concerns.

Senator KING. Is that a substantial part of your output—I mean of the output of these high-grade steels?

Doctor MATHEWS. It is not a very substantial tonnage; perhaps 5 per cent, approximately.

Senator KING. Is not that quite a jump, 15 per cent in that one article?

Doctor MATHEWS. No.

Senator KING. From 20 to 35?

Doctor MATHEWS. Because it never had sufficient protection. About 50 per cent of that material, I should say, was imported from abroad. There are no specific figures by which you can pick out, from any of these tabulations, how many pounds came in. We just know, from the competition, that it is about half, I should say.

Senator KING. Your output has been increasing from year to year?

Doctor MATHEWS. Ours has been increasing somewhat.

Senator KING. I am speaking of that particular article.

Doctor MATHEWS. Yes, sir.

Senator KING. As well as on substantially all other commodities embraced in the paragraphs to which you have invited the attention of the committee.

Doctor MATHEWS. Yes; since the new law. Remember, when we came here in 1921, we were in the middle of a panic, and business has gradually improved since that time, and we have improved along with it.

Senator KING. You have expanded your plants?

Doctor MATHEWS. No, sir. We have scrapped one and shut down another.

Senator KING. But the tonnage has been——

Doctor MATHEWS. The tonnage has gradually improved in the operating plants, but it is not a great advance.

Senator KING. You stated that the House, in paragraph 305, had made changes which relieved the situation of some complications. Will you just indicate what changes those were, and what imperfections, if imperfections existed, were cured by this bill?

Doctor MATHEWS. The additional duty on tungsten and molybdenum steels applied, under the present law, only to paragraph 304, or to the previous paragraph. That permitted tungsten steel to come in in other forms, such as sheets, wire, and almost anything, without carrying the additional cumulative duty. That has been clarified by naming the specific paragraphs to which the cumulative duty applies.

Senator KING. Would that increase the duty upon any commodities?

Doctor MATHEWS. It would increase the duty on tungsten-bearing products, regardless of what paragraph they come under, not limiting it to one paragraph, which was obviously not the intent of

Congress. If they wanted to put a duty on tungsten steels, it should apply to all tungsten steels, and not to one kind.

Senator KING. Do you regard that as just, to so change the rates as to increase the price of these high-grade steels, which have enabled you to make such great profits?

Doctor MATHEWS. The rates were cumulative, to cover the duty put on the tungsten and ferro-tungsten metals. Merely figured out on that basis, it approximately covered the actual duty we paid for tungsten ore in terms of finished products.

Senator KING. Doctor, view of the limited amount—and I am expressing no opinion—as indicated by the witnesses, of these alloys, tungsten, and so forth, do you regard it for the best interests of the American people, and the consumers, to maintain those high duties upon those alloys?

Doctor MATHEWS. Well, that was a question of policy that was determined in the last tariff bill, I should say, when a great many raw materials were made subject to duty that had formerly been on the free list. That question of policy is not for me to determine. There was justification for putting those duties on the raw materials in certain cases, because the production of war minerals had been stimulated right and left. Everybody had been encouraged to go into it. I felt that they were entitled to a run for their money, having been induced to produce war minerals by the Government. Having made an investment of that kind, they were naturally entitled, I should say, to a run for their money.

Senator EDGE. May I ask a question there? That is a very interesting thought that you have presented. In a general way, many of these raw materials, such as manganese, tungsten, and so forth, having been developed during the war as a matter of war necessity, the apparent reason for having them dutiable and taking them from the free list was to see if it was possible to encourage a real commercial output of that type of raw material. Now, we have had seven years to ascertain whether that was accomplished or otherwise. Is that your view?

Doctor MATHEWS. I presume that was the idea at the time.

Senator EDGE. I mean, it would seem to be a very important thing to consider, now that we are rewriting the tariff bill, as to just what the result of that experiment has been after seven years of opportunity to develop the output of these various raw materials that have been put on the dutiable list, for the first time, following the war.

Doctor MATHEWS. I feel that we are so entirely lacking in the essential so-called war materials that we are justified in encouraging them to a very great extent. Bear in mind that molybdenum is practically the only mineral of which we have our own supply. We import our nickel, our cobalt, vanadium, chromium, tungsten, and our manganese largely. Silicon and molybdenum we can take care of ourselves. All the other minerals come from outside sources, and it is of vital importance to the Army and Navy, and industries generally, that we have a supply, and encourage a supply.

Senator REED. If, for seven years, we have been encouraging the supply without any apparent results, do you not think that it is about time to end that experiment?

Doctor MATHEWS. Well, I would not like to say it should be ended; not by wiping out all that protection.

Senator REED. How do you feel about a duty on manganese?

Doctor MATHEWS. I feel that the manganese will still have to be imported to maintain our supply.

Senator REED. That is obviously true of all these minerals, except silicon and molybdenum.

Senator EDGE. How about tungsten? Can we produce that to supply your needs?

Doctor MATHEWS. There is just a moderate quantity of tungsten that is available, if the price is high enough.

Senator EDGE. What is that?

Doctor MATHEWS. There is a moderate percentage of our tungsten requirements that will come from domestic sources if the prices are sufficiently high to encourage the operation.

Senator EDGE. Then, we have given two illustrations, manganese and tungsten. Apparently the steel interests can not be supplied domestically. Do you still think, then, that they should be on the dutiable list?

Doctor MATHEWS. I would say they should, but whether the present rate is right or wrong is not up to me. I would hate to see the possibility of developing those American sources wiped out, as it would be if they were put on the free list again, I think that would be very serious.

Senator REED. Is there any other paragraph about which you want to speak?

Doctor MATHEWS. I have given you the figures on the five paragraphs that affect us directly. We are asking for the same protection we asked for when the House Bill was up. That is all in this brief. Paragraph 304 obviously is in need of change to protect the pyramiding of labor to the extent that it goes through.

Senator REED. Doctor Matthews's brief will appear in the record at this point. That is all. Thank you, Doctor.

(Doctor Mathews submitted the following brief:)

BRIEF OF COMMITTEE OF MANUFACTURERS OF TOOL AND FINE STEEL.

The undersigned committee, representing the manufacturers of tool and fine steel, appeared before the Ways and Means Committee on January 14, 1929, and offered certain suggestions in regard to proposed revisions in the paragraphs in which this industry is directly interested. We would repeat that the revisions asked for pertain only to the class of steels known as tool and fine steel and the proposed changes do not in any way affect the rates now effective upon commercial tonnage produces, such as are manufactured by the large steel concerns. They affect the product of some 25 tool and fine steel mills, whose total production is not over one-half of 1 per cent of the tonnage of the country. This branch of the industry suffers seriously from foreign competition on the highest class of manufacture where a maximum of labor and investment enter into cost of production.

In every major industry there is a quantity production and a quality production. There are $4 hats and shoes and $15 hats and shoes and, in general, these products look alike and serve more or less the same purposes. The difference is in the character of the raw materials used, style, appearance, and serviceability. There is a 2 cent steel and there is 10 to 16 cent steel. The bars all look alike and may not differ much in analysis. The difference is fundamentally in the nature of the raw materials used, the refined methods of melting and fabrication. Of the lower priced steels, there are some 50,000,000 tons manufactured. Of the higher priced steels, there are probably

50,000 to 100,000 tons manufactured of plain carbon steel and one or two times as much high class alloy steels. As has been pointed out, wages are on the average higher in the tool and fine steel industry and the labor per ton of product is from seven to nine times as much in the fine steel industry as in the tonnage steel industry. The capital invested in the tool and fine steel industry is from five to eight times as great as in the tonnage industry per ton of product manufactured. These conditions separate tool and fine steel industry very sharply from tonnage steel industry, but in the making of tariff bills in the past, sufficient distinction has not been made as affecting the products of these two branches of industry. The result is, that the higher average priced steels are more subject to competition from abroad than the lower priced tonnage steels. In 1927, 0⅛ per cent of the imports represented 37.3 per cent of the total value of the importation of bars without alloy, under paragraph 304; while for ingots, etc. without alloy 10.6 per cent represented 43.8 per cent of the total value imported. These figures are based on products of a declared value of 2½ cents per pound and upward, and experience has shown that this represents a resale value in this country of from 5 cents per pound and upward, and within this range belong the products of the tool and fine steel industry. It is to this small percentage, by weight, of total imports representing a high per cent of the value of total imports, that we would call to your attention.

Recommendations made to the Ways and Means Committee on January last have been, in part, embodied in H. R. 2667. The situation as regards alloy steels in paragraph 305 has been fairly well covered and this paragraph clears up uncertainties that existed under the Act of 1922 and overcomes the shortcomings of the alloy paragraph of that act.

As regards plain carbon steel of higher qualities and in special forms and shapes, we want to illustrate how, in the present act, for increases in values there are decreases in rates, or, in other words, as values, represented largely by labor, increase, the protection for American manufacturers decreases.

Under Imports Entered for Consumption of the Department of Commerce for 1927 (p. 054) we find, for example, steel bars of a value of 1½ to 2½ cents per pound coming in at an equivalent ad valorem rate of 20.42 per cent. Supposing, however, that these same bars had been more highly finished by "cold rolling, cold drawing or polishing" and had been advanced in value to 2½ to 3½ cents per pound, then they come in under an equivalent ad valorem rate of 24.07 per cent; but if, instead of converting the material into cold rolled or polished form, it had been converted into wire rods valued at over 4 cents per pound, the equivalent ad valorem dropped to 0.77 per cent, while if, in addition to processes of manufacturing wire rods, they had been further converted by "cold drawing, cold rolling, or polishing" and valued at over 4 cents per pound, the equivalent ad valorem rate for such goods drops to 0.04 per cent.

Each of these groups of products is an advance in manufacture over the preceding stage, due to the expenditure of labor and also investment in greater plant facilities. Overhead expenses also increase with the direct labor charges and at each stage in the operation there are losses due to scrap, scaling, pickling, etc. The need for protection increases as the degree of manufacture and finishing advances, but these figures show that just the opposite is the case under the existing bill, and the more highly advanced forms of manufacture are scarcely "protected" at all.

CONDITION OF THE TOOL AND FINE STEEL INDUSTRY IN THE UNITED STATES SINCE THE WAR

Before the war there were 40 or more individual plants manufacturing tool and fine steel; some of them were new plants; most of them were well established when the war began. Since the war 11 plants that I can recall have gone out of business and for the most part have been dismantled or scrapped; and not all of these were war plants either. Two plants have undergone two reorganizations each and in both plants the original stockholders have suffered severe losses. The Crucible Steel Co. has closed one plant and another has been sold and dismantled in the Pittsburgh district. This does not look as though the manufacturers of tool and fine steel were enjoying unlimited prosperity.

The pig-iron production since 1900 has about tripled and the manufacture of open-hearth steel has increased almost ten times, but the manufacture of fine steel is practically a stationary industry and actual crucible melted steel has all but disappeared. The electric furnace has taken its place. Comparing

similar items in the Department of Commerce Imports Entered for Consumption for the years 1923 and 1924, which were the first two complete years under the present tariff act, with the year 1927 and the first six months of 1928 it appears that the importation of items which we recognize as entering in competition with our industry has increased 33 per cent.

In my supplementary brief to the Ways and Means Committee, I stated that up to the end of the war the Crucible Steel Co. had paid no dividends on its common stock. Since that time it has paid an average rate of 4.83 per cent to common stockholders and this improvement is due to the fact that since the war it has made improvements with special reference to the manufacture of tonnage commercial steels. In the early part of its existence, its attention was almost exclusively devoted to tool and fine steel, while at the present time its production of such grades is not over 20 per cent of its entire production and the other 80 per cent are tonnage commercial steels and it is due to this production that the company is now more successful than it was during the first 20 years of its history.

It might be mentioned that there are more than two importers of steel to every one American company of the kind we are discussing. The total investment in the industry is about $250,000,000, and it gives employment to about 25,000 men.

IMPORTS OF TOOL AND FINE STEELS

Neither from Imports Entered for Consumption, as compiled by the Department of Commerce, or Summary of Tariff Information for 1920, as compiled by the United States Tariff Commission, is it possible to state exactly the proportion of steel imported under Schedule III entering into direct competition with the tool and fine steel industry. The average declared foreign value is the best index we have to rely upon. In our brief to the Ways and Means Committee we stated that from information contained in Imports Entered for Consumption for the current year 1927 there was imported 41,555 880 pounds of various steel products, with an average declared valuation of something over 10 cents per pound. This is approximately 22,000 net tons of extremely high-grade material, for experience has shown that the foreign declared value is usually about one-half of the resale price in this country, for to the foreign valuation must be added duty, ocean insurance, freight, local distribution, and warehouse charges, sales, and profits.

The Summary of Tariff Information was not available at the time our statement was made to the Ways and Means Committee. From that source, and particularly from the anaylsis that was given of imports for the year 1927, it appears that approximately 34,000 tons of materials were entered under only five paragraphs, viz, 304, 308, 313, 315 and 316, all of a declared value higher than 2½ cents per pound, and of a probable resale price higher than 5 to 6 cents a pound. This, we believe, represents from 13 to 15 per cent of the total production of similar grades by the companies we represent. According to the Summary of Tariff Information, 0.1 per cent of all the imports under paragraph 304 of steel bars without alloys—valued at over 2½ cents per pound—represented 37 per cent by value of such imports, and presumably that figure represents about the percentage of total duty collected on steel bars without alloys. In other words, 37 per cent of the total duty was collected on goods in competition with one-half of 1 per cent of the total American steel industry Below we give in some detail figures gleaned from the Summary of Tariff Information, and particularly from their analysis of imports of 1927. Under most of these five paragraphs the importation of high-grade materials were materially higher in 1928, but the Tariff Commission does not analyze the total imports in the same way it has done for 1927. This 0.1 per cent by weight is on steels valued above 2½ cents per pound; 00.9 per cent was, therefore, the total commercial and tonnage steels not in competition with the tool and fine-steel industry.

Under paragraph 304 the total importation of bars without alloys amounts to 18,200 tons of plain steel valued above 2½ cents per pound, practically all within the scope of manufacture of tool and fine steel mills. Three thousand five hundred and sixty-six tons of alloy steel bars of an average declared value of 0.8 cents per pound were also imported. If we may assume that the same percentage, 0.1, applied to "sheets, plates, and steel n. s. p. f." there were 300 tons of carbon steel imported under this heading and 56 tons of alloy products. Of circular saw plates, carbon and alloy, for 1927, there were 101 tons imported,

or a total of 22,257 net tons of high-grade products, plus 2,500 tons of "ingots, blooms, and billets," also of a declared valuation of 2½ cents per pound or more.

Under paragraph 308 only 3 per cent of the total imports are believed to be of high-grade material. This refers to "iron and steel sheets, common or black," but this amounts to 384 tons.

Under paragraph 313, "hoop, band, or scroll iron or steel," we infer that 7 per cent of the total imports, or 1,400 tons, entered at a declared value of over 3 cents per pound.

Under paragraph 315, "wire rods," according to Tariff Information for 1020, it appears that about 5 per cent of the total imports, or 1,000 tons, were valued at over 4 cents per pound, plus 70 tons of alloy steel rods at 8.8 cents per pound, and 42 tons of "strips—cold hammered, blued, brightened, tempered, or polished," at a value of 43.70 cents per pound. (This item for 1028 jumped to 740 tons.)

Paragraph 316, "iron and steel wire." Approximately 88 per cent of all imports under paragraph 316 are of materials valued over 6 cents per pound. Obviously, this material does not compete at all with the tonnage wire industry for domestic prices on various wire and strip products, according to Summary of Tariff Information (p. 666), varied between 1.85 and 4.25 cents for this class of wire and strip material. The imports of declared value of over 6 cents per pound amount to 6,241 tons.

SUMMARY

Imports for 1027 in competition with the tool and fine steel industry, on the analysis given in the Summary of Tariff Information, seems to be as follows:

	Tons
Paragraph 304	24,757
Paragraph 308	384
Paragraph 313	1,400
Paragraph 315	1,110
Paragraph 316	6,241
Total	33,808

This is an insignificant percentage of the total steel made in the United States, but it is all high-grade material, mainly in competition with tool and fine steel industry, and represents not less than 12½ per cent of the entire production of similar products by our mills.

In the case of individual classes of materials as manufactured by us, this may run to much higher percentages, even up to 50 per cent or more. We wish to make in the following pages certain recommendations in regard to specific paragraphs in the bill which directly concern us, and earnestly ask for some relief.

Paragraph 304: We would again urge that the rates on carbon steel of a value of 2½ cents per pound and upward be raised proportionately so that the higher the declared value the higher would be its specific duty. This is because, in general, the higher priced carbon steels represent more labor and investment and relatively smaller quantities of the product are produced and we recommend the following changes: Valued at 2½ and not above 3½ cents per pound, from eight-tenths to 1 cent per pound; valued at 3½ and not above 5 cents per pound, from 1 cent to 1½ cents per pound; valued at 5 cents and not above 8 cents per pound, from 1⅞ to 2⅛ cents per pound; valued at 8 cents and not above 12 cents per pound from 2½ to 3⅞ cents per pound; valued at 12 cents and not above 16 cents per pound, from 3½ to 5 cents per pound; valued above 16 cents per pound, from 20 to 35 per cent ad valorem.

The additional rate, "*Provided*, That on steel circular saw plates," etc., be changed from one-half to 1 cent per pound. One-fourth of 1 cent per pound was the additional duty on this item in the Payne-Aldrich Act, and this figure never had any real bearing on the additional cost for producing circular plates versus rectangular plates, and it is certain that under present conditions and labor costs it is too small, and an increase of one-half of 1 cent per pound would not appear unreasonable, and even that figure does not represent the difference in cost in the two forms of plates.

Paragraph 304 also contains the words "*Provided further*, That on hollow bars and hollow drill steel valued at more than 4 cents per pound," etc., that

"an additional duty of 1⅛ cents per pound shall be paid." In our original brief to the Ways and Means Committee, we asked for 2 cents per pound as representing the difference in costs of manufacture between solid and hollow drill steel of the same external size and shape. We also asked for this extra on "hollow bars, hollow drill steel, and seamless tubes valued at more than 4 cents per pound." We request that the words "seamless tubes" be reinserted and that the rate be restored to the original 2 cents per pound as originally requested. There is a large importation of seamless tubes for the manufacture of annular bearing races. We look in vain in the statistics of the Tariff Commission and the Department of Commerce for any segregation of this item. From our knowledge of the trade we believe there is not less than five to six million pounds of seamless tubes which are not specifically covered in paragraph 328 which covers other forms of tubes and this particular kind of tubing is a high-grade special product manufactured by relatively few mills. Therefore, we request that the words "seamless tubes" be reinserted in this proviso and that the rate be advanced to something that more nearly corresponds to the differences in cost in the manufacture of solid bars versus hollow bars or tubes. This item is not included in the 33,808 tons previously mentioned.

Paragraph 307: In this paragraph the rate on plates "valued at over 3 cents per pound" is inadequate to cover the higher grade plates, such as are manufactured by the tool and fine steel makers. Twenty per cent ad valorem, we believe, should be increased to 35 per cent ad valorem.

Paragraph 308: This paragraph also makes inadequate provision for high-grade tool and fine steel sheets valued at more than 3 cents per pound. Within this category is included pocket blade sheet, knife back spring steel, saw steels of various kinds, etc. The 20 per cent ad valorem of the proposed bill is not higher than the duty in paragraph 304 on "ingots, billets, and bars," and yet these steels are made from ingots and billets by the expenditure of much additional labor and represent a further degree of manufacture, and it is obvious that the more highly finished forms of steel, involving more operations and more labor, should receive a higher rate of protection than the lower grade of semifinished material from which they are produced. We recommend that 20 per cent ad valorem be changed to 35 per cent ad valorem.

Paragraph 313: No direct provision is made in this paragraph for "hoop, band, or scroll iron and steel," valued at over 3 cents per pound, excepting in the last clause of the paragraph, which reads, "bars and strips of iron and steel in either long or short lengths not especially provided for, 25 per cent ad valorem." This rate, we recommend be raised to 35 per cent ad valorem for the same reasons given under paragraph 308, viz, that they represent a materially advanced degree of manufacture than the ingots and billets from which they are produced.

Paragraph 315: H. R. 2667 has changed the rate (p. 62, lines 6 and 7) on material "valued at over 4 cents per pound" from six-tenths of 1 cent per pound, as in the act of 1922, to 20 per cent ad valorem. This is an improvement over the previous bill, but for the reasons just advanced in the other paragraphs dealing with highly finished products, we recommend that this rate be still further advanced to 35 per cent ad valorem, because the articles represented are the product of additional operations over and above those covered in paragraph 304 on "ingots and billets" from which the wire rods are produced.

There are several provisos under paragraph 315 on which the rates should be advanced. Lines 10 to 13 carry an additional duty of one-fourth of 1 cent per pound for material "tempered, treated, or partly manufactured." This rate was one-half of 1 cent per pound in the act of 1909 and one-fourth of 1 cent per pound in the act of 1922. On the basis of relative costs between 1909 and 1922 and later, we recommend that the original rate of the act of 1909 be restored to one-half of 1 cent per pound.

Lines 14 to 20 call for additional duty of one-eighth of 1 cent per pound on material which has been "cold rolled, cold drawn, cold hammered, or polished in any way," etc. This rate is the same in the act of 1909 and 1922, and it is obviously inadequate to cover the advances in labor since 1909, and it never did actually represent the additional costs of cold rolling, cold drawing, polishing, etc. We recommend that this one-eighth of 1 cent be changed to 1 cent per pound.

In lines 20 to 25, on page 62, and lines 1 to 3, on page 63, there is an additional extra duty of two-tenths of 1 cent per pound which is presumed to-

cover differences in cost of material which has been "blued, brightened, tempered, or polished." This rate in the act of 1909 was four-tenths of 1 cent per pound, while in the act of 1922 it was reduced to two-tenths of 1 cent per pound, and it is proposed to continue that rate. We recommend that this rate be changed to five-tenths of 1 cent per pound for the same reasons previously advanced.

Paragraph 316: As has been shown, 6,241 tons of wire for 1927, valued at over 6 cents per pound, were imported, and this does not represent a grade of material in competition with the tonnage wire industry. The proposed House bill (H. R. 2667) does not provide adequate protection on such material. Paragraph 316 includes iron and steel wire of the higher qualities, such as tool and fine steel wire used for drill rods, needle wire, watch pinions, etc. We therefore urge substituting 35 per cent ad valorem in two places in paragraph 316; at the portion of the paragraph reading "That on the foregoing valued above 6 cents per pound," shall be a duty of 35 per cent ad valorem, and later in the same sentence "wire, either rolled or drawn, in dies or rolls, or otherwise produced," 35 per cent ad valorem.

These proposed changes merely bring this high-grade material, involving many processes and operations and much labor, in line with the rates suggested in paragraph 304 for the less highly finished products, and it is obvious that the more highly finished forms, representing a greater expenditure of labor, should be equally well protected.

JOHN A. MATHEWS,
Chairman Tariff Committee of the
Tool and Fine Steel Manufacturers.

Committee: Roy E. McKenna, president, Vanadium Alloys Steel Co., J. H. Parker, vice president Carpenter Steel Co.; John A. Mathews, chairman and vice president, Crucible Steel Co. of America, P. O. Box 11, Grand Central Station, New York, N. Y.

LIST OF AMERICAN MAKERS OF TOOL AND FINE STEEL

Atlas Steel Corporation, Dunkirk, N. Y.
Bethlehem Steel Co. (tool steel department), Bethlehem, Pa.
Braeburn Alloy Steel Corporation, Braeburn, Pa.
Carpenter Steel Co., Reading, Pa.
Colonial Steel Co., Pittsburgh, Pa.
Crucible Steel Co. of America (six plants in New York, New Jersey, and Pennsylvania), New York, N. Y.
Columbia Tool Steel Co., Chicago Heights, Ill.
Henry Disston & Sons Steel Works, Tacony, Pa.
Firth-Sterling Steel Co., McKeesport, Pa.
Jessop Steel Co., Washington, Pa.
Latrobe Electric Steel Co., Latrobe, Pa.
Ludlum Steel Co., Watervliet, N. Y.
Midvale Co. (tool steel department), Philadelphia, Pa.
Simonds Steel Co., Lockport, N. Y.
Universal Steel Co. (two plants), Bridgeville, Pa.
Vanadium Alloys Steel Co., Latrobe, Pa.
Vulcan Crucible Steel Co., Aliquippa, Pa.

ROY C. MCKENNA,
J. H. PARKER.
J. A. MATHEWS.
Chairman Tariff Committee.

SUPPLEMENTAL BRIEF OF J. A. MATHEWS

GENERAL INTRODUCTION

Following my oral examination and the filing of a statement with the subcommittee on Schedule III on Friday, June 28, certain testimony was given by representatives of importers which was somewhat contradictory and confusing. The writer tried to make it plain that the changes in duties we are requesting have no bearing at all upon the 50,000,000 tons of steel which constitutes our tonnage steel industry, but only apply to the

production of not over 200,000 tons of what is usually designated as tool and fine steel. The importer's representative stated that the imports of tool and fine steel were not over 2 per cent of the domestic consumption. That would mean a total of imports of only about 4,000 tons which it takes 16 importers to sell, belonging to the association represented, and there are at least as many more importers not in the association.

One witness before the Ways and Means Committee stated that 6,000 tons of Swedish wire rods are brought in annually. The representative of the Gillette Safety Razor Co. stated that he imports 1,000 tons a year of razor steel. Mr. Schewp stated that he imports approximately 1,600 tons of hollow drill steel (and he is only one of about eight importers of this particular material). These three items account for more that the representative of the importers stated to be the total importation of tool and fine steel. The writer was referring to a perfectly specific amount of importations, gathered from Government statistics, representing approximately 34,000 tons of steel imported under only five paragraphs. This 34,000 tons will resell in this country at not less than 5 cents per pound and will average at least 15 cents per pound or $300 per ton, or approximately $10,000,000 worth. In addition to this, there is a further tonnage of annular bearing tube steel and other items in other paragraphs which will still further swell this total. However, 34,000 tons is 17 per cent of the 200,000 tons maximum which we consider as representing the tool and fine steel portion of the steel trade. The importation of steel represent a tonnage which would run, at full capacity for one year, five or six of the other tool and fine steel plants which the writer was representing at the hearings.

It was explained to the subcommittee that the total production of steel by the Crucible Steel Co. of America is represented in volume principally by tonnage commercial steels and that the tool and fine steel portion of the business is a relatively small percentage. Senator King seems to be exercised over the fact that at present the company is enjoying satisfactory profits; but one good half year since 1921 does not appear unreasonable. It might be stated that in so far as these profits arise from the manufacture of tool and fine steel that this improvement is represented principally by recent developments in the line of corrosion and heat resistant steels, which have become quite a factor in our business. These steels are in part the result of our own researches and covered by our own patents, and in part they are produced under patents under which we are licensed and therefore are not subject to price competition. These are high-priced products, and various grades bring from 20 to 50 cents per pound. The prices on our regular grades have declined steadily ever since the war, and particularly since 1922, when the present tariff act was enacted.

PARAGRAPH 304 (WITH SPECIAL REFERENCE TO HOLLOW DRILL STEEL)

It has been pointed out that the equivalent ad valorem rates based on the different price groups covered in paragraph 304 of the Fordney-McCumber Act figure out about 20 per cent, based upon the highest price in each group, and the same rates are retained in H. R. 2667. The same rate appears in paragraph 315 for wire rods valued above 4 cents per pound. It must be perfectly obvious that materials within this group cover a very widely different list of articles in proportion to the direct labor involved in their manufacture. If the rate for steel products up to 2½ cents per pound at 20 per cent is about right, then the rates beyond 2½ cents per pound should be gradually raised to about 30 per cent on steel selling at 16 cents per pound and 35 per cent on carbon steel selling above 16 cents per pound. Starting with any unit weight of raw material, a relatively small amount of labor is required for melting this in order to produce ingots, and a further quantity of labor is added when the ingot is turned into a billet, and a still further quantity of labor is added when a billet is turned into a bar. The rate of protection on this accumulation of labor on a fixed amount of raw material is certainly entitled to consideration.

In paragraph 304, as contained in H. R. 2667, an additional duty of 1.3 cents per pound has been placed on "hollow bars and hollow drill steel." We asked that this additional duty be placed at 2 cents per pound, as approximately covering the difference in cost between a solid and hollow bar. It has not been stated that this amount is too high to represent the difference in cost. We therefore may assume that solid drill steel would come in under the same price group as the hollow drill steel now enters, viz, at a price ranging from

6 to 8 cents per pound. Assuming, then, that solid drill steel comes in at 5.5 cents per pound and hollow drill steel at 7.5 cents per pound, both will pay, under the present law, 1.7 cents duty. This would figure out to an equivalent ad valorem of 31 per cent on the solid steel and 22½ per cent on the hollow steel. Here we have the anomalous situation of a less expensive form of drill steel bearing a higher equivalent ad valorem rate than the more expensive form, viz, hollow drill steel, while the difference in the cost of the two articles is mainly labor. In addition to some seven or eight Swedish makes of hollow drill steel, there are other imports from England and Czechoslovakia, and, in the aggregate, we feel that one-half of all the hollow drill steel used in this country is imported. The importation has brought about a steady drop in prices so that our steel in 1928 sold for $60 per ton less than in 1922, when the Fordney-McCumber Act went into effect. In spite of this heavy importation, our own business has increased materially, but not to anywhere near the extent stated by Mr. R. N. Morton, of the H. B. A. Steel Co. (Hearings before the Ways and Means Committee, vol. XVII, pp. 10184.) When the present tariff act went into force the country was in the midst of a serious depression, and mining was particularly depressed. The increase in volume since that time is largely due to the natural recovery of the mining industry and to the improvement in our product, due to research and the drastic lowering in price to meet foreign competition. The statement made by Mr. Morton in regard to our "securing the largest individual contract ever placed for rock or drill steel to be used on a tunnel job in New York City, at a price lower than this company's actual cost on Swedish steel," is inaccurate. We only met prices offered by foreign competitors. We thought it was about time that an American job, paid for by American taxes, was done with American material, and at equal prices we obtained the business on the demonstrated merit of our product. New York City is the largest mining camp in the world, and this is the first time that we have been any factor in this market. The additional duty of 2 cents per pound requested for hollow bars and hollow drill steel is fully justified, if we are to retain our position in this line of industry.

Paragraph 305: The representative of the importers has raised great objections to this paragraph, particularly concerning the 8 per cent ad valorem rate. This rate appears in the present law. It is not a new provision. It is conservative in amount and justified by the following considerations.

In the Daily Metal Trade of June 28, 1920, appears market quotations on the tonnage steel and iron products. The base price for bars, Pittsburgh, is given as 1.95 cents, but the base price on alloy steel bars is given as 2.65 to 2.75 cents. Here is a spread of a great deal more than 8 per cent in the base price, simply because the alloy bar is recognized as being in a different class of commodity from the plain carbon bar and the cost of producing alloy steel is not represented solely by the cost of carbon steel plus the cost of the alloying material. On top of the base price for alloy steel bars, as contained in the Daily Metal Trade, further additions are made for the specific alloy content much in the same way as paragraph 305 includes the ad valorem and the specific rate. In the melting of the alloys used in making alloy steels (the alloys themselves being protected by high rates of duty), there is an irrecoverable loss of alloying material in the melting process and a further irrecoverable loss in the scaling of the ingots and billets during the process of forging or rolling. The scaling loss alone is not less than 6 per cent for plain carbon or simple alloy steels and is as high as 10 per cent or more in the case of high-speed steels. The scaling loss alone almost justifies the 8 per cent ad valorem even though it were not true that in general the manufacture of alloy steels requires greater skill, care and expense than the manufacture of plain carbon steels. When the scrap of alloy steels is further remelted, there is a further loss of the alloy values contained therein.

The second portion of paragraph 305, dealing with the specific or cumulative duty, was also objected to. If the alloying material and ferro alloys are protected it is entirely logical that steel containing the same alloys should enjoy the same degree of protection. If this were not so, the American manufacturer would face the situation of paying duty on these raw materials used in the manufacture of alloy steels, while being unprotected on imported steels containing those same alloys. This might be called "bootlegging" in metals. A witness appeared before the Committee asking that this additional cumulative duty be not applied to tungsten bearing scrap material. This request was wholly illogical.

The other objection raised to paragraph 305 was in regard to the minimum content of alloy present which should constitute an alloy steel for tariff purposes. In the act of 1922 this minimum content was placed at six-tenths of 1 per cent. Before the act went into effect we were aware of imports coming in, which contained several metals, each present to the extent of less than six-tenths of 1 per cent but with the cumulative effect of a single alloy present to the extent of more than six-tenths of 1 per cent. The importers have offered the suggestion that the entire alloy content be subject to the cumulative duties if the 8 per cent ad valorem was removed. The first part of the proposition is sound. They should pay for all the alloy content, but the 8 per cent should not be abolished. The writer had nothing to do with the provisions as now contained in paragraph 305, but he is heartily in accord with them. The low limit of one-tenth of 1 per cent vanadium and two-tenths of 1 per cent chromium, tungsten, molybdenum, etc., are simply to prevent the classing of materials as alloy steels when they contain what we may call accidental traces of these metals. If the metals are present to a greater extent they are there for one of two reasons. Either they are intentionally added for the specific benefits they confer or they are accidentally present, due to bad melting practices or carelessness and wasteful use of valuable alloy constituents. It is not true that for every purpose an alloy steel is better than a carbon steel and we use very great care to keep the alloy contents low on steels that are intended to be plain carbon steels. The limitations placed are well within commercial manufacture and practice when we are dealing with tool and fine steel.

Under the present law it was found that additional cumulative duty on tungsten and molybdenum only applied to certain paragraphs and not to all paragraphs covering steel which might contain tungsten and molybdenum. This was obviously unfair, and the proposed paragraph 305, HR 2667, merely corrects this mistake in the tariff act of 1922. It would be perfectly fair to charge the additional cumulative duty on the entire alloying content in steels exceeding one-tenth of 1 per cent vanadium or two-tenths of 1 per cent tungsten, chromium, nickel, etc., but at the same time charge no additional duty on those elements when they are present in lesser amounts than the paragraph now calls for.

The difficulty of accurately determining whether or not a steel contains these elements in the amounts specified is not a serious matter. That feature has been greatly overemphasized by the representative of the importers. It is manifestly fair that the additional cumulative duties should apply to every paragraph under which alloy steels may enter, and this is the reason why numerous paragraphs are enumerated in paragraph 305.

DIFFERENCES IN LABOR COSTS HERE AND ABROAD

The representative of the importers questions the comparison of direct rates of wages in this country and abroad as not representing actual differences in cost and more or less apologizes for the inefficiency of European labor. Should American labor be penalized because of its efficiency? The same witness draws a very inaccurate picture of the different conditions of production between this country and abroad. He speaks about our mass production in 600-ton blast furnaces and 150-ton open-hearth furnaces. We do not make our tool and fine steel by mass-production methods. Our tool and fine steel is melted in 100-pound crucibles or in from 1 to 6 ton furnaces. It is hammered under small steam hammers or rolled on hand mills, for tonnage methods are not applicable; in fact, ours is a "handcraft" industry and does not lend itself to mass-production methods, either in this country or abroad. The plants we represent produce from 3,000 to 18,000 tons per year of tool and fine steel, averaging less than 10,000 tons each.

PRICES ON IMPORTED STEELS

We are assured by a representative of the importers that their prices in this country are from 5 to 200 per cent higher than domestic prices. We wish that this were true. In the old days when our competition in tool and fine steel was mostly with well-established Sheffield firms there did exist a condition in which our competition was not on prices but on the quality of well-established firms who were doing business in this country before there was any American tool-steel industry. In these later years our competition has been from relatively unknown continental firms with no established reputation in this market,

whose method of obtaining business here was strictly on price. If the statement of the witness is true, then they are profiteering and can afford to contribute a little more in the way of customs duties without raising their prices.

THE TARIFF ON TUNGSTEN ORE

Many questions were raised by the committee in regard to the advisability of retaining or raising the present duty on tungsten ore. In this connection it might be of interest to you to know that since 1922—the year the present tariff act went into effect, carrying a high duty on tungsten ore—the price of high-speed steel to the American consumer has declined 32 per cent. It is, in fact, now almost identical with the pre-war price—the years 1911 to 1914, inclusive. The American buyer has, therefore, not been penalized because of the protection granted the American miners of tungsten seven years ago. This is about in line with the general downward trend of the price of tool and fine steel in the American market since the enactment of the last tariff bill. This has been brought about by keen competition among the domestic producers (which has forced several companies into bankruptcy) and by excessive competition from abroad on certain specialties, such as hollow drill steel, pocket blade steel, band saw and safety-razor steel, ball steel wire, and annular bearing steel. Only within the last week, we have been confronted with a quotation on needle wire, 30 per cent lower than our present prices.

We would ask your thoughtful consideration to the requests contained in our original statement to this Committee.

JOHN A. MATHEWS, *Chairman*
(For the Committee of Tool and Fine Steel Manufacture).

STATEMENT OF W. D. THOMAS, NEW YORK CITY, REPRESENTING AMERICAN IMPORTERS OF FINE STEELS

(The witness was duly sworn by the chairman of the subcommittee.)

Mr. THOMAS. Mr. Chairman, I hope I shall have more than just the few minutes that are left before lunch.

Senator REED. How much time do you think you will need?

Mr. THOMAS. I will give you the reason. Instead of having 16 importers down here before you, taking up your time, I am appearing for them. I shall not take up much of your time, but I shall certainly need more than a few minutes.

Senator EDGE. I notice that you are listed on 10 different paragraphs.

Mr. THOMAS. Yes. I will take up only about two, because it so happens that so many paragraphs have been mixed. We talk about steel ingots and manganese and billets and blooms all in the same breath, and it seems to be just a jumble. I shall take up two things only, but I should like to have a little more time than that.

Senator REED. All right. We have not adjourned yet; but the net result of our excessive consideration has been to keep you all waiting a lot longer than we thought we should keep you waiting.

Mr. THOMAS. I have been very patient in waiting too, Senator.

Senator EDGE. The committee deserve no sympathy.

Senator REED. They will not get it, anyway.

Mr. THOMAS. I shall not take up too much of your time.

Senator REED. All right; go ahead.

Mr. THOMAS. As I say, I represent 16 importers who import fine steels. These 16 importers represent about 90 to 95 per cent of all the fine steels that are imported into the United States.

We appeared before the Ways and Means Committee, and filed a brief at that time; but it was quite general, and not specific, because it was more or less the consensus of opinion of the fine-steel markers that there would be a readjustment in tariff, and not a revision. However, there was quite a revision. We could not see, at the time of preparing our first brief, that any raise in duties on fine steels was justifiable, for each of several reasons.

Our importations are less than 2 per cent of the fine steels produced in the United States. We do not import on price. Our prices are much higher than the prices of competitive materials in the United States in most of the cases.

Senator REED. What hits you hardest—these additional duties on the alloys?

Mr. THOMAS. Yes and no. When you ask that question. Senator, that is just one of the points I want to bring out. There is a certain paragraph in the tariff, for instance—paragraph 304—which they did not change at all; and I believe it was the belief of the men who made those paragraphs that they did not want to raise the tariff on those products. I actually believe that. I have been told that by themselves. They did change a paragraph, however—paragraph 305—which affects the alloys; but, gentlemen, it also affects every product in those other two paragraphs. It makes one of them inoperative, and the other one affects every bit of material that we bring in under it.

Senator REED. Paragraph 305 puts a duty on the alloys which is intended to be compensatory.

Mr. THOMAS. That is right. It puts an ad valorem duty on the product itself, and a specific duty on the alloy.

Senator REED. Yes.

Mr. THOMAS. So in paragraph 313, for instance, there is strip steel, that is used for many purposes in the United States, some of which are not manufactured in the United States at all, because they can not manufacture them. They can not make them as good; but by changing paragraph 305 they include those very steels that they did not want to change.

Senator EDGE. What steel, for instance—what alloys?

Mr. THOMAS. For instance, this: They mention chromium there. They have changed that which formerly read "0.6 per cent" to "0.2 per cent chromium," which would include practically all strip steels used by American manufacturers for razor blades, for clock springs, for watch springs, for band saws, for piston ring spring steel—all of those kinds of steel, which I know they did not mean to touch at all.

Senator EDGE. Do you mean that chromium is not produced in the United States?

Senator REED. Oh, yes; chrome steel is made here.

Mr. THOMAS. Chrome steel is made here.

Senator EDGE. What is the difference between that and manganese and these others?

Mr. THOMAS. I am only taking one. It works out the same with the others.

Senator REED. What paragraphs are strips in—319?

Mr. THOMAS. Paragraph 313—25 per cent ad valorem. I will get to that specifically, if you will allow me.

Senator REED. I was just trying to test that out. In addition to that 25 per cent, paragraph 305 puts on an additional ad valorem of 8 per cent?

Mr. THOMAS. Eight per cent ad valorem, and a specific duty on the alloy.

Senator REED. And a specific duty on the chromium?

Mr. THOMAS. On the chromium, vanadium, tungsten, and all the other alloys. I will get to that quite specifically, and believe I can show you in layman's words what it means.

Senator REED. All right.

Mr. THOMAS. I referred to our importations of fine steels; and I should like to differentiate here between fine steels and steels.

Senator REED. We know the difference.

Mr. THOMAS. I say, in my talk I want to differentiate that, inasmuch as our importations are so small.

It can not be said that this is serious, particularly when all the domestic mills, without exception, have been enjoying the most prosperous years in their history, and are working at capacity.

The chairman of the board of dircetors of the Crucible Steel Co., in a statement published in the New York Times on April 20 of this year, and which is also written on page 1917 of the tariff hearings, stated:

> Crucible is meeting no serious competition from foreign producers, and indications for the nine months are more favorable than existed a year ago. I can see nothing to indicate slackening of business.

We have heard so much about prices, low prices; but the truth of the matter is that this does not apply on fine steels. We can not compete on price; and many of our products are from 5 to 100 per cent above those of domestic competitors.

In this respect, I will call your attention to the fact that we have previously offered all of our books and our prices and services in consultation. We still offer these to you gentlemen.

These witnesses, for instance, do not ask for increases in certain products. No witness who appeared here, for instance, asked for a raise in duty on a product such as that (producing sample). Why? Because they do not even want to make it. They do not even try to make it.

Senator EDGE. What do you call that?

Senator REED. It is a sort of steel foil; is it not?

Mr. THOMAS. That is steel. That is rolled steel, used for cores in magnetos—radio magnetos.

Senator REED. How thick is that?

Mr. THOMAS. One ten-thousandth of an inch. The duty on that at the present time is a little above $200 per pound. It costs more than gold; but, gentlemen, these men do not ask for additional duties on such products.

Senator REED. Is that made here?

Mr. THOMAS. No; it is not. There are similar products such as those that we manufacture.

Now, in regard to prices on commodities such as that, you have heard men come here and say, "Our labor in this country is so high that we have to have additional duties to compete with the foreigner."

In the first place, by actual facts, our prices are higher than the domestic prices; and as far as labor goes, they do not tell you the whole story. They do not go far enough as far as labor is concerned. They say, "Our labor per day is," say, "$5 a day," or whatever it is. Take $5 as a figure; and they say, "The labor in Sweden or England, etc., is $2.50," or "$3," or whatever it is. That sounds quite reasonable in the way of an argument; but they do not go far enough.

In this country they have mass production. They have large, 600-ton blast furnaces, 150-ton open-hearth furnaces, and they have mass production from then up. We do not. We have small 25-ton blast furnaces. We make our steel by the charcoal process. We have little 10 and 15 ton open-hearth furnaces; and when we manufacture our product it is manufactured for quality, and quality alone.

Take a unit of steel: If they are making a piece of steel such as that—which happens to be a calling card, by the way—they make it in an hour as a matter of time. It takes us days and days and days to roll some of our steel, to make it of the quality we wish; and the cost per unit of the fine steels in production is as much as it is here.

Senator REED. Where is that foil made?

Mr. THOMAS. That is made in Sandviken, Sweden. That is worth more than gold—$800 a pound, plus $200 duty.

These gentlemen have come before you and asked for a lowering of duties on some products, and they have asked for higher duties on others. They choose certain things; they leave other things out; and, Senator, it seems as though all we Americans want the cake, and we want to eat it; and the more I hear of these witnesses asking for those things, the more it seems to be a fact.

They have chosen, for instance, hollow drill steel, which is one of the products that has been picked on specifically in paragraph 304. In fact, it has been placed in a specific category in that paragraph, and an exorbitant duty placed thereon. This has been done, gentlemen, at a time when one company that manufactures about 60 per cent of the domestic consumption is working to capacity, and enjoying its most prosperous years. Before the Fordney bill this same company manufactured very little of this product. To-day they are the largest individual manufacturers of hollow drill steel in the world—not merely in the United States, but in the world. It seems, therefore, that inasmuch as the major portion of domestic hollow drill steel is manufactured by one company, the increase in the duty suggests quite a monopolistic tendency.

One witness yesterday who was asking for higher duties on steel bars, when he was asked about certain prices on domestic steels, said, after certain questions were asked him, that the domestic prices were now tightening, and were higher, which he thought might be in anticipation of the increase in tariff. Now, particularly on fine steels, where our prices are higher than the domestic prices, where this monopolistic tendency exists in this country, this will simply mean putting more money in the already filled coffers of these steel companies; and the American manufacturer who uses fine steels for fine products will pay more. Ultimately, of course, the consumer will be the goat.

In the brief that we referred to before, filed with the Ways and Means Committee, we objected to the imposition of the 8 per cent ad

valorem duty on alloy steels, and urged that this should be reduced to a figure not exceeding 2 per cent ad valorem. We did this because of the possibility of a case being made out for a small ad valorem duty, owing to the fact that chromium and vanadium in steels were not subject to specific duties, although the alloys from which such steels were produced were dutiable.

The proposed inclusion of these metals amongst those subject to specific duties now takes away the last shred of any argument which might have been used in favor of the continuing imposition of any ad valorem duty over and above that imposed on carbon steels, and we argue that this 8 per cent duty should be eliminated entirely.

We protest, therefore, against the proposed form of pragarph 305 on two grounds:

1. It imposes an unjustifiable duty of 8 per cent ad valorem.

2. It establishes, for the determination of whether the steel should be considered as an alloy steel or not, a basis which is illogical, and would make this section of the act unworkable.

Surely it can not be contended that a steel containing one-tenth of 1 per cent of vanadium or two-tenths of 1 per cent of chromium, or even both, is to be deemed a genuine alloy steel. That, for instance [indicating sample], has never been considered as an alloy steel, and still it has close to 0.2 per cent chrome. It is in there. I do not know who is going to determine whether it is 0.2 or whether it is 1.7 or whether it is 2.3.

Such contention, if held, would render paragraph 304 absolutely inoperative, for reasons which are outlined below.

The retention of the 8 per cent ad valorem duty in paragraph 305 would have the effect of causing three duties to be imposed on alloy steels, additional to those imposed upon carbon steels, viz:

1. An increased duty under paragraph 304 because of the increased cost of the steel owing to its alloy content.

2. A specific duty on the alloy content.

3. A duty of 8 per cent ad valorem because the steel contains alloying metals.

We respectfully submit that this makes out a clear case for the elimination of the 8 per cent ad valorem duty in paragraph 305.

We further contend that the imposition of the 8 per cent duty, together with the extremely low limits which have been placed on the alloy contents necessary to classify the steel under paragraph 305, rather than under paragraph 304, would make this section of the act unworkable, for the following reasons:

1. The ores from which tool steels are made are liable to certain small percentages of other metals, which would, under the conditions of manufacture, pass into the finished steel. Again, under manufacturing conditions, it is impossible to guarantee that any steel can be kept entirely free of all alloys, because of the enormous difficulties involved in keeping different grades of scrap entirely segregated.

Senator EDGE. Is there any steel in which an alloy is used—vanadium, for instance—that would be less than one-tenth of 1 per cent?

Mr. THOMAS. What they call straight carbon steels; yes; but a chemist may find chromium in it, vanadium in it, or tungsten in it.

Senator EDGE. You contend, then, that it would be a very confusing paragraph to administer; it would be difficult to appraise the minerals or fix the duties?

Mr. THOMAS. Positively. I will say this, Senator: Take a steel like that [indicating sample], that we import in large coils. That is then manufactured into many things in this country. Then take the coil itself, cut a strip off, take 10 samples of it, and send those 10 samples to 10 laboratories, and I will venture to say that no two analyses would be alike on, for instance, the chromium or the tungsten.

Senator EDGE. The content of the alloys there?

Mr. THOMAS. The content of the alloys. Some of them would put the steel in paragraph 304; some of them would put it in paragraph 305; and we do not wish to be made liars up there before the customs authorities by telling them that we have 1.8 in it, in order to get in paragraph 304, and then find that some laboratory here finds that it contains 2.1.

2. The limitations of chemical analysis make it extremely difficult to determine small quantities of other metals in steel with any great degree of accuracy. In fact, it can truthfully be stated that a chemist can not determine either chromium or vanadium to a greater degree of accuracy than plus or minus three one-hundredths of 1 per cent. To determine the contents of these elements with any greater degree of accuracy than this requires chemical research rather than a routine chemical analysis.

We have already pointed out that a steel made and imported under the belief that it is a plain carbon steel, assessable under paragraph 304, may accidentally contain small quantities of other metals; and let us assume that a steel so imported contained exactly one-tenth of 1 per cent of vanadium. If this steel were submitted to two different laboratories, it is more than likely that one laboratory would report that it contains seven one-hundredths of 1 per cent while the other would report thirteen one-hundredths of 1 per cent. A similar argument applies to the case of chromium.

That is the point that I have just mentioned. I am sorry that I repeated it—I mean about the different numbers of laboratories.

If, therefore, paragraphs 304 and 305 are written in their present form, one laboratory would place the steel as assessable under paragraph 304, while the other would place it as assessable under paragraph 305; and the result would be confusion between appraiser, importer, and laboratory, which could only be settled by interminable litigation.

In order to avoid these difficulties, we, the importers of tool steels, suggest that paragraph 305 should read as follows:

In addition to the rates of duty provided for in paragraphs 303, 304, 307, 308, 312, 313, 315, 316, 317, 318, 310, 322, 323, 324, 327, 328, 344, and 352 of this schedule, there shall be levied, collected, and paid on all steel or iron, in all forms and shapes, by whatever process made, and by whatever name designated, whether cast, hot or cold rolled, forged, stamped, or drawn, an additional cumulative duty of $1 per pound on the vanadium content, 72 cents per pound on the tungsten content, 65 cents per pound on the molybdenum content, 4 cents per pound on the chrome content; and furthermore, in the case of other metallic alloying elements, such duties as would be proportionately assessed under paragraphs 302 and 300, except in the cases of manganese and silicon, which shall not be considered as alloying elements unless either is present in excess of 1 per cent in steel and 3 per cent in iron.

We put the specific duty on the alloying material which it contains. There is no question about where a certain product is and where it is not. If that product is in paragraph 313, and contains 1.8 chromium, or 0.2, or if it contains 0.6 of 1 per cent tungsten, it is going to get its duty.

It will be noticed that in redrafting this clause, we, the importers, are proposing to pay specific duties on the whole content of materials which can not be considered as alloying elements, with a view to making the act a workable one.

Under the provisions of paragraph 304 and paragraph 305, as proposed by us, the determination of the duties would be perfectly simple, in that they would consist of the ad valorem duties provided for in paragraph 304, plus the duty which would be determined by the actual alloy content of the steel. In this manner, ample protection would be guaranteed to the American manufacturer.

We believe that the change as now proposed by the House, particularly in lowering the allowable chromium content of 0.6, reduced to 0.2, has been found to be illogical even by those who indorsed it. We have been told that since.

Now, I will go to paragraph 344.

We protest against any increase in the duty on cylindrical rolls for the reason that since the imposition of the duty of 25 per cent ad valorem under the act of 1922, the imports of steel rolls have become almost negligible. This is in itself proof that the existing duty is to all intents and purposes prohibitive, and there is no justification for any increase in duty other than that which we have provided for by the addition of paragraph 344 to those enumerated in paragraph 305. In this way, an alloy steel roll would bear the duty appropriate to its alloy content.

It may be argued that the 25 per cent ad valorem duty has been maintained in the proposed new act; but in effect this is not true, since the steel rolls which are manufactured to-day must of necessity contain one or more alloying elements to meet successfully the requirements of the consumer, and all the rolls imported would be submitted to the proposed increased duty of 40 per cent. The adoption of such a high duty will undoubtedly result in increased cost to the domestic user.

Senator REED. What paragraph is this?

Mr. THOMAS. Paragraph 344.

Senator EDGE. That is the same principle.

Mr. THOMAS. It is the same principle that I have already brought out.

Senator EDGE. In other words, without reading that, the same principle applies in paragraph 344 that applies in paragraph 305?

Mr. THOMAS. Absolutely; and it applies in paragraph 352 the same way, and paragraph 398.

Paragraph 352: Twist drills and other drills in this paragraph should have an ad valorem duty of not more than 40 per cent; and any alloyed tools would, of course, be subject to the additional duties which would be assessable under paragraph 305 in the form as proposed by us.

Paragraph 398: There is no justification for any increase in the duties outlined in this paragraph of the act of 1922, since the duties

there outlined give more than ample protection to the domestic manufacturer.

In conclusion, we should like to bring to the notice of the Senate Finance Committee that the materials which we import, although small in total quantity, play a very important part in the industries of this country, since they are used entirely for production purposes. It will be difficult to find a case in which our materials are used purely on a price basis—it is practically absolutely impossible—but their use is engendered by certain qualities not possessed by the domestic products. Their withdrawal from the engineering industries of this country would undoubtedly create a serious handicap.

A great deal has been said about the necessity for the protection of American labor; but account should be taken of the fact that the importers of this country, in proportion to the quantities of steel which they import, are providing a considerable amount of employment.

There is positively no reason whatsoever for increased duties on fine steels, except to the monopolistic minds of the American producer; and why certain changes were made is more than the American manufacturer who uses our material can figure. We look to you gentlemen to adjust that which is entirely unfair.

Senator EDGE. You stated at the outset that you represent a number of importers. Mr. Cary was before us yesterday. He is not a member of your association?

Mr. THOMAS. Mr. Cary?

Senator EDGE. He represented an importing company—I think a company in Germany.

Mr. THOMAS. No; he is not.

(Mr. Thomas submitted the following brief:)

BRIEF OF IMPORTERS OF FINE STEELS

SENATE FINANCE COMMITTEE,
Washington, D. C.:

In our brief of January 30, 1929, to the Ways & Means Committee of the House of Representatives, copy of which is attached hereto, we took exception to the increase in duties then proposed and stated our case for reductions in certain of the existing duties.

We now desire to reiterate the arguments set forth in our previous brief and to amplify them in the light of certain changes which it is now proposed to make, more particularly with regard to paragraph 305.

In the brief referred to above we objected to the imposition of the 8 per cent ad valorem duty on alloy steels and urged that this should be reduced to a figure not exceeding 2 per cent ad valorem. We did this because of the possibility of a case being made out for a small ad valorem duty owing to the fact that chromium and vanadium in steels were not subject to specific duties, although the alloys from which such steels were produced were dutiable.

The proposed inclusion of these metals amongst those subject to specific duties now takes away the last shred of any argument which might have been used in favor of the continuing imposition of any ad valorem duty over and above that imposed on carbon steels, and we argue that this 8 per cent duty be eliminated entirely.

We protest, therefore, against the proposed form of paragraph 305 on two grounds:

1. It imposes an unjustifiable duty of 8 per cent ad valorem.

2. It establishes for the determination of whether the steel should be considered as an alloy steel or not, a basis which is illogical and would make this section of the act unworkable.

Surely, it can not be contended that a steel containing one-tenth of 1 per cent of vanadium or two-tenths of 1 per cent of chromium, or even both, is to be deemed a genuine alloy steel. Such a contention, if held, would render paragraph 304 absolutely inoperative for reasons which are outlined below.

The retention of the 8 per cent ad valorem duty to paragraph 305, would have the effect of causing three duties to be imposed on alloy steels, additional to those imposed upon carbon steels, viz:

1. An increased duty under paragraph 304 because of the increased cost of the steel owing to its alloy content.
2. A specific duty on the alloy content.
3. A duty of 8 per cent ad valorem because the steel contains alloying metals.

We respectfully submit that this makes out a clear case for the elimination of the 8 per cent ad valorem duty in paragraph 305.

We further contend that the imposition of the 8 per cent duty, together with the extremely low limits which have been placed on the alloy contents necessary to classify the steel under paragraph 305, rather than under paragraph 304, would make this section of the act unworkable for the following reasons:

1. The ores from which tool steels are made are liable to certain small percentages of other metals, which would, under the conditions of manufacture, pass into the finished steel. Again, under the modern manufacturing conditions, it is impossible to guarantee that any steel can be kept entirely free of all alloys because of the enormous difficulties involved in keeping different grades of scrap entirely segregated.

2. The limitations of chemical analysis makes it extremely difficult to determine small quantities of other metals in steel with any great degree of accuracy. In fact, it can truthfully be stated that a chemist can not determine either chromium or vanadium to a greater degree of accuracy than plus or minus three hundredths of 1 per cent. To determine the contents of these elements with any greater degree of accuracy than this requires a chemical research, rather than a routine chemical analysis.

We have already pointed out that a steel made and imported under the belief that it is a plain carbon steel assessable under paragraph 304 may accidentally contain small quantities of other metals, and let us assume that a steel so imported, contained exactly one tenth of 1 per cent of vanadium. If this steel were submitted to two different laboratories it is more than likely that one laboratory would report that it contained seven hundredths of one per cent, while the other would report thirteen hundredths of 1 per cent. A similar argument applies to the case of chromium.

If, therefore, paragraphs 304 and 305 are written in their present form, one laboratory would place the steel as assessable under paragraph 304, while the other would place it as assessable under paragraph 305, and the result would be confusion between appraiser, importer, and laboratory, which could only be settled by interminable litigation.

In order to avoid these difficulties, we, the importers of tool steels, suggest that paragraph 305 should read as follows:

"In addition to the rates of duty provided for in paragraphs 303, 304, 307, 308, 312, 313, 315, 316, 317, 318, 319, 322, 323, 324, 327, 328, 344, and 352 of this schedule, there shall be levied, collected, and paid on all steel or iron, in all forms and shapes, by whatever process made, and by whatever name designated, whether cast, hot or cold, rolled, forged, stamped, or drawn, an additional cumulative duty of $1 per pound on the vanadium content, 72 cents per pound on the tungsten content, 65 cents per pound on the molybdenum content, 4 cents per pound on the chrome content; and furthermore, in the case of other metallic alloying elements such duties as would be proportionately assessed under paragraphs 302 and 390 except in the cases of manganese and silicon, which shall not be considered as alloying elements unless either is present in excess of 1 per cent in steel and 3 per cent in iron."

It will be noticed that in redrafting this clause, we, the importers, are proposing to pay specific duties on the whole content of materials which can be considered as alloying elements, with a view to making the act a workable one.

Under the provisions of paragraph 304 and paragraph 305, as proposed by us the determination of the duties would be perfectly simple in that they would consist of the ad valorem duties provided for in paragraph 304, plus the duty which

would be determined by the actual alloy content of the steel. In this manner, ample protection would be guaranteed to the American manufacturer.

Paragraph 334: We protest against any increase in the duty on cylindrical rolls for the reason that since the imposition of the duty of 25 per cent ad valorem under the act of 1922, the imports of steel rolls have become almost negligible. This is in itself proof that the existing duty is to all intents and purposes prohibitive, and there is no justification for any increase in duty other than that which we have provided for by the addition of paragraph 344 to those enumerated in paragraph 305. In this way, an alloy steel roll would bear the duty appropriate to its alloy content.

It may be argued that the 25 per cent ad valorem duty has been maintained in the proposed new act, but in effect this is not true, since the steel rolls which are manufactured to-day must of necessity contain one or more alloying elements to meet successfully the requirements of the consumer and all the rolls imported would be submitted to the proposed increased duty of 40 per cent. The adoption of such a high duty will undoubtedly result in increased cost to the domestic user.

Paragraph 352: Twist drills and other drills in this paragraph should have an ad valorem duty of not more than 40 per cent and any alloyed tools would, of course, be subject to the additional duties which would be assessable under paragraph 305 in the form as proposed by us.

Paragraph 398: There is no justification for any increase in the duties outlined in this paragraph of the act of 1922, since the duties there outlined give more than ample protection to the domestic manufacturer.

In conclusion, we would like to bring to the notice of the Senate Finance Committee that the materials which we import, although small in total quantity, play a very important part in the industries of this country, since they are used entirely for production purposes. It will be difficult to find a case in which our materials are used purely on a price basis, but their use is engendered by certain qualities not possessed by the domestic products. Their withdrawal from the engineering industries of the country would undoubtedly create a serious handicap.

A great deal has been said about the necessity for the protection of American labor but account should be taken of the fact that the importers of this country, in proporion to the quantities of steel which they import, are providing a considerable amount of employment.

Respectfully submitted.

W. D. THOMAS, *Secretary.*

JUNE 10, 1929.

The following are the names of those who are members of the association and represent those companies who import practically 100 per cent of the fine steel importations:

H. Boker & Co., New York.
Ingersoll-Rand Co., New York.
Sandvik Steel (Inc.), New York.
Hobson Houghton & Co. (Ltd.), New York.
K. Engelsted, New York.
Edgar Allen & Co., New York.
Poldi Steel Corporation of America, New York.
Swedish Steel Mills A A (Inc.), New York.
A. Milne & Co., New York.
Wm. Jessop & Sons (Inc.), New York.
Uddeholm Co. of America, New York.
Edgar T. Ward & Sons, Newark, N. J.
H. B. A. Steel Co. (Inc.), New York.
Houghton & Richards, Boston, Mass.
A. Johnson & Co., New York.
Swedish Charcoals Steels (Inc.), New York.
P. F. McDonald, Boston, Mass.

STATEMENT OF GEORGE E. DIX, MAPLEWOOD, N. J., REPRESENTING THE STEEL UNION CO. (INC.), AND SHEET PILING (INC.), NEW YORK CITY

(The witness was duly sworn by the chairman of the subcommittee.)

Senator REED. Did you testify before the House?

Mr. DIX. I did.

Senator REED. Did you file a brief?

Mr. DIX. I filed two.

Senator REED. Of course, we have the benefit of both of those.

Mr. DIX. That is quite true, but there have been certain things brought up since the hearing in the House, and the statements made in the Iron and Steel Institute, which is published in today's issue of the Iron Age, that justify my speaking on that subject.

Senator KING. Which paragraph are you discussing?

Mr. DIX. I am speaking first on the sheet piling, which is classified in the House bill, under paragraph 312—rolled interlocking sheet steel piling.

Senator KING. It comes under the paragraph that begins "beams, girders, joises, angles," and so forth?

Mr. DIX. Yes, sir; the very last words.

Senator EDGE. What position do you occupy?

Mr. DIX. I am president of the Steel Union Co. (Inc.), and Sheet Piling (Inc.). My residence is Maplewood, N. J. My office is New York.

Senator REED. This sheet steel piling is made in a rolling mill, is it not?

Mr. DIX. Yes, sir; a 33 and 35 inch mill.

Senator REED. Therefore, it is logical to classify it with other structural shapes, is it not?

Mr. DIX. Absolutely. After a very careful hearing, the House so classified it, and gave it a duty of $4 a ton, which it has enjoyed since its importation.

Senator KING. You mean an increase of $4 a ton?

Senator REED. No; just continuing the 1922 Act.

Mr. DIX. When it was first imported, the Customs House had no classification under which to put sheet piling, and they put it under paragraph 304, steel not specially provided for, under a duty of $10 per ton.

Senator EDGE. You are now under paragraph 312?

Mr. DIX. Yes, sir. I want to explain just what led up to that, and what occured after that.

Senator KING. Under the old rates you got 20 per cent ad valorem.

Mr. DIX. No, sir. If you will listen a minute, I will tell you.

Senator KING. I was looking at the new bill.

Mr. DIX. The last words in that part of the new bill say "sheet piling." That is the House Bill.

Senator KING. There is a note here in the printed bill which gives the old rate at 20 per cent ad valorem.

Mr. DIX. No, sir. It never carried 20 per cent ad valorem, except on fabricated corners.

Senator REED. That must be a mistake in the note.

Senator KING. What did it carry?

Mr. DIX. Originally it was imported as structural shapes, and the customs house, because of the fact that it has no direct classification under 312, put it under 304, material not specially provided for. I carried the case to the United States Customs Court, and had some of the most prominent engineers of the country testify that it was a structural shape as to use, as to manufacture, and general purpose. The case was carried to the Court of Customs Appeals, and they reaffirmed that position, and it has since enjoyed, for the last two years, a duty of $4 a ton.

Senator KING. Specific or ad valorem?

Mr. DIX. A specific duty of $4 per net ton.

Senator KING. What paragraph would give it a specific?

Mr. DIX. Paragraph 312; structural shapes—"and other structural shapes."

Senator EDGE. That is all clear.

Mr. DIX. The Iron and Steel Institute are asking that duty be increased to $10 a ton. The House has agreed that it shall be $4 a ton. In the brief to be submitted by the Iron and Steel Institute, they claim that it should carry a duty of $10 a ton.

I will quote from their brief:

> Until the court decision holding it dutiable at one-fifth of 1 cent per pound was handed down in 1027, the imported piling had paid duty under paragraph 304, generally, at the rate of five-tenths of 1 cent per pound."

The reason for that is that it was classified there as material not specifically provided for, but we received a refund in duty on all importations down to $4 a ton on the court ruling. "The importations were continuous and substantial in amount."

I maintain that there is no justification for an increase of duty in steel sheet piling. In the first place, the material we import——

Senator KING. Then, you are opposing that demand for $10 a ton?

Mr. DIX. I am certainly opposing it, most emphatically.

Senator EDGE. Mr. Dix is representing the importers.

Mr. DIX. I represent the United Steel Works of Germany.

Senator KING. It seems to me that the $4 a ton, in view of the other rates, would be quite satisfactory.

Mr. DIX. Be that as it may, the material we are selling is selling at a price equal to, or in excess of the price of the domestic product regularly. In many instances they have no substitute sections in this country to take the place of it, and it is most unfair to ask the public to pay an excess duty on a commodity that they cannot get in this country.

Senator KING. The domestic production is something like 70,000 tons to 80,000 tons.

Mr. DIX. Sixty-five thousand tons last year.

Senator KING. More than that—74,703 tons.

Mr. DIX. You are speaking of 1927. In 1924 it was 65,000 and a fraction. They dropped off 13,000 tons last year.

The inference in the brief of the Iron and Steel Institute, to the effect that the 65,000 tons is being affected adversely by the importation of this material is not so, for the simple reason that we import this for the specific purpose of dock building. Up to this time the domestic mills have not been able to supply the demand.

We sold the Texas Co. 5,000 tons of this material within the last six months. Neither the Carnegie Steel Co. nor the Bethlehem Steel Co. could put in a bid. Why should there be an increase in the duty?

Senator REED. Why is that? Is it on account of the particular type of interlocking?

Mr. DIX. No. It is the depth of the section. It is a section that is extremely deep, and the domestic manufacturers do not roll that type of section, as deep as that. There are limitations in their mills that prevent them from rolling the heavier sections, in all probability, except at vast expense. We have a section here that is over nine inches deep.

Senator EDGE. If that is much more expensive to produce, is the price comparable with other similar products here which are not so deep?

Mr. DIX. Yes, sir. It is comparable for this reason. On June 1, there was a public letting at Palm Beach of a sea wall to be constructed of steel sheet piling, of a total length of 7,330 linear feet of wall. There were four competitive bidders, at the following figures: Bethlehem Steel Co., $51.20 per net ton delivered; Sheet Piling (Inc.), $50 per net ton delivered; Carnegie Steel, $49.20 per net ton delivered; Jones & Laughlin Steel Co., $47.50 per net ton delivered. The business was placed with Sheet Piling (Inc.), for Larssen piling at a price of $50 delivered, or $2.50 above the figure offered by the Jones & Laughlin Steel Co., and 80 cents above the figure offered by the Carnegie Steel Co.

Senator EDGE. The weight of your product would be greater than either of those?

Mr. DIX. This is the ton price, per ton delivered, so that that does not enter into it.

Senator REED. Is that harder to roll than the Bethlehem sections?

Mr. DIX. Bethlehem and Carnegie, and Jones & Laughlin, since I started this business, have put deep arch sections on the market, in order to attempt to get some of this business that we have built up. Their whole object in making this plea before Congress is to prevent us from importing this particular steel, and they can not supply the demand.

Senator EDGE. They could make the same article if they wanted to.

Mr. DIX. All right; if they spent two or three million dollars on a rolling mill to roll a few thousand tons a year, they might meet the situation.

Senator REED. Did they make the same apeal to the Ways and Means Committee of the House?

Mr. DIX. Absolutely. They made the same demand—that the duty be increased to $10 a ton.

Senator REED. The Ways and Means Committee did not grant the request.

Mr. DIX. They did not grant the request. I have briefs on that, which I shall file with the committee.

Senator EDGE. Did the Ways and Means Committee change that particular paragraph at all?

Mr. DIX. At our request, they specifically added the words "sheet piling" to paragraph 312, and I ask you, gentlemen, not to remove that specific classification. Otherwise there is likely to be a reopening of some of these cases, and the thing will be thrown into the courts.

Senator EDGE. They did not change the rate?

Mr. DIX. They did not change the rate.

Senator REED. You are willing to pay the specific called for by the House bill?

Mr. DIX. Absolutely; yes.

Mr. CLIFFORD. The House bill fixed it where the court had fixed it in this case.

Senator EDGE. I think that is all that is necessary.

Senator REED. If you will give your brief to the stenographer, it will be printed at this point in the hearings.

Mr. DIX. I have one or two other matters that I would like to bring up.

In connection with steel plates paragraph 307 of the present tariff covers the duty on plates of all kinds. Under this paragraph ordinary plates used for tank-building purposes, for bridge work, for the construction of girders and columns in buildings, for steel-car construction and in the many other uses to which ordinary steel plates are put, can not be imported into this country because of the excessive duty now existing.

A record of the importations of plates will promptly show the committee the inconsequential tonnages of this commodity that can be sold in the United States, as everyone familiar with the sales of structural steel material and plates for the purposes above mentioned knows that plates are regularly sold by the principal producers in the United States at the same basis price as structural beams, channels, angles, and so forth, with which they are regularly used as component parts of practically every piece of heavy construction, such as a bridge or building, not to mention oil tanks, ship plates, and other similar large uses.

The price to-day is——

Senator KING. What change do you ask in 307?

Mr. DIX. I am coming to that.

Tank plates are quoted on the Pittsburgh market, according to the Iron Age of June 13, at $1.95 per hundred pounds; structural shapes at $1.95 per hundred pounds; and soft steel bars, $1.95 per hundred pounds.

Senator REED. We know that structural steel and plates are usually quoted on the same basis.

Mr. DIX. Why should plates carry $10 a ton, and structurals $4 a ton? I am asking for a specific reduction in that commodity.

There were 3,913,000 tons of steel plates produced in 1928; 4,096,000 tons of structural shapes; 6,112,558 tons of steel bars, indicating that plates represent a very large item of tonnage in the total of rolled steel products.

The figures at which plates sell, and have sold, in the last five years show without exception that ordinary steel plates have sold and are selling within the second range of the paragraph; namely, not above 3 cents per pound, and the duty for this range

is one-half of 1 cent per pound or $10 per net ton. The duty on structural shapes is $4 per net ton. The duty on ordinary steel bars is 30 cents or $6 a net ton; I, therefore, submit to you that the duty on steel plates is out of line with the other commodities with which it is regularly sold in the markets of the United States.

Senator KING. What words in paragraph 307 are you directing attention to?

Mr. DIX. I will come to that.

Senator REED. Your point is that ordinary plates ought to be classified with structural steel, and put into paragraph 312.

Mr. DIX. Yes. I make this specific recommendation.

We would request, therefore, that the committee change paragraph 307, and we would ask for a rate of duty of $4 per net ton or 20 cents per 100 pounds on tank plates, universal mill plates, ship's hull steel plates, plates meeting standard specifications for structural steel, and other plates valued at not over 2 cents per pound; for plates valued over 2 cents per pound and not over 2½ cents per pound a rate of $5 per ton or 25 cents per 100 pounds; for plates valued above 2½ cents per pound up to 3 cents per pound, $6 per net ton or 30 cents per 100 pounds; for plates valued over 3 cents per pound, $10 per net ton or one-half of 1 cent per pound.

That paragraph in the tariff is all out of line, and always has been.

Senator EDGE. You say it always has been. It has been carried on as a legacy from years back.

Mr. DIX. Yes.

Senator EDGE. It has not been different at any previous time.

Mr. DIX. No, sir.

Senator REED. What else do you want to call attention to?

Mr. DIX. There were 2,350 tons imported into this country of all kinds, in the first five months of 1929.

Senator KING. Mr. Dix, if you will pardon me, Senator Reed is an expert on steel, and doubtless my friend from New Jersey also. I am not. Would you just state to me the rates which you think 307 should bear?

Mr. DIX. I want a duty of $4 a net ton on plates.

Senator KING. On boiler or other plate iron or steel? Is that what you mean?

Mr. DIX. Yes, sir; valued up to 2 cents per pound.

Senator EDGE. That appears in the brief in detail.

Mr. DIX. And a graduated duty above that, up to the present duty of $10 a net ton.

Senator KING. That would be 3 cents a pound.

Mr. DIX. No; five-tenths of 1 cent per pound.

Senator REED. After you get up to the special analysis, he wants to continue the present duty.

Mr. DIX. I call attention to paragraph 314, which permits the importation of hoops and bands, cut to length, with or without buckles, for baling cotton or other commodities, the duty being one-fourth of 1 cent per pound.

In the majority of cases, buckles or fastenings are shipped with the bands or ties, but occasionally the buckles are forwarded in separate shipments, and when that occurs, under the decision of the customs

authorities, paragraph 399, covering "articles not specially provided for, 40 per cent ad valorem duty" is the paragraph under which the material is admitted.

It would appear clearly to be the intention of Congress to admit not only the hoops and bands but the buckles and fastenings as well, and we respectfully request that paragraph 314 be so clarified that buckles and fastenings for baling ties may be admitted at the same rate of duty, as when shipped together with the hoops or bands.

Senator EDGE. Where do they come now?

Mr. DIX. They are put in the basket clause, at 40 per cent ad valorem.

Senator REED. That is all up to the foreign shipper and the importer.

Mr. DIX. Sometimes they are ordered separately. Sometimes a second-hand man or a baling-tie man will order buckles with them.

Senator REED. Then you have a different product. You have more than a rolling mill product then.

Mr. DIX. That is true. In that instance it might be true, but it sometimes happens that they can not be forwarded, for one reason or another, with the shipment. It was clearly the intention of the Congress that they were used for that purpose and no other. They are used by the farmer.

Senator REED. It is the intention of Congress that where the chief value of the article lies in the band, it shall be treated as a rolling mill product and carry this lower duty. But where you import the buckles separately, you have a wholly different product. It is not a rolling mill product at all, and when they come in alone they ought to be treated on their own basis. I do not see as much justice in that suggestion as in your other.

Mr. DIX. Very well, Senator. I will not pursue it if you do not feel it is fair.

Senator EDGE. Put it in the record and we will study it.

Mr. DIX. In connection with bale ties, paragraph 317, the last two lines of this paragraph read:

All wire commonly used for baling hay or other commodities, one-half of 1 cent per pound.

Under the ruling of the customs department it is impossible to import a wire for baling hay, for the simple reason that there is nothing in the nature of the wire itself or the manner in which it is supplied to identify ordinary wire for use in baling purposes, and, therefore, this portion of the paragraph is ineffective.

We would respectfully request the committee to change the paragraph to read:

All wire commonly used for baling hay or other commodities and all wire bale ties, one-half of 1 cent per pound.

A bale tie consists of a straight length of the wire with a loop twisted at one end; but under ruling of the appraisers this is classified by them under paragraph 399 of the tariff as "article or wares not specially provided for if composed wholly or in chief value of iron or steel, 40 per cent ad valorem."

It was evidently the intention of the previous Congress to allow baling wire and bale ties which are made of wire, which are used

principally by the farmers, to enjoy a reasonable duty of one-half of 1 cent per pound, instead of the 40 per cent ad valorem required by the paragraph for articles not specially provided for.

Senator KING. You want to add those words——

Mr. DIX. "Bale ties."

Senator KING. To bear a tariff rate of one-half of 1 cent per pound.

Mr. DIX. Yes.

There is one more paragraph, paragraph 318, woven wire netting.

Woven wire netting, such as poultry netting and other netting of comparatively large mesh, used for various purposes, including fish traps, and so forth, is without classification in the present tariff law and is likewise classified by the appraisers under paragrdph 399 as "material not specially provided for," and the duty is 40 per cent ad valorem.

We earnestly request that your committee include in paragraph 318, which covers woven wire cloths and fabrics of various kinds, a provision for a woven wire netting composed of steel, with an ad valorem duty of not to exceed 25 per cent, in harmony with the rate of duty provided for the much finer products already included in paragraph 318.

Failure to classify and specifically mention netting in the existing law has worked great hardship on the importers and users of this class of material during the life of the present law.

We are asking that that be included and a reasonable duty of 25 per cent ad valorem be placed on that instead of 40 per cent ad valorem.

Senator EDGE. Following Mr. Dix's testimony, I would like to request the Tariff Commission to review those various requested changes in phraseology and reclassification and give us a special report on it.

Mr. DIX. In connection with the testimony of the last witness in regard to reinforcing bars, I would like to state that the decision of the Customs Court was after testimony given by the most prominent engineers of the country, engineers of the steel companies, the Carnegie Steel Co., and the Bethlehem Steel Co. In the face of that, they decided that deformed reinforcing bars were structural shapes, or a structural product; that they were used as such; that they were not suitable or usable for any other purpose, and therefore they were a distinct and separate product from the ordinary bars which are further manufactured into various articles, and the duty of four dollars a ton should be reaffirmed.

I hope your committee will give that serious consideration and reverse the House on that, because they took the position that because the Customs Court had ruled as they did, that they were simply nullifying the wishes of the previous Congress. I think that point should be very well considered.

Senator KING. Have you answered that in your brief?

Mr. DIX. I have answered all this.

Senator REED. Mr. Dix's brief will appear in the record at this point.

(Mr. Dix submitted the following briefs:)

BRIEF OF THE STEEL UNION CO. (INC.), NEW YORK CITY

BRIEF IN SUPPORT OF A REQUEST FOR CHANGES IN DUTY ON STEEL PLATES, PARAGRAPH 307; BALING BUCKLES, PARAGRAPH 314; BALE TIES, PARAGRAPH 317; WOVEN WIRE NETTING, PARAGRAPH 318

Steel plates, paragraph 307.—Paragraph 307 of the present tariff covers the duty on plates of all kinds. Under this paragraph ordinary plates used for tank-building purposes, for bridge work, for the construction of girders and columns in buildings, for steel-car construction, and in the many other uses to which ordinary steel plates are put, can not be imported into this country because of the excessive duty now existing.

A record of the importations of plates will promptly show the committee the inconsequential tonnages of this commodity that can be sold in the United States, as everyone familiar with the sales of structural-steel material and plates for the purposes above mentioned knows that plates are regularly sold by the principal producers in the United States at the same basis price as structural beams, channels, angles, etc., with which they are regularly used as component parts of practically every piece of heavy construction, such as a bridge or building, not to mention oil tanks, ship plates and other similar large uses. For example, I quote from the mill prices published in the Iron Age of June 13:

	Per 100 pounds.
Tank plates, f. o. b. Pittsburgh mill	$1.95
Structural shapes, f. o. b. Pittsburgh mill	1.95
Soft-steel bars, f. o. b. Pittsburgh mill	1.95

A glance at the figures published by the Iron and Steel Institute giving the production of commodities in the United States, show that there were 3,913,628 tons of steel plates produced, 4,000,008 tons of structural shapes, 6,112,558 tons of steel bars, indicating that plates represent a very large item of tonnage in the total of rolled-steel products.

The figures at which plates sell, and have sold, in the last five years show without exception that ordinary steel plates have sold and are selling within the second range of the paragraph; namely, not above 3 cents per pound, and the duty for this range is one-half of 1 cent per pound or $10 per net ton. The duty on structural shapes is $4 per net ton. The duty on ordinary steel bars is 30 cents or $6 a net ton; I therefore submit to you that the duty on steel plates is out of line with the other commodities with which it is regularly sold in the markets of the United States.

Special boiler plates, carrying special quality to resist high boiler pressures, alloy plates, etc., are sold subject to extras which place them in a range of price that might be considered to justify the present rates of duty. It is on the ordinary plates of structural or tank grade that are of no special analysis which require no excessive extras or price that the duty of $10 per net ton appears to be excessive and burdensome.

We would request, therefore, that the committee change paragraph 307, and we would ask for a rate of duty of $4 per net ton or 20 cents per 100 pounds on tank plates, universal mill plates, ship's hull steel plates, plates meeting standard specifications for structural steel, and other plates valued at not over 2 cents per pound; for plates valued over 2 cents per pound and not over 2½ cents per pound, a rate of $5 per ton or 25 cents per 100 pounds; for plates valued above 2½ cents per pound up to 3 cents per pound, $6 per net ton or 30 cents per 100 pounds; for plates valued over 3 cents per pound, $10 per net ton or one-half of 1 cent per pound.

The schedule above suggested would permit some importation of plates, especially in localities where foreign freight rates were advantageous and where prices are now very high because of the long inland freight haul from manufacturing points. That this reduction in rate would result in a flooding of the market with plates can best be refuted by the present importations of structural shapes which, as stated above, sell on a comparative basis with plates, and from the standpoint of mill production are produced at virtually the same cost as beams, channels, etc.

We earnestly urge your committee's favorable consideration on this item which, through an oversight, was not presented for the consideration of the Ways and Means Committee of the House at their hearings in February.

Baling buckles, paragraph 314.—We respectfully call the committee's attention to paragraph 314 which permits the importation of hoops and bands, cut to length, with or without buckles, for baling cotton or other commodities, the duty being one-fourth of 1 cent per pound.

In the majority of cases buckles or fastenings are shipped with the bands or ties, but occasionally the buckles are forwarded in separate shipments, and when that occurs, under the decision of the customs authorities, paragraph 399, covering "articles not specially provided for, 40 per cent ad valorem duty," is the paragraph under which the material is admitted.

It would appear clearly to be the intention of Congress to admit not only the hoops and bands, but the buckles and fastenings as well, and we respectfully request that paragraph 314 be so clarified that buckles and fastenings for baling ties may be admitted at the same rate of duty, as when shipped together with the hoops or bands.

Bale ties, paragraph 317.—The last two lines of this paragraph read: "All wire commonly used for baling hay or other commodities one-half of 1 cent per pound."

Under the ruling of the Customs Department it is impossible to import a wire for baling hay, for the simple reason that there is nothing in the nature of the wire itself or the manner in which it is supplied, to identify ordinary wire for use in baling purposes; and, therefore, this portion of the paragraph is ineffective.

We would respectfully request the committee to change the paragraph to read: "All wire commonly used for baling hay or other commodities and all wire bale ties one-half of 1 cent per pound."

A bale tie consists of a straight length of the wire with a loop twisted at one end; but under ruling of the appraisers this is classified by them under paragraph 399 of the tariff as "article or wares not specially provided for, if composed wholly and in chief value of * * * iron or steel, 40 per cent ad valorem."

It was evidently the intention of the previous Congress to allow baling wire and bale ties which are made of wire which are used principally by the farmers, to enjoy a reasonable duty of one-half of 1 cent per pound instead of the 40 per cent ad valorem required by the paragraph for articles not specially provided for.

Woven wire netting, paragraph 318.—Woven wire netting, such as poultry netting and other netting of comparatively large mesh, used for various purposes including fish traps, etc., is without classification in the present tariff law and is likewise classified by the appraisers under paragraph 399 as "material not specially provided for" and the duty is 40 per cent ad valorem.

We earnestly request that your committee include in paragraph 318, which covers woven wire cloths and fabrics of various kinds, a provision for a woven wire netting composed of steel with an ad valorem duty of not to exceed 25 per cent, in harmony with the rate of duty provided for the much finer products already included in paragraph 318.

Failure to classify and specifically mention netting in the existing law has worked great hardship on the importers and users of this class of material during the life of the present law.

Respectfully submitted.

STEEL UNION CO. (INC.),
GEO. E. DIX, *President.*

JUNE 26, 1929.

PROTEST AS TO CLASSIFICATION OF DEFORMED CONCRETE REINFORCING BARS, PARAGRAPHS 304 AND 312

The classification of deformed bars, commonly known as concrete reinforcing bars, was the subject of a test case before the United States Customs Court during 1928. After hearing the testimony of some of the most important structural engineers of the country, the court decided that deformed reinforcing bars were structural shapes as their use was strictly for structural purposes in the form in which they were imported. The court therefore classified such bars under paragraph 312 of the present tariff act. The Court of Customs Appeal affirmed the judgment of the lower court and importations of this commodity

are now being made under paragraph 312, with a duty of $4 per net ton instead of $6 per net ton—the duty assessed on bars which are to be further manufactured into various steel articles.

The bill as passed by the House has specifically mentioned deformed reinforcing bars in paragraph 304, with a duty of $6 per ton, and we respectfully request your committee to give careful consideration to the fact that the courts passed on the uses, method of manufacture, and relative sales value of deformed bars in relation to other structural shapes, and decided that such bars are structural shapes; hence the same rate of duty should be applied to these deformed bars as to structural shapes, to wit, $4 per net ton. That is, there should be no difference in the rate of duty on these articles which the court has decided are the same.

Respectfully submitted.

STEEL UNION CO. (INC.),
GEO. E. DIX, *President.*

JUNE 26, 1929.

BRIEF OF SHEET PILING (INC.), NEW YORK CITY, IN SUPPORT OF PROTEST AGAINST INCREASE IN TARIFF COVERING STEEL SHEET PILING IMPORTED UNDER PARAGRAPH 312

At the hearings before the House Committee on Ways and Means I had the privilege of appearing and also of filing testimony supporting oral argument; and copies of that testimony are, of course, available to your honorable committee.

Information then presented convinced the gentlemen of the Committee on Ways and Means of the correctness of our contention that rolled interlocking steel sheet piling is a commodity that is entitled to a definite classification in the tariff, which it does not have in the law now in effect.

Having established the fact that a classification was proper, the next question was what classification, and after a review of the facts submitted, steel sheet piling was specifically mentioned in paragraph 312, together with other structural shapes, such as beams, channels, angles, etc.

The classification decided upon by the House committee supported a decision in the customs court, later sustained in the court of customs appeal, in which a large amount of evidence was presented by some of the foremost engineers of this country; whereby it was conclusively shown that rolled interlocking steel sheet piling in the sections manufactured for importation into the United States was in every respect a structural shape, as to use, method of manufacture, rolling, range of weights per lineal foot, etc.

Larssen piling, which is the trade name of the piling under discussion, has been offered in the American market during the past three years with ever-increasing popularity. The purposes to which it is particularly adapted are water-front-protection work, pier and dock construction, etc., and this type of construction was little known or considered prior to the introduction of Larssen piling into this market, largely because of the unsuitability of the domestic sections as to design for the work above mentioned, and also because of the excessive cost of the unnecessarily heavy sections then available.

The domestic manufacturers of steel sheet piling have both publicly and privately stated that they expect to make every effort to have the duty on steel sheet piling raised from the present rate of $4 per net ton. It is for this reason that I have appeared before this committee to urge that the classification and rate decided upon by the House Committee on Ways and Means, after careful investigation of all the facts, be allowed to remain as part of the bill without change.

Since the hearings last February several striking examples of the competitive situation on sheet piling have come up. On June 1 there was a public letting at Palm Beach of a sea wall to be constructed of steel sheet piling, of a total length of 7,330 lineal feet of wall. There were four competitive bidders at the following figures:

[Per net ton delivered]

Bethlehem Steel Co	$51.20
Sheet Piling (Inc.) offered Larssen piling	50.00
Carnegie Steel Co	49.20
Jones & Laughlin Steel Co	47.50

The business was placed with Sheet Piling (Inc.) for Larssen piling at a price of $50 delivered, or $2.50 above the figure offered by the Jones & Laughlin Steel Co. and 80 cents above the figure offered by the Carnegie Steel Co. The contract was awarded on the efficiency and strength of the piling section, notwithstanding the difference in price.

The present duty under which sheet piling is imported is $4 per net ton, and it is evident that there is no price advantage by which Larssen piling is adversely affecting the American market for this commodity, for the reason that we are regularly receiving prices equal or in excess of the price offered by the domestic manufacturers, just as we did at Palm Beach.

We submit, therefore, that there is no justification in the demand for an increase of duty, when the above facts are considered. Rather would it be more proper that the duty be reduced on steel sheet piling.

We offer to the engineers and contractors of this country 14 piling sections varying in weight and strength to meet every condition in the most economical manner. On only 6 of these 14 sections do we encounter a domestic competition, for the reason that on the other 8, no similar section in strength, weight, or efficiency are produced and offered for sale by the domestic manufacturers. It would seem unfair to further tax the users of steel sheet piling with a higher rate of duty on a commodity which they can not obtain in the domestic market except within a limited range of sizes, simply for the purpose of protecting the domestic producer in a field in which he is not qualified to offer to the consuming public a similar commodity at a competitive price.

If Larssen piling were underselling the American market and destroying the established trade which the American manufacturer enjoyed, there might be some justification in the plea for an increase in duty. Such a situation does not exist, and we are satisfied that your honorable committee will not do other than concur in the classification given to steel sheet piling under paragraph 312 of the bill recently passed by the House, namely, $4 per net ton, and again ask that, for the sake of clarity, the express mention of this commodity be allowed to remain without change.

Respectfully submitted.

SHEET PILING (INC.),
GEO. E. DIX, *President.*

JUNE 26, 1929.

PIG IRON

[Par. 301.]

STATEMENT OF F. B. RICHARDS, REPRESENTING THE HANNA FURNACE CO., CLEVELAND, OHIO, AND OTHERS

[Including Kentledge]

(The witness was duly sworn by the chairman of the subcommittee.)

Senator REED. Did you appear before the House committee?

Mr. RICHARDS. I did.

Senator REED. Did you file a brief there?

Mr. RICHARDS. I did.

Senator REED. Of course we have both your testimony and your brief printed for our use; so it will not be necessary to duplicate what you then said.

Mr. RICHARDS. I am afraid I shall have to duplicate some of it. The committee in the House could not understand just what all this meant?

Senator BARKLEY. Do you think we can? [Laughter.]

Mr. RICHARDS. I think you can.

Senator KING. The House does not think that well of the Senate.

Mr. RICHARDS. I know that.

Senator EDGE. Apparently, the House did not give you what you asked for.

Mr. RICHARDS. They did not. [Laughter.]

Senator REED. All right, sir. You are here to speak on the subject of iron in pigs, are you not?

Mr. RICHARDS. And kentledge. That is pig iron that is brought in as ballast. I am speaking for the St. Louis Gas & Coke Corporation, Granite City, Ill.; General Furnaces of By-Products Coke Corporation, Chicago, Ill.; Zenith Furnace Co., Duluth, Minn.; Toledo Furnace Co., Toledo, Ohio; Perry Iron Co., Erie, Pa.; Punxsutawney Furnace Co., Punxsutawney, Pa.; Adrian Furnace Co., Du Bois, Pa.; Davison Coke & Iron Co., Pittsburgh, Pa.; Shenango Furnace Co., Pittsburgh, Pa.; Reliance Coke & Furnace Co., Pittsburgh, Pa.; Marting Iron & Steel Co., Ironton, Ohio; and The Hanna Furnace Co., Cleveland, Ohio.

Senator REED. Which is your own company?

Mr. RICHARDS. The Hanna Furnace Co.

Senator REED. That is located in Cleveland?

Mr. RICHARDS. Yes; the office is there. We have furnaces in Detroit and Buffalo and at Valley France.

Senator REED. Detroit, Buffalo, and the Shenango Valley, and in Ohio?

Mr. RICHARDS. The Mahoning Valley, rather. We are asking for $3 a ton——

Senator KING. I beg your pardon. You represent more than what you stated, then, in your House testimony?

Mr. RICHARDS. No; just the same.

Senator KING. You stated: "I represent the Hanna Furnace Co. furnaces at Buffalo, N. Y."

Mr. RICHARDS. Yes; but I was speaking for the others and the furnaces in New York and western Pennsylvania.

Senator KING. I was just reading from your testimony in the House, where you made that statement as to whom you represented.

Mr. RICHARDS. We are allowed to correct that here, I believe.

Senator KING. Oh, I am not criticizing it at all.

Mr. RICHARDS. We are asking for $3 a ton, which basis, on the gold dollar, on what we are facing to-day, would be equivalent to about $1.50 under the Payne-Aldrich bill.

Senator EDGE. That is in place of the $1.12½ appearing in the House bill?

Mr. RICHARDS. In place of the $1.12½ given to us by the Tariff Commission and the President, which has been confirmed by the House bill.

Senator EDGE. Well, put it either way—appearing in the House bill?

Mr. RICHARDS. Appearing in the House bill.

Senator KING. You had 75 cents, and the President, by proclamation, raised it to $1.12½?

Mr. RICHARDS. Yes, sir.

Senator KING. And you want it boosted to $3?

Mr. RICHARDS. Yes, sir; absolutely.

Senator REED. All right; show us why.

Mr. RICHARDS. I will try to show you how we can justify that.

There was produced in the United States in 1928, by the American Iron & Steel Institute makers, 37,401,648 tons of pig iron.

Senator KING. By the way, do you represent the American Rolling Mills Co.?

Mr. RICHARDS. No, sir.

Senator EDGE. So that I can get this in my own mind before I listen to the argument, in addition to the $1.12½ per ton, which you seek to have raised to $3 per ton, the House allowed you an entirely new method of additional duty, did they not, in the provision appearing at the bottom of paragraph 301? Is not that an entirely new additional duty—an additional duty of $1 per pound on the vanadium content in excess of one-tenth of 1 per cent, etc., all the way down? Have you ever had that before?

Mr. RICHARDS. No. We only get $1.12½ a gross ton on our pig iron.

Senator EDGE. What does this further provision mean in a practical way?

Mr. RICHARDS. I am not familiar with it, and it does not apply to pig iron.

Senator KING. I ask for information: Do you concede that the United States produces 45 per cent of the world's output of pig iron?

Mr. RICHARDS. I think it would amount to that.

Senator KING. And that in 1927 and 1928 we produced nearly 36,000,000 tons of pig iron?

Mr. RICHARDS. In 1928 we produced 37,000,000 tons.

Senator KING. How much did you say we produced?

Mr. RICHARDS. Thirty-seven million, four hundred and one thousand, six hundred and forty-eight tons.

Senator KING. And our imports were 140,000 tons?

Mr. RICHARDS. Yes, sir.

Senator KING. Less than half of 1 per cent of the imports, as against nearly 38,000,000 tons of pig?

Mr. RICHARDS. All right; let us analyze that, Senator.

Senator KING. It analyzes itself.

Senator REED. No; it does not analyze itself, Senator. Let us give him a chance.

Senator KING. All right.

Mr. RICHARDS. Molten pig iron for makers' use, which never was iron in pigs, 25,924,323 tons.

Senator KING. Then you are complaining now because the steel company uses its own pig for manufacturing the finished product?

Mr. RICHARDS. Which they have a right to.

Senator KING. To be sure.

Mr. RICHARDS. That never was iron in pigs. It never was competing in the market.

There were 3,753,649 tons piled on the ground for their own use. The steel plants do not run Saturday nights, Sundays, or Sunday nights. The furnaces do run, and they pile that pig iron up for use later.

Senator REED. The furnaces have to run?

Mr. RICHARDS. They have to run.

Senator BARKLEY. You are speaking of production in this country?

Mr. RICHARDS. Yes; I am speaking of the division of that production, Senator.

That leaves to be considered, strictly bearing on this tariff, 7,723,676 tons of pig iron which goes into the open market and is known as iron in pigs, and is merchant pig iron.

In 1925 there were 441,425 tons imported.

In 1926 there were 445,773 tons imported.

In 1927 there were 132,568 tons imported.

In 1928 there were 140,694 tons imported.

Senator EDGE. Those figures are taken from the tariff records, I presume?

Mr. RICHARDS. These figures are taken from the Iron and Steel Institute records. They are correct.

There has been, in the first three months of this year, iron imported at the rate of 172,000 tons a year—January, February, and March.

Conditions are better with the merchant furnaces at the present time. There has been a long strike in Germany, and there was a shortage of pig iron in England, and that is where the German and Dutch iron is mostly going at the present time.

In 1925 and 1926 we were very much alarmed about the condition we found, as between 91 and 92 per cent of the importations of that year landed from Philadelphia to Boston, and about between 30 and 40 thousand tons landed on the Pacific coast. So the competition in a market including eastern Pennsylvania, New York, and New England, which market melts about 2,000,000 tons when running full, was 20 to 23 per cent competition; and that is where it all comes, practically, 91 per cent landing on the northeast Atlantic coast.

Senator REED. Are the big steel companies affected by this importation?

Mr. RICHARDS. No, sir. There is some tonnage of iron sold to the steel companies, but it is not very much.

Senator REED. Do the steel companies, as a rule, sell pig iron?

Mr. RICHARDS. No; they do not.

Senator REED. They produce the great bulk of the American production?

Mr. RICHARDS. Absolutely.

Senator REED. But they do not put it on the market at all in that form?

Mr. RICHARDS. Except here and there. There are exceptional cases, Senator. There is a competition in the district that affects these furnaces in eastern Pennsylvania, and farther west there is a 20 to 23 per cent competition; and on the Pacific coast there is a competition of 39,000 tons to the production of the Utah furnaces, which is about 150,000 tons. They would get that business, probably, if it were not for these importations.

I beg to state that in 1927 the American Metal Market gave the average price of iron at Buffalo as $20.23.

Senator KING. May I interrupt you for just one moment? I am a little curious to know whether the companies that you represent produce their own ore, or do they buy the ore?

Mr. RICHARDS. Some of them buy the ore. Some of them have ore interests; they own part of the ore, and buy the rest.

Senator KING. Are they interested in the Mesabi Range?

Mr. RICHARDS. Oh, yes.

Senator KING. What proportion of the pig-iron producers produce their own ore?

Mr. RICHARDS. The steel companies are the ones that produce the most. Some of the people interested in merchant furnaces produce some, but the great bulk is produced by the steel companies.

Senator KING. If you know, I will ask you what proportion of those whom you represent produce their own ore?

Mr. RICHARDS. Possibly 15 to 18 per cent.

Senator KING. And do they have their own blast-furnaces?

Mr. RICHARDS. Yes; but they are separate companies.

Senator King. Well, they are subsidiaries.

Mr. RICHARDS. Not necessarily. There are different interests in the ore companies than there are in the furnace companies. Some of this ore that is owned is owned in partnership with others.

Senator KING. Then is it an accurate statement to say that a considerable number represented by the output of the pig-producers are interested in blast furnaces and in the production of ore, the mining and shipping of it?

Mr. RICHARDS. If you take it as a whole, the whole industry, yes; there is a very considerable proportion.

Senator KING. So that it is integrated? It is an industry, then, that starts with the ore in the ground, and terminates with the pig iron?

Mr. RICHARDS. Yes; and I can assure you, Senator, there is no money in the mining of the ore from the ground, with the taxes and the conditions that the ore-mining States put on the ore properties.

Senator KING. Do you have any properties other than in Minnesota and Wisconsin?

Mr. RICHARDS. Yes; some ownership in Michigan.

Senator REED. Mr. Richards, let us get this straight about the difference between the steel companies' pig-iron production and that of these furnace companies that you represent. What is meant by the term "merchant furnace"?

Mr. RICHARDS. Making pig iron, iron in pigs, for the market—foundries where it is put into castings; malleable-iron concerns.

Senator REED. Of course they smelt iron ore in a blast-furnace just the same as a steel company does it?

Mr. RICHARDS. Yes.

Senator REED. But it is a totally different business; is it not?

Mr. RICHARDS. Absolutely.

Senator EDGE. Absolutely independent of any combination?

Mr. RICHARDS. Absolutely. It would be futile to try it.

Senator REED. What was the output of iron in pigs by the merchant furnaces of the United States in 1928?

Mr. RICHARDS. As nearly as we can separate it, 7,723,676 tons.

Senator REED. And it is that output which is affected by these importations from India and from western Europe?

Mr. RICHARDS. Absolutely.

Senator EDGE. What proportion is that of the total, as nearly as you can estimate it?

Mr. RICHARDS. What proportion is that of the 37,000,000? The total is 37,401,648, and the total of merchant pig iron is 7,723,676.

Senator EDGE. Out of a total production of 37,000,000?

Mr. RICHARDS. Yes. We do not hope, under this tariff, to keep out Indian iron. It can not be done. The American Iron and Steel Institute met last month. There were some of the Indian potentates

here; and gossip was rife after their visit that they could make iron at Tatta, India, for less than $10. A duty of $3 will not protect us against that. Fortunately, in a way, their surplus is probably around 250,000 tons.

Senator REED. What application is made of that Indian iron that is produced at Tatta? Where does most of it go?

Mr. RICHARDS. They use a large part of it in their steel plants.

Senator REED. They have steel works there; have they?

Mr. RICHARDS. They have steel works there, and the Government gave them two and a half million rupees a year.

Senator REED. Subsidy?

Mr. RICHARDS. Subsidy; and the Treasury Department, after this great importation of 1925 and 1926, put a countervailing duty on Indian iron which reduced it very materially. As soon as the Indian Government withdrew the bounty, the countervailing duty was withdrawn. The Treasury Department also put an embargo on German iron, which was being dumped here, but that order was withdrawn November 22, 1928 just why, we do not know.

Senator REED. Presumably because the dumping ceased.

Mr. RICHARDS. Yes. They had shipped only 9,700 tons in here after the dumping order. My belief is that all the pig iron coming to this country is dumped. It is a dumping proposition.

Senator KING. What is dumping? Is it a price less than the domestic price?

Mr. RICHARDS. At home.

Senator KING. Yes. That is your definition of dumping?

Mr. RICHARDS. Yes; but that does not come under the law.

Senator KING. I wanted to see if our terminology was the same; that dumping meant less than the domestic price.

Mr. RICHARDS. Yes, sir, absolutely; at home.

Senator KING. If we sold sewing machines or steel rails, or something abroad at a lower price than we produced them at home, would you call that dumping?

Mr. RICHARDS. At less than the domestic price?

Senator KING. Less than the domestic price.

Mr. RICHARDS. I would think so. That very often happens in our trade relations, when we get an accumulation of pig iron and get a chance to make a deal for a large tonnage. We are liable to dump it at a low price in order to liquidate it.

Senator KING. You have done that?

Mr. RICHARDS. Yes.

Senator KING. How much have you dumped?

Mr. RICHARDS. Not very much. We have good trade, and are good merchants, and our customers stay with us pretty well.

Senator REED. I want to ask you a little about the Indian pig-iron production. What wages do they pay in India for common labor?

Mr. RICHARDS. From 8 to 16 cents a day.

Senator REED. What wages do they pay here?

Mr. RICHARDS. From $4 to $5 a day.

Senator REED. What is the transportation cost on Indian pig iron to American ports?

Mr. RICHARDS. From Tata I have figured it to be about $5.03, including the rail freight from Tata to Calcutta, and 16 shillings freight from Calcutta to New York.

Senator REED. The Tariff Commission gives their cost of production at $13.36 a gross ton, and the transportation and other charges, including fees, insurance, and transshipment, as $6.65, making a delivered cost of Indian pig iron in New York at $20.01. Can you deliver for that in New York?

Mr. RICHARDS. No; not without a great loss.

Senator REED. Can you deliver in Cleveland at that price without a loss?

Mr. RICHARDS. Yes.

Senator EDGE. Continuing the comparison, the Tariff Commission averages the cost, leaving out the different items, at a total of $27.17, as compared to the figures given by Senator Reed on Indian pig iron, of $20.01; in other words, a difference in New York of $7.16. A $3 duty would not protect you, as you say, from India.

Mr. RICHARDS. No; but that was in 1924, Senator. The average——

Senator REED. Just a minute, Mr. Richards, please.

Mr. RICHARDS. That was in 1924, when they made the examination. We had not gotten over the war. Our costs were still up. The costs abroad were still up, and the average difference was $7.16, as I understand it, from the Tariff Commission's Schedule 3, pages 589 to 592.

Senator EDGE. That is just what we read. What is the difference now? You say that was computed in 1924. What is your estimate of the difference to-day?

Mr. RICHARDS. I think we can make pig iron very much cheaper. So can India; so can England, and so can Germany.

Senator EDGE. What are the relative differences? How do they differ from this average of $7.16?

Mr. RICHARDS. I think $3 would fairly well protect us from European competition, unless it might be the Dutch furnaces—not the German furnaces, especially, but the Dutch furnaces. They have no iron and steel manufacture in the Netherlands, but they found an area of coal, coming over from Belgium, and they built a blast furnace and some by-product works there. They built a second furnace, and now they have built two more. They will be in a position to produce 700,000 tons of pig iron when they are running their four furnaces, when they are completed, on tidewater.

Senator REED. Where do they get their ore?

Mr. RICHARDS. From everywhere, by water—African ores, Spanish ores, and Swedish ores. They do not have to go into the interior at all for their ore, as I understand. I am not sure, but the gossip is that those furnaces were financed one-half by the Government, a quarter by the cities of Amsterdam and Rotterdam, and a quarter by the industrialists, possibly the German industrialists; and the cities use the gas from their by-product works.

Senator REED. You think the Indian cost, at the furnaces, is less than $10?

Mr. RICHARDS. I think so, to-day. They have increased their steel output, and they have done some remodeling on their furnaces, I am told, that keeps their surplus for sale as high as it has been at any time, notwithstanding they are using more pig iron in steel.

Senator REED. That would mean a delivered cost at New York of about $16 or $17.

Mr. RICHARDS. There was a sworn invoice in November of $12.61. If you add $5.03 to that, and the duty, brokerage, and unloading charges, it would be less than $20.

Senator EDGE. You said the last comparison was 1924. I find further, from the Tariff Commission information, that the average foreign invoice value of Indian pig iron, f. o. b. the foreign port, for the first 10 months of 1928, was $13.77 per long ton. That is right up to date.

Mr. RICHARDS. All right. We know of that last cargo that was $12.61, Tata. That is on record in the customs department.

Senator BARKLEY. Prior to 1922 pig iron was on the free list, during which time practically no pig iron was imported. Since the 1922 act, the imports have gone up to as much as 440,000.

Mr. RICHARDS. Four hundred and forty-six thousand tons.

Senator BARKLEY. Last year they were only about a quarter of that—between a third and a quarter.

Mr. RICHARDS. There was an embargo on German iron, and the Indian people did not send as much here. They did not try to.

Senator BARKLEY. In no year since the recent increase to $1.125, have the imports been much larger than they were when pig iron was on the free list.

Mr. RICHARDS. Senator, when the reparations are over you will find that Germany, Holland, England, and India, when this tariff question is settled, if it is settled on a low enough basis, will send in half a million tons, on the northeast Atlantic coast every year, and that will bring our prices down where we can not make any money. It is six and one-half years since we had a tariff bill, and we have to think six and one-half years ahead under this tariff.

Senator BARKLEY. What do you mean by saying "when the reparations are over"?

Mr. RICHARDS. I mean when that is all settled.

Senator BARKLEY. That will be 62 years.

Mr. RICHARDS. We all know that things are going to be better with European countries, under present conditions.

Senator BARKLEY. They will have to be if we get back our ten or twelve billion dollars that we hope to get back during that time.

Senator REED. What effect has this importation of foreign iron had on the blast furnaces near the Atlantic coast?

Mr. RICHARDS. A very depressing effect. It goes clear back to Chicago, Senator.

Senator REED. Is that effect felt as far inland as Chicago?

Mr. RICHARDS. Absolutely; when the lake front furnaces can not ship into their natural market of New England, they take water rates in the summer and ship it as far west as Chicago.

Senator EDGE. Have you any record of the number of so-called merchant furnaces that have shut down along the coast in the last few years?

Mr. RICHARDS. My brief before the House committee showed 101 or 109, I forget which. There are not many of those that would run again, Senator, unless there are worlds of capital. It costs $8,000,000 to build a modern blast furnace to-day.

Senator REED. How much?

Mr. RICHARDS. It costs $8,000,000 to build a modern blast furnace to-day. I mean a blast furnace that will produce 800 tons of pig iron a day, a coke plant that will furnish the coke for that 800 tons

a day, and a power plant that will absorb all the waste heat and deliver power to the extent that they can conserve all the waste.

Senator EDGE. If we gave you the $3 raise, it would not greatly stimulate these industries that have gone out of business. It would not revive them.

Mr. RICHARDS. No. We want to save the ones that are in the business, Senator. That is the main thing. Those people are still able to run. They have lost money, and a great deal of money, but they are entitled to these markets. The steel companies do not want to build additional units and turn some of their furnaces into an apothecary shop to furnish the specifications the merchant purchaser wants.

Senator EDGE. You are speaking now of the ordinary foundry that would be found in almost any section of any of the Eastern States.

Mr. RICHARDS. There are some big ones, too, Senator.

Senator EDGE. We like to think of the small ones as well as the big ones.

Mr. RICHARDS. We want to keep the small ones going. We are very much interested in keeping the small ones going.

Senator KING. Can you explain why, if there was an embargo upon German pig iron, as you said there was, for a period of time, and India can sell so much cheaper than the United States, and the market was available, her exports to the United States did not increase?

Mr. RICHARDS. Senator, I think they were a little chary about coming in here after having a countervailing duty put against them. They had not got to the point where they were ready to start again. They shipped 184,000 tons into the port of Philadelphia in 1925; 83,000 in 1926, and in 1927 it dropped way down. That was on account of the countervailing duty.

Senator KING. What was 1928?

Mr. RICHARDS. One hundred forty-six thousand and ninety-four.

Senator KING. In 1928?

Mr. RICHARDS. Yes.

Senator KING. That was all countries?

Mr. RICHARDS. Yes.

Senator KING. I am asking about India.

Mr. RICHARDS. Perhaps I have it in my other brief.

Senator KING. India was less than 40,000 tons, was it not?

Mr. RICHARDS. In 1928?

Senator KING. Yes.

Mr. RICHARDS. I have not the 1928 figures for India. They shipped 184,000 in 1925.

Senator KING. You have stated that.

Mr. RICHARDS. 83,000 in 1926; the United Kingdom, 92,000; and Holland, 69,000.

Senator KING. I am asking only about India.

Mr. RICHARDS. I can not give you the 1928 figures.

Senator KING. If you can not, I will proceed. Is it not a fact that the iron deposits from which the smelter in India derives its ore are limited?

Mr. RICHARDS. That, I can not tell you, but I do not believe so.

Senator KING. Do you know?

Mr. RICHARDS. I do not know. It occurs to me that they would not have spent the millions they must have spent on that plant, with a limited supply of iron ore.

Senator KING. Do you know how much they spent?

Mr. RICHARDS. They built a big steel plant, and four blast furnaces. It must run into $12,000,000, $15,000,000, or $20,000,000.

Senator KING. Is it not a fact that the developments in India were superinduced largely by the genius and the dynamic force of the English, who were there, in the building of railroads, canals, and so forth, and that the demand for steel is very much greater?

Mr. RICHARDS. I would not say it is very much greater, and it is the Americans who are running the Tata Iron & Steel Co.

Senator KING. I am not speaking about who is running it. I am speaking of the increased use of steel in India.

Mr. RICHARDS. There may be an increased use, but I would not think it was a very great percentage, Senator. I can not tell you how much it is. I would be very glad to have you tell me, if you know.

Senator KING. I am not on the witness stand.

Mr. RICHARDS. I do not know.

Senator KING. If you will say so, I shall drop the subject and proceed. The American workingman does as much work as four or five Indians, does he not, with our genius and our skill and our fine American qualities?

Mr. RICHARDS. We will assume that he does.

Senator KING. If you know; if not, say so, and then I will drop the subject.

Mr. RICHARDS. I think he would.

Senator KING. That is all.

Mr. RICHARDS. When we were through with the House Ways and Means Committee, I was shown a sheet of a compilation that each member of that committee had. It showed something like $39,000,000,000 capital in iron and steel; earnings of 5.71 per cent; earnings on $100 par common shares, $10.58; and earnings on book value, 5.41. I was asked why I came asking for an advance in the duty on pig iron with those figures.

I said that the merchant furnaces had lost money and had diluted that statement. That was all there was to it. They asked me if I could get up some figures. I got up a cross section of companies, having 32 furnaces from Duluth through Chicago, Toledo, Erie, Buffalo, down in the Pittsburgh district, and east. There are 32 furnaces, and they are a good, fair cross section of merchant furnaces, which had no steel connections. In 1926 they lost $1,085,818; in 1927, $2,751,832; and in 1928, $1,241,189. That is on about $66,000,000 capital, which would cost to-day about $150,000,000 to reproduce.

Senator REED. They showed a loss every year?

Mr. RICHARDS. Every year; yes, sir.

Senator REED. So that, so far as this separate industry of the merchant furnace is concerned, it has been a loser in each of those years.

Mr. RICHARDS. Yes, sir absolutely; and I have put the figures in my brief. The statements were turned in to Lybrand, Ross Bros., and Montgomery, of Philadelphia, chartered accountants, who had the opportunity to write the different companies where they did not

understand the figures, but mainly these are the figures that were turned in to the Government for income-tax purposes.

Senator KING. In looking over a large number of reports, as I have, from Dun, Bradstreet, Moody, and the Statistical Abstract, and so forth, I find an enormous allocation each year for depreciation, obsolescence, and so forth. How much did you allow your company, the Hanna Co., for depreciation and obsolescence last year?

Mr. RICHARDS. I can not give you the exact figures, but I think it was based on about 6 or 7 per cent.

Senator KING. What did you allocate to surplus?

Mr. RICHARDS. None last year.

Senator KING. And undivided profits?

Mr. RICHARDS. None.

Senator KING. What did you allocate the year before to surplus and undivided profits?

Mr. RICHARDS. None.

Senator KING. What is the capitalization of the Hanna Co.?

Mr. RICHARDS. $10,000,000 common stock. I have not got the exact figures; $4,388,000 of bonds.

Senator KING. When was it organized?

Mr. RICHARDS. Back in 1921 or 1922.

Senator KING. A "war baby"?

Mr. RICHARDS. Oh, no; not necessarily.

Senator KING. Following the war?

Mr. RICHARDS. Following the war, yes.

Senator KING. Where is your plant?

Mr. RICHARDS. We have furnaces at Buffalo, furnaces at Detroit, and furnaces in the valley.

Senator KING. How much actual money was put into the enterprise in 1921 when you organized it—real money?

Mr. RICHARDS. All the money it had.

Senator KING. How much was that?

Mr. RICHARDS. I can not tell you that. I will be very glad to send you the figures.

Senator KING. Was it $5,000,000 real money?

Mr. RICHARDS. I think there was more than that, in property and real money; a great deal more.

Senator KING. Is it not a fact that you issued bonds and preferred stock at that time, and also gave common stock of no par value to those who bought preferred stock?

Mr. RICHARDS. No; it is not true at all. There was preferred stock that had been outstanding on the Detroit Iron & Steel Co.

Senator KING. You bought a plant, didn't you?

Mr. RICHARDS. No. It was part of the combination that went together.

Senator KING. You took in several others?

Mr. RICHARDS. We took in the Detroit, the plants at Buffalo, and the plants in the Mahoning Valley.

Senator KING. How many stock dividends did they declare?

Mr. RICHARDS. None.

Senator KING. In any of those companies?

Mr. RICHARDS. No.

Senator KING. Were stock dividends declared in them before?

Mr. RICHARDS. No.

Senator KING. Has any additional——

Mr. RICHARDS. Yes; back in 1911 or 1912, or 1913, I think the Detroit Iron & Steel Co. at that time declared one stock dividend.

Senator KING. Could you furnish to the committee a statement of each of those consolidated companies from the date of its organization; the actual cash put into them; the stock issued; whether there was any watered stock; the dividends paid; the amount allocated each year to undivided profits and to surplus; and then, when the consolidation occurred, just what was done with respect to each of those companies?

Mr. RICHARDS. That goes back a good many years, Senator. Perhaps I can get those figures.

Senator KING. Can you go back five or six years before 1921, when the consolidation occurred?

Mr. RICHARDS. Probably.

Senator KING. I should be very much obliged if you could do that.

Mr. RICHARDS. I think we can do that.

Senator EDGE. Do I understand that you have already filed with the committee a record of those which have been compelled to go out of business? I refer to the so-called merchant furnaces in the same general line.

Mr. RICHARDS. I have not named them.

Senator EDGE. Any additional information you can give us, or any balance sheets that you can give us on any number of those might be interesting to the committee.

Mr. RICHARDS. We will see what we can do.

Senator BARKLEY. To whom do you sell your product, chiefly?

Mr. RICHARDS. Foundries and malleable-iron works.

Senator BARKLEY. Do you sell any of your product to the steel companies?

Mr. RICHARDS. No.

Senator BARKLEY. Are these malleable works independent concerns?

Mr. RICHARDS. Yes.

Senator BARKLEY. That is all.

Senator REED. That is all unless you have something further.

Mr. RICHARDS. I would like to call attention—

Senator REED. We have two more witnesses on pig iron.

Mr. RICHARDS. I will be through in four minutes.

The open quotation at European ports is $15.76 on pig iron, and down as low as $15.64. Probably it can be delivered in New York for 17 shillings. The freight from Buffalo to New York, and from eastern Pennsylvania to New York is $4.91 a ton, within a very few cents of what it costs to bring iron from Tata, India, to New York.

The freight on Dutch iron brought into one of the Atlantic ports in November was $3.81. The rail freight from an eastern Pennsylvania furnace to the same point was $3.65. We are paying double freights on all the materials we assemble. We are paying double freights on everything we ship, and it makes it pretty hard to compete with these people who will dump, and who have cheap labor and cheap raw materials.

Senator REED. I think the committee has the point.

(Mr. Richards submitted the following brief:)

BRIEF OF F. B. RICHARDS, REPRESENTING THE HANNA FURNACE CO., CLEVELAND, OHIO, AND OTHERS

Honorable CHAIRMAN FINANCE COMMITTEE,
United States Senate, Washington, D. C.

SIR: To summarize the pig-iron situation, we are asking for a duty of $3 per ton on iron in pigs and kentledge. To understand what this means, the reports of the American Iron & Steel Institute for the year 1928 shows:

		Tons
Total production of pig iron, 1928		37,401,648
Molten iron for makers' own use	25,924,323	
Iron in pigs for makers' own use	3,753,649	
		29,677,972
Iron in pigs for sale (merchant pig iron)		7,723,676

Therefore this question of tariff is dealing with iron in pigs sold by the merchant furnaces and in some instances a small part of the production of a few of the steel companies.

You will note of the total production of 37,401,638 tons, 25,924,323 tons were used by the steel makers in its molten condition as cast from the blast furnace and never was iron in pigs. You will also note that 3,753,649 tons was iron in pigs for makers' own use and was the accumulation of iron made by the blast furnaces, which is a continuous operation during Saturday night, Sunday and Sunday night of each week, as the steel plants do not run during this period and this tonnage is cast into pigs and piled at the plants for future use with the possibility that a small percentage will be sold. This brings us down to consider the 7,723,676 tons which were available in the open market for the whole of the United States. This iron is being manufactured in Colorado, Utah, Kentucky, Alabama, Tennessee, Missouri, Illinois, Indiana, Ohio, Pennsylvania, New York, Massachusetts, and Virginia.

The importations from 1925 to 1928 were as follows:

Tons imported:	
1925	441,425
1926	445,773
1927	132,568
1928	140,694

Between 91 and 92 per cent of these importations were landed at northeast Atlantic ports from Philadelphia to Boston, and in this area, served by furnaces in New York, Pennsylvania, and Massachusetts, there is an approximate melt, when the foundries are all running, of about 2,000,000 tons of iron in pigs. This is where competition is met, and in 1925 and 1926 it was from 20 to 25 per cent in this district.

In 1926 the average price of foundry pig iron at Buffalo, as compiled by a trade publication, the American Metal Market, was $20.23 per ton, and in 1927 the same average was $17.61, or a drop of $2.62 per ton. This was in face of the $1.12½ tariff that we got from the Federal Tariff Commission and approved by the President. In arriving at $17.61 at Buffalo as being the average, the iron shipped to New York and New England sold down to $17 f. o. b. furnaces Buffalo, which made a difference of $3.23 per ton by reason of the influx of a large tonnage of foreign iron into a small area.

The United States Tariff Commission made a very thorough study of the pig-iron conditions in 1924 and the sum and substance of their findings at that time was an average difference of $7.16 in costs between the foreign makers and the makers in the United States. This will be found in a report of the United States Tariff Commission, Schedule III, pages 589–592.

After the great influx of iron in the years 1925 and 1926 the Treasury Department issued a countervailing duty against iron from India and later an embargo and antidumping order against German iron. This was the cause for the very decided reduction in importations in the years 1927 and 1928. The bounty paid by the Indian Government was withdrawn and the Treasury Department canceled the countervailing duty and the antidumping order against Germany was canceled November 22, 1928. We are therefore in the same position we were in in 1924, and, with reparations settled, from now on we may expect the keenest competition from German iron. We can not hope, with a $3 duty, to keep out the iron from India, as they have a surplus of about 250,000 tons, part of which

is bound to come to the United States, but as their product is widely distributed we are hoping the amount sent to the United States will be only a reasonable percentage of this surplus.

We may also expect competition from the Dutch furnaces which were built and which have been built within the past few years and in a short time they will have four modern furnaces. There is very little fabrication in the manufacturing field in the Netherlands, and the production of the four furnaces, when completed, will be shipped abroad. As we understand it, these furnaces were largely financed by the cities of Amsterdam and Rotterdam, which are interested and use the gas produced by the by-product ovens.

At the present time there is a measure of prosperity, and we are getting more for our iron. There is a shortage of pig iron in England, so it is reported, as well as coke, and the Germans and Dutch are shipping largely to Great Britain. As far as any of these countries are concerned, the $1.12½ duty provided in the House bill is approximately no protection at all, and we have every reason to believe that they will use every effort, under present conditions with reparations settled, when necessary in the future, to again invade New England, New York, and Pennsylvania markets with 400,000 to 500,000 tons of pig iron per year, which they can easily do under the present tariff, and force our prices down again to where we have tremendous losses in the manufacture of our iron. The merchant furnaces have no affiliation with steel plants and have to depend upon the markets that have been built up over many years under a protective tariff, and a great influx of iron at the northeast Atlantic seaboard pushes the iron back to the West, and its effects are felt as far west as Chicago.

Internal competition will keep prices in this country for many years to come entirely within reasonable bounds, and the purchases of pig iron will not in any way suffer by reason of the tariff we have asked for.

India, Netherlands, and Germany have efficient and up-to-date plants, many of the furnaces in Germany having a capacity of 800 tons of pig iron per day. To build a furnace of this capacity in the United States at this time, including by-product coke ovens and power plants to use the waste heat from the furnaces, would cost over $8,000,000, and this can be substantiated by the cost of plants recently built. It has been stated to us on the best of authority by an engineer who made the appraisal of the plants that went into the new United Steel Co. formed in Germany, that their plants could be reproduced with 45 per cent of the capital required in the United States. This means that an 800-ton capacity furnace in Germany would cost $3,600,000 as compared with $8,000,000 for a modern 800-ton American furnace.

Figuring the capital charge at 5 per cent and depreciation at 7 per cent the American blast furnace to-day would have to face, as a capital and depreciation charge, $960,000 a year, and this, on a production of 292,000 tons of pig iron, would be $3.28 per ton. Figuring the German outlay in the same way, taking the capital charge at 5 per cent and the depreciation charge at 7 per cent on the same tonnage, namely, 292,000 tons a year, would mean a cost of $1.48 per ton on this production. The labor, supplies, and all costs above at the American furnace would be $1.50 per ton and at the German furnace 76 cents per ton. This would make the capital and depreciation charge and costs above, without figuring any interest or any other overhead and not including general insurance, $4.78 per ton for the American furnace and $2.24 per ton for the German furnace, which gives an advantage to the German built and operated furnace of $2.54 per ton on capital and depreciation charges and labor, and I am assuming that the cost of shipping iron to New York City from the German furnaces, including any rail freight and ocean carrying charges, would be about 17 shillings, or about $3.75, and even less. The open quotations f. o. b. vessel channel ports to-day are $15.76 and the transportation about 12 shillings, or roughly about $3, making an open quotation delivered New York $18.76 without duty.

We are paying to the railroad companies double the freights on all materials to be assembled, as well as on the finished product going out, as against the freights of 1913. We are paying from two and one-half to three times more for labor than is paid in European countries and the wages in India, we understand, run from 14 to 16 cents a day. The freight from Buffalo to the metropolitan district of New York and New England is $4.91 a ton. Iron can be transported from Holland to Atlantic ports for only 16 cents a ton more than the present rates from Philadelphia to Bridgeport, Conn., the relative rates being $3.81 and $3.65 per ton. In November a cargo of about 3,700 tons of Indian iron was received in Philadelphia and the customs invoice was sworn to at $12.61 a ton. It costs about $5.03 a ton to bring this iron from Tata,

India, through Calcutta and deliver it in New York Harbor. Recent reports from India show that they have reduced their costs from $13.36 per ton, as found by the Federal Trade Commission in 1924, to $9.76 per ton at Tata, India, and it is owing to this fact that we make the statement that a duty of $3 a ton will not keep out Indian iron.

Earnings in 1926, 1927, and 1928 at 32 merchant blast furnaces, none of them part or in any way connected with steel plants, are shown below. This is a consolidated statement of their earnings for these years. These furnaces are a cross section of the industry from Chicago to East Atlantic ports.

	1926	1927	1928
Net income—losses after all charges	$1,088,818.39	$2,731,832.92	$1,241,189.13
Capital invested, excluding bonds	$35,519,000.00	$53,632,000.00	$17,510,000.00
Percentage of profit or loss to capital invested, excluding bonds	1.976	5.131	2.612
Capital invested, including bonds	$97,276,000.00	$69,434,000.00	$57,646,000.00
Percentage of profit or loss to capital invested, including bonds	1.014	4.142	2.153

The figures which you gentlemen have received as the most recent earnings of the iron and steel industry show that on a capital of about $39,000,000,000 5.71 per cent was earned; on $100 par value shares of common stock, $10.58 per share, and on book value 5.41 per cent. These figures include the losses in the statement of the merchant blast furnaces herein shown, which tend to dilute the earnings of the steel companies. Steel has an average duty of about $6 a ton, and about 60 per cent of this steel is pig iron. The molten pig iron produced receives its share of this $6 duty.

The Ways and Means Committee has raised the duty on cast-iron pipe from 20 per cent ad valorem to 30 per cent. I understand this is very much needed by the pipe makers, as the sworn ad valorem values on French pipe, I am told, range from $16 to $35 a ton. Their statements are based on different kinds of pipe and there is no way of checking this. On pig iron at $15.76 European ports the ad valorem would be 7.4 per cent on the present rate and with a $3 duty it would be about 19 per cent. We feel we should have the same measure of protection as has been granted to the cast-iron pipe people on their pipe as well as their fittings, as they, in the past, have been large purchasers of foreign iron and would be in position, under the present tariff, to do so again and be much better protected on their pipe than they are to-day. This strikes us as being unfair toward pig iron, although, as stated above, the pipe people were entitled to this advance in duty. We of course prefer a specific duty, which pig iron has always had, rather than an ad valorem duty, as this is understandable and there is never any contention as to the value.

In the years 1925 and 1926 the iron imported amounted to 887,000 tons, and there was not only a loss to our labor, by reason of curtailed operations of iron going against this competition, but the railroads suffered a loss of over 3,000,000 tons in freight. It is neither our wish to attack the railroads nor to reduce wages and we feel we should have the protection asked, so that the present wages, which gives the people in this country great purchasing power, may be maintained to the greatest extent possible. The great purchasing power in our country to-day is the basis of such prosperity as we have had and it can only be maintained with an adequate tariff along the same policy as in the past.

This brief, which I present for consideration, is on behalf of St. Louis Gas & Coke Corporation, Granite City, Ill.; Federal Furnaces of By-Products Coke Corporation, Chicago, Ill.; Zenith Furnace Co., Duluth, Minn.; Toledo Furnace Co., Toledo, Ohio; Perry Iron Co., Erie, Pa.; Punxsutawney Furnace Co., Punxsutawney, Pa.; Adrian Furnace Co., Du Bois, Pa.; Davison Coke & Iron Co., Pittsburgh, Pa.; Shenango Furnace Co., Pittsburgh, Pa.; Reliance Coke & Furnace Co., Pittsburgh, Pa.; Marting Iron & Steel Co., Ironton, Ohio; The Hanna Furnace Co., Cleveland, Ohio.

Respectfully submitted.

F. B. RICHARDS.

STATEMENT OF JOHN W. LOGAN, REPRESENTING THE ALAN WOOD STEEL CO., CONSHOHOCKEN, PA.

(The witness was duly sworn by the chairman of the subcommittee.)

Senator REED. You testified before the House Ways and Means Committee, did you not, Mr. Logan?

Mr. LOGAN. I did.

Senator REED. Did you file a brief then?

Mr. LOGAN. Yes, sir.

Senator REED. We have both your testimony and your brief. As we have hundreds of witnesses to hear, we are going to ask you to to help us by condensing what you have to say as much as you can. We want to be courteous, reasonable, and fair.

Mr. LOGAN. Certainly.

Senator REED. But if we do not finish these hearings we will not have any tariff bill.

Mr. LOGAN. I appreciate that. For that reason I have endeavored to condense in the brief which I file here simply the points which have developed since the hearing before the House Ways and Means Committee, about which there was either question or misunderstanding.

Senator REED. All right, sir.

Mr. LOGAN. Before I start with that, there was a question asked by one of the members of the committee about what had happened recently due to the importations of foreign pig iron, to blast furnaces in eastern Pennsylvania and New Jersey. I think I have the answer to that right here.

Senator KING. You mean that was asked in the House?

Mr. LOGAN. No; right here this morning. Colonel Richards was asked that question.

Senator REED. I asked that.

Senator KING. You have anticipated it, have you?

Mr. LOGAN. Yes. We anticipated it.

Senator BARKLEY. You had it all printed.

Mr. LOGAN. No; those are photographs.

The rate for which we are asking is based, of course, primarily on the report of the United States Tariff Commission, and I will not repeat anything that is stated in that.

We also feel that for some reason or other pig iron, through a chain of circumstances dating back beyond 1922, has not had its fair treatment compared with finished steel and its products.

I would like to quote, to illustrate that phase of the matter, some of Mr. Topping's figures. I assume Mr. Topping has no objection.

For instance, on the product of pig iron, sheets of iron and steel, under the proposed House bill there is an ad valorem equivalent of 24 per cent. Boiler and plate iron and steel have an equivalent of 36 per cent; steel ingots, blooms, and slabs have an equivalent of 26 per cent. Pig iron has 7 per cent.

Senator REED. What you ask, in substance, is the same protection that is given to all the other forms of steel and iron.

Mr. LOGAN. With due consideration for the additional labor that is put on the pig iron in producing these products.

Senator KING. Some of these alloys have 200 per cent. Is that what you are asking?

Mr. LOGAN. No, indeed. We are not interested in alloy steel in any way.

I might say, too, that with respect to the German pig iron, until the dumping order was issued by the Treasury Department it was a very strong factor. In their own country they have the protection of an import duty of 10 marks per metric ton, equivalent to $2.42 a gross ton.

Senator REED. Germany puts that duty on iron imported into Germany?

Mr. LOGAN. Yes.

The furnaces for which I am speaking are those along the seaboard from Boston to Alabama, and also the furnace in Utah, which is the only blast furnace, I believe, west of the Rockies. We are the fellows who are getting hurt under the competitive conditions. We are getting it right in the neck, because the iron comes right into our territory.

Of the importations in the last four years, over 50 per cent came into the port of Philadelphia, and our furnaces are located 15 miles from Philadelphia.

Senator KING. What do you produce?

Mr. LOGAN. Pig iron.

Senator KING. Your furnaces?

Mr. LOGAN. Pig iron.

Senator KING. How much?

Mr. LOGAN. I beg your pardon. We have one furnace in blast now with a capacity of 250,000 tons a year.

Senator KING. Is that the only one you are representing here?

Mr. LOGAN. Oh, no.

Senator KING. I mean, in that vicinity.

Senator REED. You have other furnaces than that one, have you not?

Mr. LOGAN. Oh, yes.

Senator REED. How many furnaces has your company?

Mr. LOGAN. My own company has two furnaces.

Senator REED. And one of them is cold?

Mr. LOGAN. One of them cold, and the other operating, producing to-day at the rate of 250,000 tons a year. I am sorry I can not give you the capacity of all the furnaces, but I think it is in the briefs that were filed before the Committee on Ways and Means.

Senator KING. I was trying to ascertain what competition, if any, you had right in that port, by getting the production of the furnaces that were tributary to that port, or that the port was tributary to.

Mr. LOGAN. There is no surplus of furnaces. If there were no importations of pig iron, or no serious quantity of importations of pig iron, the furnaces in that district would hardly produce the requirements of their market. There is no surplus in that territory.

Senator KING. Then, the importations, being so small in that port, do not seriously, if at all, disturb the market, do they?

Mr. LOGAN. No. That is where I beg to differ with the Senator. The importations in that port have run as high as 200,000 tons a year.

Senator KING. They were not carried, then, to Buffalo and Chicago.

Mr. LOGAN. Imported iron? No.

Senator KING. Yes, sir; imported pig iron.

Mr. LOGAN. Last summer one cargo of pig iron from India went up the St. Lawrence River, through the Welland Canal, and was unloaded part at Chicago and part at Milwaukee.

Senator KING. That is held up as the awful example here by the witnesses.

Mr. LOGAN. It is. It is a horrible example.

My authority for this is the report of the United States Tariff Commission to the Committee on Ways and Means. I think this gives a summary of the whole situation along the seaboard. They say that on account of the cost of the rail haul inland from the ports of entry, imports are practically all consumed within about 200 miles of the seacoast. Merchant furnace manufacturers in eastern Pennsylvania, New Jersey, New York, and Virginia bear the brunt of this competition, and many of them have been forced to discontinue operation.

Senator BARKLEY. You filed here a series of photographs of furnaces that have ceased operation.

Mr. LOGAN. Yes.

Senator BARKLEY. Do you know when they ceased?

Mr. LOGAN. I am sorry I can not give you the date of that. I know the Wharton furnaces of the Warren Foundry and Pipe Corporation, of Dover, N. J., have been ready to operate. They were rebuilt about four or five years ago.

Senator BARKLEY. Have been what?

Mr. LOGAN. Have been ready to operate, any time. That company owns its own ore mines, right alongside their plant in northern New Jersey, and the Warren Foundry and Pipe Corporation have been able to buy their pig iron cheaper than they could make it.

Senator BARKLEY. When did the Thomas Iron Co., Hokendauqua furnace, at Hokendauqua, Pa., cease operation?

Mr. LOGAN. I think Hokendauqua has been in blast within a year.

Senator BARKLEY. When did the Catasauqua furnace at Catasauqua cease?

Mr. LOGAN. I am not sure about that.

Senator BARKLEY. Do you know how long it has been cold?

Mr. LOGAN. Four or five years.

Senator BARKLEY. When did the Warwick furnaces at Pottstown cease to operate?

Mr. LOGAN. About four or five years ago.

Senator KING. How much longer?

Mr. LOGAN. He asked when they ceased operation.

Senator KING. That is what I asked.

Mr. LOGAN. I say they ceased operation four or five years ago.

Senator BARKLEY. When did the Wharton furnace of the Warren Foundry and Pipe Corporation, at Dover, N. J., go out of business or cease operating?

Mr. LOGAN. They have a plant there that can operate any time. They shut down, I think it was, about 1925. I am only guessing at those dates.

(Mr. Logan subsequently submitted the following information:)

The various furnaces illustrated ceased operation on the following dates:

Catasauqua	Mar. 4, 1921.
Warwick	Apr. 1, 1925.
Hokendauqua	Sept. 30, 1927.
Wharton:	
"A" furnace	May 1, 1924.
"B" furnace	July 1, 1923.

I might add that Wharton "B" furnace was a new furnace, and its entire production period to date was from April 9, 1923, to July 1, 1923.

Senator BARKLEY. Since 1925 the imports of pig iron have dropped from 441,000 tons to 140,000 tons in 1928. How much lower will they have to drop before these furnaces resume operations?

Mr. LOGAN. If I may answer that question indirectly, that brings up a point that I wanted to make next. That is that it does not take the actual importation of pig iron to hurt the furnaces. To illustrate our own case, we are operating at the present time at the rate of 250,000 tons a year. That requires 1,000,000 tons of raw material a year to produce that pig iron. That is 20,000 cars, or three hundred and thirty 60-car trains. With that volume of material, we can not go down the street, in the grocery store, or the chain store, or anywhere else, and pick that up. We have to make our contract a long time ahead. We have to make our arrangements for the delivery of this material. When a blast furnace is started you can not stop it, as you turn off an electric light, or something of that sort. You have to continue operation. The result is that Germany, or India, comes to one of our customers who wants to buy 25,000 tons of pig iron and quotes him a price equal to or below our cost. The question is put up to us, "Will you take the iron at this price, or shall we have to buy from India?" We say, "We have to keep our furnaces. We have to get cash to pay our bills. We will take the iron, even though it nets us a loss." There is not a ton of pig iron imported, but the possibilities of importation are just as effective and just as hurtful as if the iron had come into this country.

Senator EDGE. Your point, then, is that the fact that the importations are so low is not the factor that it is generally considered, because you have met the conditions that kept them low—in other words, in price.

Mr. LOGAN. In many cases; but, as I state in my brief, there are specific reasons for the importations dropping between 1926 and 1928. If you will take an analysis of importations from the different countries you can see it. It is evident right there. There was the antidumping order by the Treasury Department against pig iron from Germany.

Senator REED. And the countervailing duty against India.

Mr. LOGAN. Yes.

Senator REED. We have all that.

Mr. LOGAN. The result of that, if I may be permitted, was that from Germany in 1926 there were 157,000 tons imported, and in 1927, 9,000 tons.

Senator EDGE. How have the prices for the domestic product ranged the last three or four years? Are they lower or higher?

Mr. LOGAN. There is not a great deal of difference. Of course, there are fluctuations from time to time and from month to month.

Senator EDGE. Then, the threatened invasion of the foreign producers, which you have met, as you have explained, in price, has not meant a reduction in your prices?

Mr. LOGAN. Yes, because——

Senator REED. The Tariff Commission's report shows that exactly. It shows that the invoice value in 1923 averaged $24.48; in 1924 it came down to $17.89; in 1925, $18.01; in 1926, $17.29. Down to the President's proclamation, which raised the duty, the price was $19.26, and after the duty was raised the price fell to $16.57 for the balance of 1927, and to $15.86 in 1928.

Senator EDGE. Then, Mr. Witness, I think your answer would be rather deceiving. As a matter of fact, the prices have gone down, instead of being stationary.

Mr. LOGAN. Those are foreign prices.

Senator REED. These are invoice prices. They have been going down steadily since the war.

Mr. LOGAN. Of foreign pig iron.

Senator REED. Yes.

Mr. LOGAN. This is foreign pig iron.

Senator EDGE. As I understood your answer to my question a while ago, you have met those prices in order to keep the importations from coming into the country.

Mr. LOGAN. We have met those prices and lost money.

Senator EDGE. Then your prices have gone down.

Mr. LOGAN. Somewhat; but the general market has gone up. In other words, these foreign sales are made at a delivered price, as a rule, to get the business.

Senator BARKLEY. In other words, the importation of this 140,000 tons at the prices indicated has not caused you to reduce your price.

Mr. LOGAN. Yes; because our price to-day is almost what it was—perhaps I have the wrong slant on your question, Senator. The general market has gone up in this country; that is, to-day. I am talking about now, and not last year's figures.

Senator BARKLEY. What is the price now of domestically produced pig iron?

Mr. LOGAN. About $20.50 to $21.

Senator BARKLEY. What was it last year?

Mr. LOGAN. It was a little lower than that. It is hard to fix a market for this reason, that where you sell the iron, and the competition you have to meet at that point, is what governs the price.

Senator REED. Take a specific case. Are you making money at the present price of pig iron?

Mr. LOGAN. To-day we are breaking even. Six months ago we were losing money.

Senator REED. Breaking even. That means no return on your capital at all.

Mr. LOGAN. No return on our capital.

Senator EDGE. Have wages gone up in the last five years?

Mr. LOGAN. Yes.

Senator REED. You are just swapping an old dollar for a new one.

Mr. LOGAN. Yes.

Senator REED. Is there anything else?

Mr. LOGAN. No.

Senator REED. Thank you very much.

(Mr. Logan submitted the following brief:)

BRIEF ON BEHALF OF MANUFACTURERS OF MERCHANT IRON IN SEABOARD DISTRICTS

Mystic Iron Works, Boston, Mass.; Witherbee, Sherman & Co., Port Henry, N. Y.; Hudson Valley Coke & Products Corporation, Troy, N. Y.; Chateaugay Ore & Iron Co., Lyon Mountain, N. Y.; E. & G. Brooke Iron Co., Birdsboro, Pa.; Colonial Iron Co., Riddlesburg, Pa.; Delaware River Steel Co., Chester, Pa.; Reading Iron Co., Reading, Pa.; Thomas Iron Co., Reading, Pa.; Alan Wood Steel Co., Conshohocken, Pa.; Pulaski Iron Co., Pulaski, Va.; Roane Iron Co., Rockwood, Tenn.; Central Iron & Coal Co., Holt, Ala., Sloss Sheffield Steel & Iron Co., Birmingham, Ala.; Woodward Iron Co., Woodward, Ala.; Columbia Steel Corporation, Provo, Utah

Readjustment of tariff on pig iron, 1929

Rate:	Per gross ton
1909	$2.50
1913 (Underwood law—war period)	Free.
1922	.75
1927 (by proclamation of the President)	1.12½
1929 (proposed by Ways and Means Committee)	1.12½

In 1922, when the tariff law was under consideration by Congress, international trade, disrupted by the war, was not stabilized. The possible sources and effectiveness of foreign competition were not realized, even by the manufacturers themselves. That large tonnages of pig iron from British India would be sold in the United States at prices materially lower than our cost of manufacture was not dreamed of. Also, Congress failed to credit the representations of those who then foretold serious competition to be expected from western Europe. These circumstances resulted in a duty on pig iron which the reports of the United States Tariff Commission and a proclamation by the President have since declared to be insufficient to protect the American manufacturer.

Protective duties on the products made from pig iron (steel in its various forms, cast-iron pipe, etc.) are now as high or higher than those existing when pig iron had a duty of $2.50. Pig iron needs and is entitled to a duty in line with that on its products.

Tons imported:	
1925	441,425
1926	445,773
1927	132,568
1928	140,694

Drop in imports after 1926 primarily due to action taken, on complaint of American manufacturers, by Treasury Department, in the form of a countervailing duty against iron from British India, and a dumping order against iron from Germany. (Imports from Germany were in 1926, 157,094 tons; in 1927, after the dumping order was issued, 9,711 tons.)

Both of these Treasury Department orders have since been suspended, and to-day the only protection is that afforded by the import duty.

"IRON IN PIGS"

Attention is called to the significance of this phrase as used in paragraph 301.

Almost 80 per cent of the entire production of pig iron in the United States is made by steel companies for their own consumption. Used as molten iron direct to the steel furnaces for the manufacture of steel, this portion of the production is never physically "iron in pigs," is not an article of commerce, and importations of foreign iron do not compete with it.

The reports of American Iron and Steel Institute for the United States for the year 1928 show:

		Tons
Total production of pig iron		37,401,648
Molten iron for maker's own use	25,924,323	
Iron in pigs for maker's own use	3,753,649	
		29,677,972
Iron in pigs for sale (merchant pig iron)		7,723,676

EFFECT OF IMPORTS ON MINING AND TRANSPORTATION INDUSTRIES

The manufacture of 1 ton of pig iron requires the following raw materials and transportation for their assembling:

	Tons
Ore, etc.	1.90
Coal (subsequently made into coke)	1.40
Limestone	.50
Miscellaneous supplies	.20
Total	4.00

The importation of each ton of iron in pigs into this country not only affects the miners and producers of the basic raw materials but deprives the transportation companies of 4 tons of freight.

COMPETITIVE CONDITIONS

The following quotations are from the report of the United States Tariff Commission to Committee on Ways and Means:

"On account of the cost of the rail haul inland from the ports of entry, imports are practically all consumed within about 200 miles of the seacoast." (For this reason, imports compete with only about 1,500,000 tons out of the total United States production of merchant pig iron of 7,723,676 tons.)

"The merchant furnace manufacturers in eastern Pennsylvania, New Jersey, New York, and Virginia bear the brunt of this competition and many of them have been forced to discontinue operations."

"Blast-furnace equipment in foreign countries, such as British India, Germany, and the Netherlands, is in some instances fully equal to that of American manufacturers. Only the most efficient types of domestic furnaces are active."

Tonnage of imports is not a true measure of losses due to foreign competition. In many cases American manufacturers have been forced by foreign competition to cut their prices to cost or lower in order to keep their men and plants employed. Such conditions, naturally, are not reflected in any list of importations.

EARNINGS OF MANUFACTURERS

Earnings of large steel corporations have no bearing whatever as indicative of profits made from the manufacture of pig iron. As shown in the statement of American Iron and Steel Institute above, they make little or no pig iron for sale. Their profits represent their earnings from steel manufacture.

Thirty-two merchant blast furnaces, not connected with steel works, and engaged solely in the manufacture and sale of pig iron, with investments of approximately $60,000,000, showed for 1926–1928 losses of $5,078,839.

The lack of an adequate protective duty on iron in pigs will inevitably drive the independent manufacturers out of business. The domestic purchaser of this commodity will then be in the position of being dependent for his raw material either on the large steel corporations, who frequently (especially at times of brisk demand for steel) have no iron for sale, or on the foreign market.

SCRAP STEEL CONTAINING TUNGSTEN

[Par. 301]

STATEMENT OF HON. CHARLES S. THOMAS, DENVER, COLO., REPRESENTING DAVID TAYLOR CO., NEW YORK CITY

Senator REED. Senator, the march of reform in the Finance Committee is such that I am compelled to ask you to be sworn.

(The witness was thereupon duly sworn by the chairman of the subcommittee.)

Mr. THOMAS. Mr. Chairman, inasmuch as an oath to a brief and argument is a unique experience in my career——

Senator REED. I think, in justice to this particular subcommittee, it might be said that we had nothing to do with this innovation.

Mr. THOMAS. I am not condemning; I am merely commenting. I wanted to say that I would be, perhaps, more apt to observe my oath if I read from the brief than if I pursued my usual course of saying what I have to say orally.

I represent Mr. David Taylor and the David Taylor Co. Mr. Taylor is an old client of mine, and it was for that reason that I consented to appear here for a few moments.

The David Taylor Co. is engaged in the importation and sale of scrap steel under paragraph 301 of the tariff act of 1922.

Senator REED. That is on the tungsten content of scrap?

Mr. THOMAS. Yes, sir.

Inasmuch as we are not petitioners here for any tariff assistance, but are here to protest against a prohibitory duty against the raw material and the only raw material used by what may be called with perfect truth an infant industry, I presume that this brief might well be entitled "The Strange Interlude." [Laughter.]

This is a business which began shortly after the act of 1922 went into effect; but it was suspended for the greater part of the time since then because of controversy as to what the classification of tungsten scrap steel should be. Consequently, its active business has been confined practically to the last two years.

It is quite a distinction, perhaps, although it may not be a desired one, to appear before this committee and ask for a rebate of the highest rate of duty ever assigned against a material in this country by any tariff commission in the wildest moments of its intoxicated enthusiasm. [Laughter.]

Senator EDGE. Do you want to use that word "intoxicated"?

Mr. THOMAS. Not in the sense in which it was used in the last campaign.

Senator REED. What particular toxic agent do you refer to?

Mr. THOMAS. I refer to that system of enthusiasm which sometimes influences the extreme votaries of protection into the assumption that all of our blessings flow from protective duties and all of our evils are the result of their occasional reduction.

That is not in the brief. I will now confine myself more to the brief.

After referring to paragraph 301, which fixes a duty of 75 cents per ton on all scrap steel valued at not more than 7 cents a pound, the House amended the paragraph, at the instance of the owners of tungsten mines, in a way which increased the duty upon this insignificant material 2,716 per cent. That, I may say, is "going some."

Senator KING. What amendment effectuates that result, Senator Thomas?

Mr. THOMAS. The House amendment to paragraph 301 of Schedule 3. I have a table here indicating the operation of the amendment, giving the rates of duty, and so forth.

The highest price listed for scrap steel in the trade journal is not over 1½ cents a pound. Nickel and chrome scrap steel is worth approximately 4 cents a pound. Spiegeleisen, which, under paragraphs 301 and 302, can contain as high as 30 per cent manganese, if over 1 per cent carbon, takes a duty of 75 cents per ton, whereas if it contains a minute fraction of 1 per cent more than the 30 per cent specified it takes a duty of $13.50 per gross ton, plus 15 per cent ad valorem. Spiegeleisen containing high carbon bears the same

relation to ferromanganese that high-speed steel scrap bears to ferro alloys of tungsten.

If it is the purpose of Congress to prohibit the importation in the form of scrap of any metals which are protected in their finished form under paragraph 302 (as is stated by the subcommittee of the House, Schedule 3), the Congress should certainly be consistent and extend the prohibition to spiegeleisen and chrome nickel scrap instead of penalizing the comparatively unimportant item of high-speed steel scrap containing some vanadium, tungsten, and chrome. It must be conceded that domestic producers and manufacturers of manganese and chrome products, which are imported in large quantities, must suffer far more from the importation of scrap nickel, chrome, and spiegeleisen than from the importation of the small amount of high-speed steel scrap containing vanadium, tungsten, and chrome.

Senator REED. You are going to put this brief in the record; are you not, Senator?

Mr. THOMAS. Yes, sir.

Senator REED. Then I suggest that you do not read from it now. I want to ask you to answer two or three questions.

Mr. THOMAS. There are some things in the brief that I want to state if I am not permitted to read them.

Senator REED. All right; but let me direct your attention to some features of this matter.

Under the House bill as it comes to us, metallic tungsten and its alloys are subjected to a duty of $1,000 a short ton.

Mr. THOMAS. I think that is true.

Senator KING. Where is that, Senator?

Senator REED. Page 63, line 19.

Mr. THOMAS. I have a list of those duties.

Senator REED. This is the way the House bill reads: At the present time, under the act of 1922, the duty is $900 a short ton. The tungsten content of scrap is, by the House bill, subjected to a duty of $1,440 per short ton of tungsten.

Mr. THOMAS. That is right; yes. That same scrap, however, contains some other materials which are inseparable from it; and that makes the duty 2,716 per cent raise on that scrap.

Senator REED. Very good; but I was just talking about the tungsten. Now, with the protection of $900 a ton since 1922, the domestic tungsten output in 1928 appears to have been almost exactly 30 per cent of the domestic consumption. What is the reason why, with that rather liberal protection, the tungsten producers could not supply more of it? Your own State of Colorado is one of the principal producers; so you ought to know.

Mr. THOMAS. The answer I shall make to that will be very strongly controverted by other gentlemen in the business. My answer to it is, first, that the extreme cumulative duty to the manufacturer of $2,000 a ton—which amounts to that figure if you consider that two tons of 70-per-cent ore or concentrates are necessary to produce a ton of tungsten—gives the consumer a complete independence from the home producer, and he can buy his tungsten when he pleases and then make money. That is one. The other is that the tungsten is not there. I do not mean by that to say that there is not a good deal of tungsten in the United States, and a good deal in Colorado; but I do say that no duty that can be given by the Congress of the United States to tungsten ore will increase the present production,

in my judgment; and I say that with all deference to my friends, or a good many of them, one of whom is here, who disagree with me.

Senator EDGE. And with reference to the discussion we have heard all the morning on this same principle in regard to manganese?

Mr. THOMAS. I am not so well posted on manganese, and this gives me trouble enough as it stands.

In that connection, Senator Reed, I will read from the last report of the Bureau of Mines on Rare Metals; I think it was 1927 or 1928. Upon page 435 the bureau says, on the bottom of that page, this—after speaking of the importance of tungsten and its uses—and, by the way, it makes the statement that tungsten is equal in commercial importance to lead and zinc, and only below iron and copper—the bureau says:

> During the Great War the United States was unable to supply its own needs for tungsten ore, no matter what the price paid.

And it went up at that time as high as $6,000 a ton on account of the demand, and the mine owners made enough money at that time to write off their entire capital more than once, to say nothing of depletion of ore reserves; but that was a prohibitory tariff.

> During the Great War the United States was unable to supply its own needs for tungsten ore, no matter what the price paid. Should such another catastrophe happen, this country would be still less able to dig its own supply from its own territory. The best of the known deposits, that at Atolia, ceased work under prices ranging between $10 to $11 per unit, although it once made money at half the price.
>
> The fact is that the United States has no tungsten resources at present world prices.

I may say that the world price now is $15. Since the hearings before the House committee the price of tungsten has advanced from about $12 or $12.50 to over $15 per unit.

> The fact is that the United States has no tungsten resources at present world prices. That tungsten mining is carried on at all is due to one of the highest duties ever levied by this Government—the highest duty it ever placed on a raw material.

Senator KING. What amendment do you suggest, Senator, with respect to paragraph 301?

Mr. THOMAS. I suggest the excision of the House amendment.

Senator KING. That is, 72 cents per pound on the tungsten content?

Mr. THOMAS. The entire amendment should go out, in my judgment.

Senator KING. If you will pardon me, is the amendment to which you are directing attention embraced within these words:

> Seventy-two cents per pound on the tungsten content in excess of two-tenths of 1 per centum?

Mr. THOMAS. Yes; and, indirectly it includes all of those items, because those metals are in this scrap steel containing tungsten to a greater or less degree.

Senator KING. I had that in mind when I asked these questions a while ago. I thought all that ought to go out.

Now, Senator, have you any suggestions with respect to subdivision (c) of paragraph 302, which reads:

> Tungsten ore or concentrates, 50 cents per pound on the metallic tungsten contained therein?

The House raised it from 45 cents to 50 cents.

Mr. THOMAS. An increase of 5 cents. I have simply this suggestion to make—that the amount asked of the House committee by the mine-owners was an increase of 50 per cent over 45, which would make a total of 67½ cents; and the reason given was that without such an increase the industry would continue to languish; they could not do anything. But the House, instead of granting that request, did extend the duty 5 cents. I do not think it helps anybody. I think it was a sort of a sop to Cerberus.

Senator REED. What you have said applies not only to paragraph 302 (c), but also to the tungsten alloys mentioned in subdivisions (g) and (h) of section 302; does it not?

Mr. THOMAS. No, sir.

Senator REED. Why not?

Mr. THOMAS. Because this has reference only to the single item of scrap steel. That is the only thing in which we are concerned.

Senator REED. Very good; but if there is anything in your point, it ought to apply to tungsten metal and tungsten alloys.

Mr. THOMAS. I think so, but I am not advocating that. I am simply here for this one client.

Senator REED. We are in the unhappy position of having to consider the whole business.

Senator KING. Senator Thomas, let me read (g) and (h), to see if you are logical—and you are always logical.

Mr. THOMAS. Thank you—sir—always logical, and therefore unsuccessful.

Senator BARKLEY. There is no increase in those subdivisions over the present duty.

Senator KING. Let me read (g) and (h).

Mr. THOMAS. What section?

Senator KING. Section 302.

Mr. THOMAS. All right, gentlemen. I do not want to take any more of your time.

Senator KING (reading):

(g) Ferrotungsten, metallic tungsten, tungsten powder, tungsten acid, and all other compounds of tungsten, 60 cents per pound on the tungsten contained therein and 25 per centum ad valorem.

Now, if you will pardon me for repeating, if you are logical, what observation have you to make with respect to that?

Mr. THOMAS. Well, I am only appearing here for one client of mine, who pays me to represent his matter. I am not voluntarily attacking anything else; but if you want my opinion about it, of course I will give it to you. I think that duty is absolutely excessive, unreasonable, unconscionable, and indefensible. That is my opinion about it.

Sentor REED. Otherwise, it is all right?

Mr. THOMAS. Otherwise, it is all right. [Laughter.]

Senator REED. There is nothing else; is there, Senator?

Mr. THOMAS. There are two or three matters in this brief to which I wish to call attention.

Senator REED. Why do you not put that in the record?

Mr. THOMAS. Well, if you gentlemen will personally promise to read it, I will.

Mr. REED. We do.

Mr. THOMAS. But, you may remember, I used to be on this committee myself. [Laughter.]

Senator REED. You are to blame for this tariff that you are criticizing, then.

Mr. THOMAS. No, sir—oh, no! That came after I left Congress, after I got into a respectable avenue. [Laughter.]

Before I leave, Mr. Chairman—I thank you for your suggestion; I will file these briefs, but I am going to make my client write them—I want to ask the correction in a clerical way of paragraph 392 while I am here. You will notice there that the House, in the first line, amended the section by including flue dust, but they omitted using those words at three other places in the section which I have covered here, which I am told by one of the administrative officials makes its administration extremely difficult. By putting in the words "flue dust" where those other words occur, as I have here, the section is clarified, but it is not changed at all. It will make its administration perfectly easy.

Senator REED. Senator, please read the section, so as to show us just where these amendments are to go.

Mr. THOMAS. I will begin with the second proviso.

Senator REED. It starts out:

Lead-bearing ores, flue dust, and mattes of all kinds.

Mr. THOMAS. I will begin with the second proviso.

Senator REED. The first proviso is all right; is it?

Mr. THOMAS. Yes:

Provided further, That on all importations of lead-bearing ores,"——

Right there, insert the words "flue dust"—

and mattes of all kinds the duties shall be estimated at the port of entry and a bond given in double the amount of such estimated duties for the transportation of the ores, flue dust, or mattes by common carriers bonded for the transportation of appraised or unappraised merchandise to properly equipped sampling or smelting establishments, whether designated as bonded warehouses or otherwise. On the arrival of the ores, flue dust, or mattes at such establishments they shall be samples—

And so forth.

Senator REED. Those are the three places where you want to make that change?

Mr. THOMAS. Yes. That makes its administration perfectly easy.

(Mr. Thomas submitted the following brief:)

BRIEF OF THE DAVID TAYLOR CO., NEW YORK CITY

[Key and terms used in brief: Unit W03—20 pounds tungsten oxide; concentrates or ore—Contains about 70 per cent W03, or 70 units per ton; W03 is composed of 20 per cent oxygen plus 80 per cent metallic tungsten; duty—45 cents pound W—35.7 pounds W03=$7.14 unit, or $499.80 per ton of 70 per cent concentrates; Spiegeleisen=ferromanganese containing 30 per cent or less manganese; ferromanganese=Spiegeleisen containing 30.01 per cent manganese or more]

SCRAP STEEL CONTAINING TUNGSTEN

Paragraph 303, Schedule 3, of the tariff act of 1922 levies a duty of 75 cents per ton on all scrap steel valued at not more than 7 cents a pound and fit only to be remanufactured.

H. R. 2667 amends this paragraph by imposing a prohibitory duty of $1 per pound vanadium, 72 cents per pound tungsten, and 4 cents per pound chromium on one species of foreign scrap steel only, i. e., high-speed steel scrap and scale.

A typical analysis of this scrap is given below, together with the calculations showing the proposed duty under the House bill:

Typical analysis H. S. steel scrap	Per cent taxable	Pounds per gross ton	Rate	Duty
0.40 per cent vanadium	0.30	6.72	$1.00	$6.72
12.20 per cent tungsten	12.00	268.8	.72	193.54
0.20 per cent molybdenum				
3.02 per cent chromium	3.00	67.2	.04	2.68
1 per cent carbon				
1.18 per cent miscellaneous				
83 per cent iron				.75
Total proposed duty gross ton				203.70
Present duty				.75
Increase, 2,716 per cent.				

The highest price listed for scrap steel in the Trade Journal is not over 1½ cents a pound. Nickel and chrome scrap steel is worth approximately 4 cents a pound. Speigeleisen, which, under paragraphs 301 and 302, can contain as high as 30 per cent manganese, if over 1 per cent carbon, takes a duty of 75 cents per ton, whereas if it contains a minute fraction of 1 per cent more than the 30 per cent specified, it takes a duty of $13.50 per gross ton plus 15 per cent ad valorem. Spiegeleisen containing high carbon, bears the same relation to ferro manganese that high-speed steel scrap bears to ferro alloys of tungsten.

If it is the purpose of Congress to prohibit the importation in the form of scrap, of any metals which are protected in their finished form, under paragraph 302 (as is stated by the subcommittee of the House, Schedule 3), the Congress should certainly be consistent and extend the prohibition to spiegeleisen and chrome nickel scrap instead of penalizing the comparatively unimportant item of high-speed steel scrap containing some vanadium, tungsten and chrome. It must be conceded that domestic producers and manufacturers of manganese and chrome products, which are imported in large quantities, must suffer far more from the importation of scrap nickel, chrome, and spiegeleisen than from the importation of the small amount of high-speed steel scrap containing vanadium, tungsten, and chrome.

These tungsten rates were imposed by the House at the instance of nine tungsten mine owners enjoying the present duty of 45 cents per pound of metallic tungsten in ore or concentrates, equivalent to $7.14 per unit WO3, or $500 per ton of standard tungsten ore containing 70 per cent WO3, which the Bureau of Mines declares to be "the highest duty ever placed on a raw material."

The table below gives the commodity, 1922 tariff on tungsten and its alloys, the increases asked by the domestic miners, the duties prescribed in the House bill and the price which Mr. Franklin, representative of the domestic miners, insisted upon as minimum market price for tungsten ores in order to enable the domestic industry to produce 2,500 tons of ore per year.

Commodity	1922 tariff	Asked by Franklin	H. R. 2667	Per cent increase	Price needed for domestic miners to increase production from 25 to 65 per cent domestic consumption according to statement of miners' representative	Market price, June 1929 spot	6 months' delivery
Tungsten ore	45¢ lb. W.	62½¢	50¢	[1] 11	14.50 per unit WO3 (equal to 1.20 lb. W).	16.50 (1.38) per lb. W	15.00 (1.24) per lb. W
Manufacturing products, such as ferrotungsten.	60¢ lb W. + 25 per cent ad. val.	90¢ 25%	60¢ 25%	None.	Based on above price for war material $1.20 lb.	$1.49	

[1] Cost of raw material plus 20¢ lb. W. conversion charge and conversion loss of 8 per cent of raw material.

The tungsten mine owners supplemented their demand for an increase of the prevailing duty under paragraph 302 of 45 cents per pound on the metallic tungsten contained in ore or concentrates by 50 per cent, a total of 67½ cents, by demanding a similar increase from 60 to 90 cents per pound upon all compounds and alloys of tungsten on the tungsten contained therein, an increase of the prevailing duty of 75 cents per ton on scrap steel containing tungsten to $1 per pound upon the tungsten content in excess of one-tenth of 1 per cent, together with an increase of $1.08 per pound on all tungsten in excess of one-tenth of 1 per cent on any material contained in the metal schedule containing tungsten. These requested increases were exclusive of the existing cumulative duties of 72 cents per pound on the tungsten content of steel in all forms of manufacture in excess of six-tenths of 1 per cent.

The basis for this requested increase was that if granted, it "will allow a great many more mines to operate and some of them to increase their annual production to an aggregate maximum of 2,500 tons." Only seven or eight mines are operating under the present tariff with production since 1925 of but 1,200 tons per annum out of a total consumption estimated at 4,000 tons, containing 70 per cent tungstic trioxide or 56 per cent metallic tungsten, or allowing for a 90 per cent recovery in reduction, approximately 1,000 pounds of tungsten per ton of ore. This would fix the annual tungsten consumption at 4,000,000 pounds. As a result of the prevailing duty on manufactured products containing tungsten, few, if any, are imported.

In addition to the 4,000,000 pounds of tungsten above specified, not more than 400,000 pounds of tungsten in the form of scrap steel were imported in 1927 and 1928, respectively. Prior to these years importations were suspended because of controversy over classification by customs officials. This makes an approximate domestic tungsten consumption of 4,400,000 pounds per year.

Due to stocks on hand, no imports followed the act of 1922 until 1925. Meanwhile domestic production was 806 tons. From 1924 to October 20, 1928, inclusive, imports were 8,879 tons, and the domestic product was 4,727 tons with the market price from $8.50 to $12 per unit, standing at the latter figure at the beginning of the current year. Exclusive of ad valorem duties the rates of the existing law are on the basis of $500 per ton of ore and concentrates; $960 to $1,200 per ton on compounds and alloys of tungsten. Cumulative duties to the manufacturer of steel containing tungsten are at the rate of $1,440 per ton of tungsten, plus an ad valorem duty of 8 per cent. Hence, his industry is not affected by the exclusion of this amendment. On the contrary, it gives him a small supply at reasonable rates. He consumes the domestic product twice over and will do that when and if it reaches the proposed maximum of 2,500 tons annually.

The representative of the tungsten mine owners declared to the House committee that the prevailing duties permitted only the lowest production cost mines to operate, nearly all of which suffer operating losses and receive nothing on invested capital or for depletion of ore reserves. Hence an increase of 50 per cent in these duties was asked, which if granted, "will allow sufficient mines to operate to make an annual production of 2,500 tons," or 1,500 tons less than our annual consumption. But the House discounted this assertion and granted a 5-cent increase where 22½ cents was the miners' "irreducible minimum."

The complaint of the mine owners just cited is of no consequence, even if the facts are conceded. The profits of these miners during the war period from 1914 to 1918, inclusive, were so prodigious that they must have written off many times the total cost of their property, equipment, depletions, explorations for new reserves, etc. During that period the product for a considerable period commanded $6,000 per ton, the general range of prices averaging over $4,500.

Labor employed in domestic production does not exceed 450 men. About 50 more are employed in the conversion of the ores into ferrotungsten at three conversion plants in the United States. Scrap steel importation neither increases nor diminishes their employments nor affects the industries which need their services.

The House committee reported no change in the existing rates, except the increase of 5 cents per pound on tungsten ore and concentrates. The reason for the change is not disclosed; it helps nobody. It only adds to the consumers' costs, which may be said of the entire scale of tungsten duties. They constitute a burden upon industry which is indefensible and restrictive. It may be affirmed that the tungsten mine owner was far more prosperous from 1908 to 1914 when his product was unprotected than he has been since 1922.

But the committee hearkened to the plea of the tungsten miners for a prohibitive duty on steel scrap. The rate of 75 cents per ton was retained, and fortified by adding 72 cents per pound on practically all the tungsten content; $1 per pound on 75 per cent of the vanadium content and 4 cents per pound on practically all chromium content. Under the existing law about 400 tons of steel scrap containing from 5 per cent to 15 per cent of tungsten were imported in 1927 and 1928. At 15 per cent of tungsten content, the proposed duty would be $216.75 per ton as against 75 cents. The scrap—containing tungsten, vanadium, chrome, etc.—imported in this form, is but 400 tons per annum, or 9 per cent of our annual consumption since 1926. Government revenue on this tonnage was $300 per annum. Although a trifle, the House amendment will destroy the small industry which produces it. That industry can not expand since the supply of material is limited to legitimate scrap produced in European steel mills in the ordinary course of manufacture and is not likely to materially increase. As an alloy the metal is valuable only in the manufacture of high-speed tool steel, of which America is the great producer and consumer. Of what possible benefit this amendment can be to the domestic mine owner whose schedule is virtually unchanged we can not imagine.

Since their petition for a 50 per cent increase of duty was rejected, the mine owners can not benefit by this amendment. On the other hand, the market price of the commodity has increased more than 50 per cent since the House hearings were held. While it lasts, scrap steel importations must be suspended.

Moreover, steel scrap falls into a strict statutory classification. It must be "fit only to be remanufactured" and as such is obviously handicapped as raw material. It is inferior to tungsten ores or tungsten in compounds or alloys. It is less valuable because it has been used in manufacture and is the refuse of the finished product. It can enter domestic industry only by the process of remanufacture.

Yet the proposed amendment, while imposing a duty equal to that upon tungsten in any form, preserves the classification while subjecting the commodity to another. It is made to bear the burden of a greater specific duty than that imposed upon other forms of the metal, which are free to enter any product requiring it. This is more than illogical; it is indefensible. It should be added that scrap steel carrying these low percentages of tungsten is required as a sort of flux to enable consumers to reduce 80 per cent ferrotungsten to 50 per cent by fusion of the two. This reduction is necessary to speed tool manufacture, the 80 per cent content being much too high for practical use.

The mine owners told the committee that the price of tungsten must reach a minimum of $14.50 to $15 per unit of 20 pounds or they could not operate their mines. The price (January, 1929) ruling the market was $12.50 per unit.

Since then the price has greatly advanced. Recent sales have been at $15.50 per unit, or $1,085 per net ton (of 70 per cent tungsten oxide), duty paid, which is greater than the January price plus the 50 per cent increased duty asked for. And no spot tungsten is available either in the United States or Europe. This is reflected in steel scrap containing tungsten, the price of which is virtually double that of January last. This takes it out of the 7-cents-per-pound classification and bars its importation under Paragraph 301. Most of the foreign ore comes from China. The rise in price indicates depletion or increasing cost of production by rising wages, or both. The Chinese reserves also are evidently yielding to the drafts made upon them since 1918; a conclusion based upon the recent sharp advance just noted. Deposits of tungsten in mass are unknown elsewhere.

Due to these natural conditions affecting the world's supply and to the demand for tungsten, the mine owners have abundant protection under existing schedules. It remains to be seen whether domestic protection will increase under these new conditions. If it does not we may be sure that domestic tungsten reserves have also been exhausted.

The report of the Bureau of Mines for 1927—last report upon the subject—gives no satisfactory data regarding tungsten reserves in the United States or elsewhere. We know of none which are readily available either in mass or as by-products of other mineral deposits. This is not surprising, for it is true of all rare metals. It would be far wiser and more economical for the Government to purchase all known domestic deposits to be held against the exigencies of possible national needs than to stimulate their certain and speedy exhaustion by continuing against the foreign product "the highest duty ever levied upon a raw material."

The bureau stresses the importance of this metal as "comparable to that of lead and zinc and exceeded only by that of iron and copper." It is still of greater

importance in time of war. During the last one the country was unable at any price to supply its own needs for tungsten. It was then almost impossible to procure it elsewhere, other nations being as desperately in need of it as ourselves.

To protect is to guard, to preserve, to defend. Literally it means to cover in front. It is a shield, not a sword. There is no protection in the duty here challenged. It is destruction and nothing else. It is meant to be. Its promotors call it "the correction of an inequality." The communists thus define confiscation. Both conditions are identical in principle. This is not the first, but we trust it will be the last, example of legislative demolition of a legitimate industry under the guise and in the name of protection.

C. S. THOMAS
(For David Taylor Co., New York).

STATE OF NEW YORK, *ss:*
County of New York:

David Taylor, being duly sworn, deposes and says: That he is the president of David Taylor Co., a New York corporation and the subscriber to the foregoing brief; that the same is true of his own knowledge, except as to the matters which are therein stated to be alleged on information and belief and that as to those matters he believes it to be true.

DAVID TAYLOR.

Sworn to before me this 28th day of June, 1929.

[SEAL] THOS. L. BROWN,
Notary Public.

Term expires March 30, 1931.

TUNGSTEN SCALE

[Par. 301]

STATEMENT OF V. R. LANSINGH, PELHAM, N. Y., REPRESENTING THE TUNGSTEN AND MOLYBDENUM REFINERS OF NEW YORK CITY

[Including ferromanganese, par. 302 (d) and spiegeleisen, par. 302 (e)]

Mr. LANSINGH. I wish to speak first briefly of paragraph 301.

Senator REED. Particularly with reference to additions made by the House in the proviso?

Mr. LANSINGH. Yes, sir; and I wish to add further the words:

Scrap iron and scrap steel and hammer, roll, and mill scale.

The idea of that is this: Tungsten is being imported into the country to-day in the form of mill scale, paying a duty of 75 cents on a ton of material. The tungsten content therein, if it were in the form of ore, would pay a duty of approximately $100 a ton, whereas it is paying now in this form but 75 cents.

The House has provided for that by the addition in 301 of scrap steel, but it has not provided for it in hammer, mill, and roll scale.

This material is imported only for its tungsten content, and we would like to have that included in paragraph 301.

Senator REED. Just what words would you put in, and where would you put them?

Mr. LANSINGH. In line 3 it would read as follows:

Iron in pigs and kentledged, $1.12½ per ton; spiegeleisen containing more than 1 per centum of carbon, 75 cents per ton; wrought and cast scrap iron, scrap steel, and hammer, roll, and mill scale, 75 cents per ton.

Senator REED. What is the difference between roll scale and mill scale?

Mr. LANSINGH. They are practically the same thing.

Senator REED. Then why say it twice?

Mr. LANSINGH. That is a term used in the steel industry as I understand. I am not a steel manufacturer, so I have only taken their language.

Senator REED. All right, sir.

Mr. LANSINGH. I will take up next paragraph 302, especially relating to tungsten and molybdenum. When the tariff act of 1922 was passed, all of the tungsten products were lumped in one paragraph, no matter what their nature was. Since that time, however, there has been a large and rapid growth in the use of tungsten for various purposes; and to-day it is desirable to divide the same into four classes carrying varying rates of duty.

The first class in general relates to tungsten chemicals. We have already asked the committee on the chemical schedule to include tungsten and molybdenum with paragraphs 92, vanadium, inasmuch as these three metals are all related chemically and are similarly used in industry.

The second class we suggest is ferrotungsten, which is now provided for in (g). We would like that placed in (h) to go along with the other tungsten alloys which are provided for in (h). There is no change in duty asked for.

Senator REED. It will not affect the duty in the least?

Mr. LANSINGH. Not in the least.

Senator REED. What is the good of changing the paragraph in which it is mentioned?

Mr. LANSINGH. Because we want to have (g) for another classification of tungsten products.

Senator REED. What would you put in for (g) then?

Mr. LANSINGH. In (g) we want to have tungsten metal powder, which is already in there; and tungsten carbide powder, which is a new thing since the tariff was written.

Senator REED. Would you not get the same result with fewer words and fewer changes if you added tungsten carbide powder in paragraph (g)?

Mr. LANSINGH. We are suggesting that they be added, but that ferrotungsten be taken out, that chemicals be taken out, and that the metals be taken out.

Senator EDGE. And the chemicals transferred back to 92. Is that your plan?

Mr. LANSINGH. Yes, sir.

Senator REED. I do not see that it makes any practical difference.

Senator EDGE. What is the ad valorem in 92?

Senator REED. It is a little more artistic, perhaps, to do it that way, but what practical difference does it make?

Mr. LANSINGH. We think that classification ought to belong in the chemical section rather than in the metal section.

Senator REED. That would not increase the duty on them?

Mr. LANSINGH. Not one bit.

Senator REED. This is just a suggestion to add to the beauty of the bill?

Mr. LANSINGH. I am coming to the duty question in just a moment.

Senator REED. All right.

Mr. LANSINGH. And the fourth classification we suggest is rod, wire, sheet, and parts for use in the new hard alloy tools. That is dividing all of these various tungstens into these four classes.

Senator REED. Yes. Where are rods now?

Mr. LANSINGH. They would probably come under (g), although wire comes under section 316 in "wire not specially provided for."

Senator REED. Yes.

Mr. LANSINGH. Now, as regard ferrotungsten we are asking for no increase in duty despite the fact that there has been a proposed increase in the price of the ore.

Senator REED. Proposed increase in the price of the ore?

Mr. LANSINGH. In the House bill there is an increase in the price of the ore from 45 cents to 50 cents.

Senator REED. That is in paragraph 302, is it not?

Mr. LANSINGH. 302-(c).

Senator REED. The House increased that to $1,000 a ton.

Mr. LANSINGH. From 45 cents to 50 cents a pound.

Senator REED. That is $1,000 a ton. The price in the United States last year was $590 a ton, was it not?

Mr. LANSINGH. It depends.

Senator REED. For 60 per cent concentrate.

Mr. LANSINGH. That is a ton of metal, sir, not of the concentrates. The duty is on the metallic content of the concentrates.

Senator REED. The table given by the Tariff Commission at page 601 has been recomputed to the basis of 60 per cent concentrates.

Mr. LANSINGH. Yes, sir.

Senator REED. The domestic price of that for 1928 is given as $590 a ton. The duty on that, according to the House bill, would be $600 a ton, would it not?

Mr. LANSINGH. I have not checked up those figures; I have not figured it out just that way.

Senator REED. Obviously it would be 60 per cent of $1,000.

Mr. LANSINGH. Yes, sir.

Senator REED. In other words, on a product selling in America at $590 a ton you want a duty of $600 a ton. Why should you have it?

Mr. LANSINGH. I beg your pardon, sir; I have not asked for any such thing. I have said nothing about it. I have only asked for compensatory duty to take care of the proposed difference on the ore.

Senator REED. I want to ask you how that is supportable.

Mr. LANSINGH. We, remember, represent only the refiners, and not the miners. The duty on the ore is a matter for the miners. To us as refiners it makes no difference whether there is any duty or whether there is a duty of $1,000 a ton.

Senator REED. Then you are just the man I am looking for, because you take an impartial view of it.

Mr. LANSINGH. All right, sir.

Senator REED. What possible justification is there, on the Republican theory of equalizing production costs, of putting a $600 duty on a $590 product?

Mr. LANSINGH. As I understand it, to keep our American mines open for the reason that practically all of the foreign material comes from China.

Senator REED. Yes.

Mr. LANSINGH. Where labor and other things that go with it are very cheap.

Senator REED. Then, if that duty is justifiable, the cost of production in China must be minus $10.

Mr. LANSINGH. The duty is $7.14 a unit; and the Chinese price is ordinarily about $3.50—from $3 to $3.50.

Senator REED. The duty is $600 a ton on 60 per cent concentrates, is it not?

Mr. LANSINGH. Yes, sir.

Senator REED. And the value of those concentrates in the United States last year was $590 and the year before it was $548; and the House by this suggestion put on a duty of $600 per ton on that same stuff that when it gets here sells for $590.

Senator KING. Are you asking this increase?

Senator REED. No; he is not.

Mr. LANSINGH. No, sir; I am not. Senator, we only represent the refiners. We are not interested in the duty on the ore primarily except as it affects our investment.

Senator KING. Can you justify a 50-cent per pound tariff on tungsten?

Mr. LANSINGH. I am not attempting to one way or the other, sir. That is a matter for the miners, not for the refiners. We buy our ore from the miners, either imported from China or mined in this country; and, as I understand it, the American mines can not operate without that duty.

Senator KING. Why? Do you know?

Mr. LANSINGH. No, sir.

Senator BARKLEY. That is $1,000 a ton, is it not?

Mr. LANSINGH. The duty is 45 cents per pound of the tungsten content in the ore; and the ordinary concentrates run 60 per cent of tungsten trioxide, which is equal to about 50 per cent of tungsten. In other words, for every ton of concentrates brought into this country about one-half is tungsten metal.

Senator KING. What is the other half?

Mr. LANSINGH. Gangue and all sorts of things, quartz and everything like that—oxygen; there is a lot of oxygen in it.

Senator KING. A ton of gangue and ore contains 50 per cent tungsten?

Mr. LANSINGH. Yes, sir.

Senator KING. What would the tariff be on that?

Mr. LANSINGH. On a thousand?

Senator KING. $450?

Mr. LANSINGH. $450; yes, sir.

Senator KING. If you brought it in in its pure state, assuming that you could get it pure—and I doubt whether that is possible, although by the most modern method you might bring it to approximate purity—then it would pay what duty?

Mr. LANSINGH. In the form of an ore or in the form of a finished product?

Senator KING. In the form of the finished product.

Mr. LANSINGH. The finished metal?

Senator KING. The pure finished metal.

Mr. LANSINGH. It would be 50 cents a pound on pure tungsten as its specific duty plus 25 per cent ad valorem duty.

Senator KING. On an importation of a thousand pounds of tungsten, and I am speaking of the finished product, it would pay what ad valorem?

Mr. LANSINGH. The specific duty is 50 cents a pound.

Senator KING. Added to that $600.
Mr. LANSINGH. Yes, sir; and the ad valorem is 25 per cent.
Senator KING. Added to that?
Mr. LANSINGH. Added to that.
Senator KING. And would you add the 25 per cent ad valorem to the other tariff, too—to the tariff of 45 cents a pound? Would you pyramid it?
Mr. LANSINGH. No, sir; because there is no ad valorem duty on the ore; there is only a specific duty on the ore.
Senator KING. Assume that you bring in a thousand pounds of the finished product.
Mr. LANSINGH. Then there would be a 25 per cent ad valorem duty in addition.
Senator KING. A 25 per cent ad valorem duty in addition to the 60 cents a pound?
Mr. LANSINGH. Yes, sir.
Senator KING. In other words you would add $600 to the original cost and get your 25 per cent on that too?
Mr. LANSINGH. No; because that is the duty.
Senator KING. Duty on what?
Mr. LANSINGH. Your ad valorem is based on foreign valuation, not on American valuation.
Senator KING. I was wondering whether it was on the United States valuation or not.
Mr. LANSINGH. No, sir.
Senator KING. It is based on the foreign valuation?
Mr. LANSINGH. On the foreign valuation.
Senator KING. What is the value of the finished product?
Mr. LANSINGH. In the form of fine wire it might be worth $40 a pound.
Senator KING. Give me the value of it in the form in which it is usually imported.
Mr. LANSINGH. Ferrotungsten, the form in which most of it is used, is worth about $1 a pound.
Senator KING. $1 a pound?
Mr. LANSINGH. Yes, sir; normally.
Senator KING. One would pay $1,000 for 1,000 pounds of the finished product?
Mr. LANSINGH. Yes, sir.
Senator KING. Then would the 25 per cent duty be levied on the $1,000 valuation?
Mr. LANSINGH. No, sir. The $1,000 is the American price, not the foreign price.
Senator KING. That is the American price.
Mr. LANSINGH. The foreign price of that would be normally about $320.
Senator KING. Where?
Mr. LANSINGH. England or Germany.
Senator KING. Where do they get their ore from?
Mr. LANSINGH. China, mostly.
Senator KING. And they ship it over there, refine it, and sell it for $350?
Mr. LANSINGH. Yes, that is practically it.

Senator KING. Then the persons who use tungsten in the United States have that handicap?

Mr. LANSINGH. Yes, sir.

Senator KING. Of $350 ore as against ore here that costs them practically $2,000?

Mr. LANSINGH. It does not cost them that in the form of ore.

Senator KING. No. I am speaking of the finished product now; we are speaking of the finished product. When you gave the price of $350 it was on the finished product and was not on ore. You knew that, did you not? And the finished product pay 60 cents per pound plus 25 per cent ad valorem and costs $1,000.

Mr. LANSINGH. No. The $1,000, sir, is the entire price. That is the American selling price.

Senator KING. All right. Well, then, brought to the United States it would be——

Mr. LANSINGH. $1,000 when brought into the United States and sold on the open market.

Senator KING. $1,000?

Mr. LANSINGH. Yes, sir. That same material would sell for about $320 in Europe.

Senator KING. Now, wait; let us see if we understand this. You get your thousand pounds of pure metal——

Mr. LANSINGH. May I suggest that you call it ferrotungsten, because 80 per cent of all of this is ferrotungsten.

Senator KING. All right; we will call it ferrotungsten. That costs how much in Germany?

Mr. LANSINGH. $320.

Senator KING. $320. What is the insurance and freight rates and so forth?

Mr. LANSINGH. They are very small compared with the total amount. I should say perhaps 2 cents.

Senator KING. Two cents in general. Well, all right; $320 is what it costs in Europe. If it is brought to the United States you have got to pay the duty on that.

Mr. LANSINGH. Yes, sir.

Senator KING. And what would it be inventoried at, or be dutiable at?

Mr. LANSINGH. Sixty cents on every pound of tungsten content, which would be $600 on a thousand pounds.

Senator KING. $600.

Mr. LANSINGH. And 25 per cent of your foreign valuation of 32 cents a pound, which would be $80 additional. In other words, the total would be in the neighborhood of 68 per cent.

Senator KING. The cost would be more than $680.

Senator REED. That is all given in the Summary of Tariff Information which shows the ad valorem equivalent is from 174 per cent to 197 per cent.

Senator KING. I have read that.

Senator REED. This gentleman did not appear to testify to that, sir. Mr. Lansingh, we have got you off your track quite a little. Proceed with what you wanted to talk about.

Mr. LANSINGH. I have simply stated that the House bill provides for an increase in the ore of from 45 to 50 cents. Now we are asking on some of the products a compensatory duty, and on others no compensatory duty.

Senator EDGE. Before you get away from that statement—I do not want to divert your attention, but I have been trying to find in the House hearings the testimony, if there was any adduced particularly, that would justify, or encourage the proposed raise from 45 cents to 50 cents on tungsten ore concentrates. Did you appear before the House committee?

Mr. LANSINGH. No, sir.

Senator EDGE. I can not find a brief in here.

Senator REED. Look at page 1857.

Senator EDGE. I am trying to find the presentation of an argument to warrant the proposed raise in raw material. Is there any testimony before the House at all?

Senator REED. I do not see any.

Senator EDGE. That was apparently done on the floor.

Senator REED. Proceed, Mr. Lansingh.

Mr. LANSINGH. Eighty per cent of all tungsten used in this country, and I might say there are around 4,000,000 tons of tungsten used; 80 per cent of that goes into the making of high-speed steel, and it is generally used in this country in the form of ferrotungsten.

We have not asked for a compensating duty in the case of ferrotungsten. We feel that due to our increased efficiency in manufacture since the tariff of 1922 was put into effect we can take care of the increase in the ore without asking for any compensating duty.

Senator EDGE. If this were reduced to 45 cents as in the existing law, would you ask for any change?

Mr. LANSINGH. Yes, sir, on account of certain new things which have appeared since then. I am going to speak of those briefly in a moment.

Senator REED. The imports have not been enough to bother you much, have they?

Mr LANSINGH. No, sir; they have not except in one class of which I will speak a little later.

Senator REED. Of all varieties of molybdenum, tungsten, ferrotungsten, and other alloys and compounds of tungsten, only 56 tons were imported last year.

Mr. LANSINGH. Yes, sir. Most of those are in one specific class.

Senator REED. And what class was that?

Mr. LANSINGH. In the form of tungsten metal powder and tungsten carbide.

Senator REED. Tungsten metal powder is already covered by section 302-G.

Mr. LANSINGH. Yes, sir.

Senator REED. And if we put in tungsten carbide powder that covers that, does it not?

Mr. LANSINGH. Yes, sir. I wish to explain to you gentlemen here that there has been a great change in the industry as regards tungsten metal powder. Before 1919 it was used in making steel. To-day it is not so used at all, but a higher grade of material is employed in making these new hard metal alloys made from that and tungsten carbide.

Senator REED. What is that—in the shape of crucible steel, you mean?

Mr. LANSINGH. No, sir; there is no steel in it at all. I have a piece here; and if you will come to that in just a moment.

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Senator REED. Proceed in your own way.

Mr. LANSINGH. I would like to continue. As I say, we have asked for no compensatory increase on ferrotungsten, which represents the majority of the business. But now a new industry has sprung up in the use of tungsten in these new hard metals. These are revolutionizing the tool industry and the oil-drilling industry. This material will probably make as great a change in our manufacturing in this country as high-speed tungsten steel did over the old carbon steel.

Senator REED. Is this the material that the Krupp announced about a year ago?

Mr. LANSINGH. Yes, sir.

Senator REED. What do they call theirs?

Mr. LANSINGH. They call it Widia. The General Electric Co. have a product which they call Carboloy. This material [producing a small piece of it] is next to the diamond in hardness. It is so hard that you can take a tool with a tip of this and actually turn a thread in glass. Nothing like that has ever been known before.

Senator REED. What is the name of it?

Mr. LANSINGH. It is made approximately of 85 per cent tungsten.

Senator REED. What else is in it?

Mr. LANSINGH. Carbon, making tungsten carbide, and some cobalt to act as binder.

Senator REED. And it cuts like a diamond?

Mr. LANSINGH. Just like a diamond, sir.

Senator REED. I saw it stated somewhere that its index of hardness was 9 and that the diamond was 10. Is that about right?

Mr. LANSINGH. Yes, sir; that is correct. It will scratch even a sapphire.

Senator REED. Is the composition of the Krupp material substantially the same as that that the General Electric Co. is making?

Mr. LANSINGH. Yes, sir.

Senator REED. What does this sell for a pound?

Mr. LANSINGH. I do not know how it sells per pound, because they sell it mounted on a tool They do not make the whole tool of this material, but just have a small piece like that [indicating] mounted on a tool stock, because it is altogether too expensive and has not sufficient strength to make a whole tool of it.

Senator REED. Its brittleness is very great?

Mr. LANSINGH. Yes, sir; but they are gradually getting that better.

Senator KING. Does the electric company you spoke of introduce any other alloy?

Mr. LANSINGH. Not that I know of.

Senator KING. Or does it employ electric current in the manufacture of it that would produce a little different quality or texture?

Mr. LANSINGH. No, sir. That is a highly technical problem. They use electric current for making that hard material from this powder, which is tungsten carbide [producing a bottle containing a black powder].

Senator REED. Sir, you have not told me what this sells for. There have been some quotations of something like $600 a pound, have there not?

Mr. LANSINGH. Taking just the material itself I believe it sells for $450 a pound without mounting in the tool. Over half of the cost is in the mounting, as I understand it. We are not in that business.

We only supply the raw materials, but as I understand, the larger percentage of the cost is in the mounting of this particular piece of material in a tool.

Senator REED. Then the tariff on this would be something like $100 a pound ad valorem, would it not?

Mr. LANSINGH. No, sir, because as I understand the foreign valuation is much lower.

Senator REED. What is the foreign valuation? Do you know?

Mr. LANSINGH. No, sir.

Senator KING. Have you seen it quoted for this particular product?

Mr. LANSINGH. It is not quoted, sir.

Senator REED. Is this made by some arrangement between the General Electric Co. and the Krupp concern?

Mr. LANSINGH. I understand so, but that is only from general hearsay. I understand it is a patented article.

Senator REED. And the General Electric Co. is the licensee for this country.

Mr. LANSINGH. I believe so.

Senator REED. We are taking you off your track in many cases.

Mr. LANSINGH. I am very glad indeed to give the committee any information I can. That is what I am here for.

Senator REED. Proceed.

Mr. LANSINGH. What we tungsten refiners are interested in is in the making of this powder which goes into the manufacture of these tools.

Senator REED. And what is the powder?

Mr. LANSINGH. The powder is tungsten carbide mixed with a binder like cobalt. The process of manufacturing, very briefly, if you are interested is this.

Senator REED. Yes, we will be glad to hear it.

Mr. LANSINGH. First we make sodium tungstate; then from sodium tungstate to tungstic acid; tungstic acid to tungstic oxide; tungstic oxide to tungsten metal powder; tungsten metal powder to tungsten carbide; then mixed with the binder and finally we get this powder.

Senator KING. Do you have to reduce it through all these various processes in order to get your carbide? Could you omit any step in the process?

Mr. LANSINGH. No, sir; it can not be done.

Senator REED. And that tungsten carbide powder resulting from the last stage of the proceeding is the thing that you want us to protect by adding it to 302 (g)?

Mr. LANSINGH. Yes, sir.

Senator REED. I think we have your point on that.

Mr. LANSINGH. What we ask for is this: We are asking a compensatory duty to take care of a proposed increase in ore or metal and in addition 10 per cent only. I want to say that there will be over 200 tons of this material, tungsten carbide, imported into this country in 1929; and 95 per cent of all the material used is imported. There is no American manufacturer to-day who can compete at all with any imported material. We are out of the picture to-day.

Senator REED. Is not that partly because of the very high duty on your raw materials?

Mr. LANSINGH. No, sir, because there is not a corresponding duty on the finished product.

Senator KING. If you got your raw material cheaper could you not produce it cheaper?

Mr. LANSINGH. Yes, sir.

Senator KING. Then your compensatory duty would not need to be so high.

Mr. LANSINGH. We only ask for compensatory duty due to the increase in the price of the ore and an additional duty of 10 per cent. You understand, gentlemen, this is a new industry. It has never been provided for before and it is probably a revolutionary industry.

Senator KING. I understood you did not make the thing.

Mr. LANSINGH. We make this powder, sir.

Senator KING. Yes, but you do not make this steel product that you just called to our attention.

Mr. LANSINGH. We do not; but we sell this material and other people make it from this.

Senator KING. You have been selling this powder material for some time, have you not?

Mr. LANSINGH. We have been working on it over a year and a half, and we have spent over $35,000 of our own money in research and we are not in production yet.

Senator REED. Does anybody else in this country make it?

Mr. LANSINGH. I understand that the Carboloy Co. is making it for their own use.

Senator REED. Is this product made in an electric furnace?

Mr. LANSINGH. Yes; with electric heat.

Senator KING. You mean the powder, Senator?

Senator REED. No; I mean the cutting tool.

Mr. LANSINGH. What they do, sir, is take this material and press it under an hydraulic ram giving several hundred tons pressure per square inch and forming it into a bar, or a shape like this [indicating]; then they take and put that in an oven and heat it to a very high temperature and it cinters, as they say, or comes together in a form like this.

Senator KING. What I am trying to get at, though, is you are not interested in this finished product; that is, the tool.

Mr. LANSINGH. The only way we are interested in the finished product is that the more of it these people make the more powder we sell; but the people in America who make this powder can not compete with foreign material imported.

Senator REED. If they have their own arrangement with the Krupp Co. they need not worry much about that, need they?

Mr. LANSINGH. There are other people we sell to, or hope to sell to, besides them.

Senator KING. I can not yet follow you. The cheaper you can get your powder the better satisfied you should be.

Mr. LANSINGH. Yes, sir.

Senator KING. And the cheaper the manganese ore is, then the better you are off.

Mr. LANSINGH. Tungsten ore.

Senator KING. Tungsten ore, I mean.

Mr. LANSINGH. Yes, sir. Our investment is the greatest concern to us. It makes no difference to us as refiners whether the duty on ore is high or low because we must pass that on to the consumer in any case.

Senator KING. Do you buy the ore?
Mr. LANSINGH. Yes, sir.
Senator KING. And then reduce it yourself?
Mr. LANSINGH. Yes, sir.
Senator REED. I think we have your point, sir, unless there is something else you want to bring out.
Mr. LANSINGH. Yes, sir. I want to say that this very moderate increase of 10 per cent we think will enable us to compete; but if it does not we have faith that we can appeal to the President for further protection; but we are only asking 10 per cent on a highly technical finished article in the hopes that we can meet the competition which now have 95 per cent of the business.
Senator REED. And the same 10 per cent additional duty only on the tungsten carbide. Is that right?
Mr. LANSINGH. On tungsten metal powder. The tungsten carbide, and either or both of those things when they are united with a binder. The wording of the paragraph as we suggest reads as follows:

Tungsten metal, tungsten carbide, and mixtures or combinations containing the foregoing in lump or powdered form, 60 cents per pound of the tungsten content therein and 50 per cent ad valorem.

Senator KING. I do not understand how you can justify this demand for an increase of 10 per cent. You have manufactured the powder; you know it can be manufactured; you have manufactured it before under the existing tariff law.
Mr. LANSINGH. No, sir; we have not made tungsten metal before until very recently.
Senator KING. Well, you have made it; that is what I say.
Senator REED. Only experimentally?
Mr. LANSINGH. Only experimentally, sir. Ninety-five per cent, Senator, is imported. That is the answer.
Senator EDGE. In other words you are preparing to compete?
Mr. LANSINGH. Yes, sir; we hope to be able to compete.
Senator EDGE. With the expected production by Americans of the cutting tools?
Mr. LANSINGH. Yes, sir. I want to say further——
Senator KING. Where does this powder come from? Is it brought in from Germany?
Mr. LANSINGH. England, mostly.
Senator KING. England has to adopt the same process of refining as you do?
Mr. LANSINGH. Yes, sir.
Senator KING. Substantially the same?
Mr. LANSINGH. Yes, sir.
Senator KING. And England has to get the ore the same as we have to get the ore?
Mr. LANSINGH. Yes, sir.
Senator KING. The processes of refining are substantially the same there as here?
Mr. LANSINGH. Yes, sir; they are.
Senator KING. That is technical and requires skilled men, I presume?
Mr. LANSINGH. I want to call your attention to this difference: In this country we are using ferrotungsten instead of tungsten metal powder in making steel. In England they are using tungsten metal

powder and making steel because they make it in a different way and the result is they turn out millions of pounds of tungsten metal powder where under any conditions that we might use we would turn out tens of thousands. In other words, they turn out a hundred pounds of material to one of ours; and no manufacturer can compete where that is the condition, where every ton of his is but 10 per cent of the other man's.

Senator KING. We produce more steel in the United States than they do?

Mr. LANSINGH. Yes, sir.

Senator KING. Then why can't we?

Mr. LANSINGH. Because we use ferrotungsten and they use tungsten metal powder in making steel.

Senator EDGE. Did you appear before the House committee?

Mr. LANSINGH. No, sir.

Senator REED. You did not file a brief before them?

Mr. LANSINGH. No, sir; except Mr. Taylor filed a brief on 301, Senator, asking that scrap steel containing tungsten would carry a duty.

Senator EDGE. The House granted that request?

Mr. LANSINGH. Yes, sir.

Senator KING. Would or would not?

Mr. LANSINGH. To take out scrap steel because—you were not here at that time, Senator. I explained that scrap steel containing tungsten has been brought in at a duty of 75 cents a ton whereas if it had been brought in in the form of tungsten it would have paid $100 per ton.

Senator REED. It is just a cheap way of getting tungsten into the country. Do you want to file a brief here?

Mr. LANSINGH. Yes. If you will give me a minute more I will cover it rapidly.

The case of molybdenum is parallel with that of tungsten, except that there is no increase in duty on molybdenum ore provided for in the House bill and consequently there is no need of a further compensatory duty on the finished products. We suggest that paragraph 302, section (f), be allowed to stand with the same duty exactly as applied to ferromolybdenum, all other alloys of molybdenum not especially provided for, and calcium molybdate, but that when we come to molybdenum metal powder, molybdenum carbide powder and mixtures and combinations of the same, that duty be increased from 15 to 40 per cent. These powders which are made from molybdic acid are even more difficult to manufacture than the corresponding powders of tungsten and practically all now used are being imported. The amount so used to-day, while not large as compared with tungsten powders, is nevertheless growing. How far it will go nobody can say, as this is all a new field opened up within the last six months.

In other words, sir, they use molybdenum metal powder and molybdenum now for the the same things as they do tungsten.

Senator REED. In other words, you could make this cutting tool out of molybdenum as well as tungsten?

Mr. LANSINGH. Yes, sir.

Senator REED. Just as efficiently?

Mr. LANSINGH. That remains to be seen; I do not know.

Senator KING. You want to increase the tariff from 15 per cent ad valorem to 40 per cent?
Mr. LANSINGH. Yes, sir; on this particular product.
Senator EDGE. That is paragraph (f)?
Mr. LANSINGH. Yes.
Senator BARKLEY. What does this represent in cents per pound?
Mr. LANSINGH. It will represent about 12 cents a pound, sir.
Senator BARKLEY. So that it would make it 62 cents per pound added to the 50 cents carried in the line above?
Mr. LANSINGH. I am suggesting an ad valorem duty rather than a specific duty.
Senator BARKLEY. But you have to add that to the 50 cents?
Mr. LANSINGH. Yes, sir.
Senator BARKLEY. Because that is in addition.
Mr. LANSINGH. Yes, sir.
Senator REED. Mr. Lansingh, your request on molybdenum is evidently based on an apprehension rather than on existing foreign competition?
Mr. LANSINGH. It is, sir, absolutely. It is a new industry.
Senator REED. Because the imports have been less than one-tenth of one per cent.
Mr. LANSINGH. They have been almost negligible; there is no question about that, sir. This, I will tell you, gentlemen, is a new industry. We do not know where we are going. The whole thing is less than a year old.
Senator REED. I am afraid I know where we would be going if we tried to make a tariff based on apprehension.
Senator KING. You apply this proposed rate to all of the products under (f) do you not?
Mr. LANSINGH. No, sir; decidedly not.
Senator KING. I was going to say that would be calcium molybdate and all the other compounds and alloys.
Mr. LANSINGH. Decidedly not. There is no increased duty asked for in 90 per cent of the forms in which molybdenum is used, sir.
Senator REED. All right, sir; I think we have your point.
Mr. LANSINGH. This is on less than 10 per cent.
Senator REED. And you want to file a brief?
Mr. LANSINGH. May I say, also, sir, that I appear on behalf of the Fansteel Products Co. on sections (n) and (r).
Senator KING. I would like to ask you a few questions, sir. How much is the capital invested in your company?
Mr. LANSINGH. About $300,000, sir.
Senator KING. When did you organize your company?
Mr. LANSINGH. 1905.
Senator KING. Where are you operating?
Mr. LANSINGH. York, Pa.
Senator KING. You say there is an investment of $300,000?
Mr. LANSINGH. Yes, sir.
Senator KING. Is that actual investment?
Mr. LANSINGH. Yes, sir.
Senator KING. Have you paid any dividends?
Mr. LANSINGH. We have paid no dividends since 1919.
Senator KING. Have you put any profits back into your business?
Mr. LANSINGH. No, sir.

Senator KING. Have you increased it or expanded it?

Mr. LANSINGH. No, sir. Our business was expanded during the war at the request of the Government, and its capacity has been more than ample to take care of the things we could make. Our great trouble has been to find things for our plant, not to enlarge it.

Senator REED. Where is your own home, Mr. Lansingh?

Mr. LANSINGH. Pelham, N. Y.

Senator REED. What is your connection with the York concern? Are you one of the officers of the company?

Mr. LANSINGH. I am president of the company.

Senator REED. You want to speak also about section 302?

Mr. LANSINGH. Paragraph 302 (n) and (r).

Senator REED. Particularly with respect to what metals?

Mr. LANSINGH. Tantalum and columbium only.

Senator REED. All right, sir.

Mr. LANSINGH. The House bill has heretofore put tantalum in section (n). The reason for this is because ductile tantalum is especially provided for by section (r). There are other forms of tantalum besides ductile tantalum; and we are simply asking that tantalum be included in (n).

Senator EDGE. Why should ductile tantalum be put in section (n) and all other forms of tantalum be put in section (r)?

Mr. LANSINGH. Because by the time tantalum has reached the stage of being ductile tantalum in the form of sheets or rods, it has been through a long process of manufacture to get it there. Understand, gentlemen, these metals can not be refined in the electric furnace, melted, and run down. They have got to be made in the form of oxides, then reduced generally by hydrogen to the form of a fine powder, and from there they have to be compressed and cintered, to form them into bars. Then they are worked into rods and sheets. It is a long process of manufacture. After you have gone through all of that, then you have got ductile tantalum.

Senator REED. And because of the additional processes you go through it requires an additional 15 per cent for protection?

Mr. LANSINGH. Yes, sir. The difference in cost between one and the other may be 300 per cent.

Senator REED. I understand that, but that would hardly furnish a reason for any difference in percentage unless it was a question of foreign competition. It is just merely an extended process, as I follow you?

Mr. LANSINGH. It is a very extended process and it takes a very large amount of highly skilled labor. It is a very skillful process. It is not made by cheap labor at all.

Senator REED. Have you any competition on this particular product, tantalum?

Mr. LANSINGH. I do not know how much there is. There is not much, sir. Most of it is made in Germany and it is used largely for battery charger sets and for radio work, and also for dental tools.

Senator REED. Then it is just an experiment to put it in at 40 per cent?

Mr. LANSINGH. It has been in there. We are not asking for any change at all, sir.

Senator REED. That is the old rate?

Mr. LANSINGH. That is the old rate. We want tantalum put in (N) and we want you to add columbium to (r).

Senator REED. You are asking for no advance but simply for the transfer of tantalum to (n); and I understand you to say you want to transfer columbium——

Mr. LANSINGH. We want to transfer columbium to (r).

Senator REED. You do not want to take it out of (n)?

Mr. LANSINGH. No, sir. We want to have ductile columbium——

Senator KING. Tantalum, you said.

Mr. LANSINGH. As well as tantalum.

Senator REED. Now you want columbium as well as tantalum——

Mr. LANSINGH. In section (r) we want columbium and tantalum.

Senator EDGE. In other words, because of these additional processes you have outlined, you say there ought to be a proportional increase in the duty.

Mr. LANSINGH. Yes, sir. I might say columbium and tantalum occur in the same ore; and they come together when you refine them. They are almost one and the same thing only they are slightly different chemically.

Senator REED. Are they elements?

Mr. LANSINGH. Yes, sir.

Senator KING. Are they one of the 90 elements?

Mr. LANSINGH. Yes, sir.

Senator REED. They are used for substitute for platinum, I take it.

Mr. LANSINGH. They have their own uses rather than as substitutes for platinum, sir.

Senator KING. What is columbium used for?

Mr. LANSINGH. More or less as a substitute for tantalum, and tantalum is used in dental tools and also in the manufacture of these charging sets for radios.

Senator KING. Do you know why it is that from nearly every town in the United States dentists write in to us—I suppose I have received a thousand letters—asking for an increased tariff on dental tools which they have to buy?

Mr. LANSINGH. No, sir; I do not. I know nothing about it.

Senator KING. They certainly did not inspire that, do you think? Was it inspired by the manufacturers of dental tools?

Mr. LANSINGH. I have no, idea, sir.

Senator EDGE. In other words, you are proposing somewhat of an insurance, but without any statistics or facts to go upon.

Mr. LANSINGH. No, sir; because the use of columbium as a separate metal is brand new.

Senator EDGE. As I say, it is insurance.

Mr. LANSINGH. But tantalum is not a new industry. We know about that.

Senator REED. We have your point about tantalum. Thank you.

(Mr. Lansingh submitted the following briefs:)

BRIEF OF THE AMERICAN TUNGSTEN REFINERS

To the FINANCE COMMITTEE,
United States Senate, Washington, D. C.

SIRS: We wish to suggest one change in paragraph 301, namely, the addition of the words "and hammer, roll, and mill scale."

At the present time hammer, roll, and mill scale resulting from the manufacture of tungsten steel and containing approximately 10 per cent of tungsten is

being imported into this country at a duty of 75 cents a ton. This material sells up to as high as $120 a ton, depending upon the tungsten content, whereas ordinary hammer scale containing no tungsten sells for approximately $5 a ton. This material is refined into an iron tungsten alloy running about 20 per cent tungsten, which is used by the manufacturers of high-speed steel as tungsten-bearing material in the making of new tungsten steel. As a result of this, the tungsten is brought in without paying any duty, the duty being on the scale only.

The importation of tungsten scale is of very recent origin, practically all of such importations having taken place during the last two months. Contracts have been signed for the importation from Europe of large amounts of this material.

Tungsten scale is imported only for its tungsten content and is, therefore, similar to the case of steel scrap containing tungsten which has been carefully provided for in the new tariff by charging an additional duty on the tungsten content. We therefore respectfully request that the words "and hammer, roll, and mill scale" be added to paragraph 301, which would then read as follows:

[Matter stricken is in black brackets, new matter is in italic]

"PAR. 301. Iron in pigs and iron kentledge, $1.12½ per ton; spiegeleisen containing more than 1 per centum of carbon, 75 cents per ton; wrought and cast scrap iron, [and] scrap steel *and hammer, roll, and mill scale*, 75 cents per ton: *Provided*, That spiegeleisen for the purpose of this act shall be an iron-manganese alloy containing less than 30 per centum of manganese: *Provided further*, That nothing shall be deemed scrap iron or scrap steel except secondhand or waste or refuse iron or steel fit only to be remanufactured: *Provided further*, That an additional duty of $1 per pound on the vanadium content in excess of one-tenth of 1 per centum, 72 cents per pound on the tungsten content in excess of two-tenths of 1 per centum, 65 cents per pound on the molybdenum content in excess of two-tenths of 1 per centum, and 4 cents per pound on the chromium content in excess of two-tenths of 1 per centum, shall be levied, collected, and paid on all the foregoing."

Respectfully submitted for the American tungsten refiners.

VAN RENSSELAER LANSINGH,
President York Metal & Alloys Co.

BRIEF OF THE YORK METAL AND ALLOYS CO.

The following changes are suggested. The aim is to clarify the wording and the intent, and thus to avoid confusion and save possible customs litigation.

All mentions of H. R. 2667 refer to the Senate print of the proposed tariff act.

FERROMANGANESE AND SPIEGELEISEN—PARAGRAPHS 302 (d) AND (e)

The pertinent passages of paragraphs 302 read as follows in H. R. 2667:

"PAR. 302 (d). Ferromanganese containing more than 1 per centum of carbon, 1⅛ cents per pound on the metallic manganese contained therein.

"PAR. 302 (e). Manganese metal, manganese silicon, manganese boron, and ferromanganese and spiegeleisen containing not more than 1 per centum of carbon, 1⅛ cents per pound on the manganese contained therein and 15 per centum ad valorem."

When used without modification the words "ferromanganese" and "spiegeleisen" denote the low-priced high-carbon alloys which contain usually 6 per cent or more of carbon. When the tariff act of 1922 was written, these were the only manganese alloys containing over 1 per cent of carbon which were then used in appreciable quantities, and the division at 1 per cent then furnished a serviceable distinction between these commoner alloys and low-carbon ferromanganese and spiegeleisen, the last named being then, as now, alloys of special uses and far higher price. Now, however, the equivalent distinction should be made at 2 per cent of carbon, and accordingly in both clauses the limiting carbon content should be raised from "1 per centum" to "2 per centum."

Reasons for the change: Foreign manufacturers are now shipping into the United States increasing amounts of ferromanganese containing between 1 and 2 per cent of carbon. Over one-half of this contains little more than 1 per cent of carbon and is deliberately so made to escape the higher rate of duty. Nevertheless, this alloy meets most of the metallurgical requirements for which ferro-

manganese well under 1 per cent of carbon was necessary a few years ago. A large part of the domestic consumption of ferromanganese between 1 and 2 per cent of carbon is now being imported at very low foreign valuations, and domestic manufacture is not developing at a normal rate.

In paragraph 302 (j), relating to silicon-aluminum alloys, the following text is proposed to replace that adopted in the Senate print:

"PAR. 302 (j). Silicon aluminum, aluminum silicon, alsimin, ferrosilicon aluminum, and ferroaluminum silicon, containing more than 3 per centum and less than 55 per centum of iron, 5 cents per pound; silicon aluminum or aluminum containing 3 per centum or less of iron, 8 cents per pound on the silicon and 5 cents per pound on the aluminum contained therein."

Reasons for the change: The above-mentioned alloys, when containing more than 3 per cent and less than 55 per cent of iron, are used almost exclusively for the treatment of steel or iron and therefore fall in a separate class. On the other hand, silicon aluminum and aluminum silicon, when containing 3 per cent or less of iron, are used chiefly as alloying additions to aluminum and aluminum alloys—applications in which any considerable contamination by iron can not be tolerated. This limitation on iron content increases the producing cost. These alloys could be replaced only by silicon metal and aluminum metal at a much higher cost or by an alloy formed from them, and therefore silicon aluminum and aluminum silicon so low in iron are clearly entitled to the protection which is extended elsewhere in Schedule 3, as now proposed—8 cents per pound on the silicon and 5 cents per pound on the aluminum.

In paragraph 302 (k), relating to chromium alloys, wording additional to that presented in the Senate print, and distinguished below by italic type, is suggested as appropriate for inclusion, as follows:

"PAR. 302 (k). Ferrochrome or ferrochromium containing 3 per centum or more carbon, 3½ cents per pound on the chromium contained therein; ferrochrome or ferrochromium containing less than 3 per centum of carbon, *and other alloys in which chromium is the component material of chief value, not specially provided for*, and chrome metal or chromium metal, 30 per centum ad valorem."

Reasons for the change: The use of chromium as a constituent of alloys has by now extended far beyond ferrochromium, and developments in metallurgical research promise still further to increase the number of chromium alloys, both ferrous and nonferrous. This condition fully justifies adoption of the more comprehensive wording added above.

The following suggested change in paragraph 302 (m), relating to ferro-alloys, comprehends in condensed form the considerable number of ferro-alloys already enumerated in the Senate print and would furthermore protect some ferro-alloys, which are not used, or are not yet used, in the manufacture of steel or iron, and hence could not be classified under paragraph 302 (o). However, it will be noted that sections (m) and (o) of paragraph 302 are proposed to bear in common the rate of 25 per cent ad valorem.

"PAR. 302 (m). Ferro-alloys of boron, columbium, phosphorus, tantalum, titanium, uranium, vanadium, or zirconium, or combinations thereof, and ferro-alloys of one or more of the foregoing with aluminum, chromium, manganese, nickel, or silicon, 25 per centum ad valorem; ferro-alloys not specially provided for, 25 per centum ad valorem."

Going now to the metal section, we suggest that ferrotungsten be removed from paragraph 302, section (g) to paragraph 302, section (h), so that it will go along with the other alloys of tungsten and take the same rate of duty. This involves no change whatever in the present rate, despite the fact that there has been an increase in the duty on ore. We are not asking for an additional compensatory duty on ferrotungsten, which represents over 80 per cent of all the tungsten used in the country; but the situation is entirely different when it comes to most of the other uses of tungsten.

A new industry has sprung up which uses tungsten in other forms, especially in the manufacture of the new hard-metal alloys, which bids fair to revolutionize the tool practice in all the machine shops in the country as well as the oil-drilling business of the world. This industry is less than a year old and already domestic consumption is using tungsten powder at the rate of 200 tons per year, and the business is expanding rapidly. Over 95 per cent of all this tungsten powder used is imported from abroad and American tungsten manufacturers can not compete. We therefore suggest that a compensatory duty equivalent to the proposed duty on ore be granted, and 10 per cent additional. We have asked for this very moderate increase in the hope that we will be able to compete with European manufacturers. In case it is found impossible to so compete, which

time alone will tell, we can in that case appeal to the President for further protection, but at the present time we are only asking for this small amount.

Tungsten metal powder normally sells in Europe for 40 cents a pound. If the present duty of 25 per cent ad valorem is raised to 40 per cent, this means an advance of 15 per cent of 40 cents, or 6 cents a pound, which with a recovery of 83 per cent in manufacture of the powder is exactly equal to the increase in ore duty of 5 cents a pound. We therefore ask that an additional duty of 10 per cent over and above this amount be granted, so that the total would be 50 per cent ad valorem in addition to the specific duty.

Respectfully submitted.

VAN RENSSELAER LANSINGH,
President York Metal & Alloys Co.

BRIEF OF THE AMERICAN TUNGSTEN AND MOLYBDENUM REFINERS

NEW YORK, *June 25, 1929.*

To the FINANCE COMMITTEE,
United States Senate, Washington, D. C.

SIRS: When the tariff act of 1922 was passed practically all tungsten products were lumped together under one paragraph, namely, 302, and in the House bill as now reported the same plan has been followed. During the last few years, however, there has been a large and rapid growth in the use of tungsten for other purposes than making high-speed steel, so that it is to-day desirable to divide tungsten products into four classes carrying varying rates of duty. These classes are briefly as follows:

(1) Tungsten chemicals.
(2) Ferrotungsten.
(3) Tungsten metal powder and tungsten carbide powder.
(4) Rod, wire, sheet, and parts for use in the new hard alloy tools.

We have already submitted to the Senate Finance Committee a brief on Schedule 1, paragraph 92, asking that tungsten and molybdenum chemicals be placed with vanadium chemicals in that paragraph and asking that a compensatory duty equal to the proposed increase in the price of ore be placed on such chemicals.

We suggest that paragraph 302, section (g), be limited to tungsten metal powder, tungsten carbide powder, and mixtures or combinations containing the foregoing.

From tungsten metal powder and tungsten carbide are made ingots, shot, bar, sheet wire, cutting edges, and other forms and shapes. The manufacture of these from the powder is a long and intricate process and the value of the material is very rapidly increased, so that the specific duty becomes of small importance. It is such materials that are used in the new cutting tools and we ask that they take the same duty as specifically called for in paragraph 352, namely, 60 per cent ad valorem, or a 10 per cent advance over the requested duty on tungsten metal powder and tungsten carbide powder, from which all of these materials are made.

The case of molybdenum is parallel with that of tungsten, except that there is no increased duty on molybdenum ore provided for in the House bill, and consequently there is no need of a further compensatory duty on the finished products. We suggest that paragraph 302, section (f), be allowed to stand with the same duty exactly as applies to ferromolybdenum, all other alloys of molybdenum not specially provided for, and calcium molybdate, but that when we come to molybdenum metal powder, molybdenum carbide powder, and mixtures or combinations of the same, that the duty be increased from 15 to 40 per cent. These powders which are made from molybdic acid are even more difficult to manufacture than the corresponding powders of tungsten, and practically all now used are being imported. The amount so used to-day, while not large as compared with tungsten powder, is nevertheless growing. How far it will go nobody can say, as this is all a new field opened up within the last six months.

As regards ingots, rods, wire, bar, shot, and cutting edges made from molybdenum powder and molybdenum carbide, we suggest that they be classified along with similar articles made from tungsten metal powder and tungsten carbide and be placed in the proposed new paragraph 399.

Detailed figures showing the costs in this country and foreign costs where obtainable are being submitted to the Tariff Commission. If the suggested

changes are carried out, paragraph 302, sections (f) and (g), and paragraph 399 (new), would read as follows:

[Matter stricken is in black brackets; new matter is in italics]

"PAR. 302 (f). Ferromolybdenum, [Metallic molybdenum, molybdenum powder, calcium molybdate, and] all other [compounds and] alloys of molybdenum, *not specially provided for, and calcium molybdate*, 50 cents per pound on the molybdenum contained therein and 15 per centum ad valorem; *molybdenum metal, molybdenum carbide, and mixtures or combinations containing the foregoing, in lump or powder form, 50 cents per pound on the molybdenum contained therein and 40 per centum ad valorem.*

"PAR. 302 (g). *Tungsten metal, tungsten carbide, and mixtures or combinations containing the foregoing, in lump or powdered form, 60 cents per pound on the tungsten contained therein and 50 per centum ad valorem.*

"PAR. 302 (h). *Ferrotungsten*, ferrochromium tungsten, chromium tungsten, chromium cobalt tungsten, tungsten nickel, and all other alloys of tungsten not specially provided for, 60 cents per pound on the tungsten contained therein and 25 per centum ad valorem.

"PAR. 399 (tentative number). *Ingots, shot, bars, sheet, wire, or other forms not specially provided for, or scrap, composed chiefly of tungsten, tungsten carbide, molybdenum, molybdenum carbide, or combinations thereof, 60 per centum ad valorem*".

Respectfully submitted for the American tungsten and molybdenum refiners.

VAN RENSSELAER LANSINGH,
President York Metal & Alloys Co.

BRIEF OF FANSTEEL PRODUCTS CO. OF NORTH CHICAGO, ILL.

NEW YORK, *June 20, 1929.*

FINANCE COMMITTEE,
United States Senate, Washington, D. C.

SIRS: In paragraph 302 (n) the metal tantalum, which is similar to columbium in most of its properties and occurs in ore combined with tantalum, has been omitted. We understand the reason for this is because ductile tantalum is specially provided for in 302 (r). We wish to call your attention to the fact that tantalum occurs in more forms than simply ductile tantalum, and inasmuch as its properties and uses are similar to columbium it should be included in section (n).

Similarly, ductile columbium should be added in paragraph 302 (r), inasmuch as columbium and tantalum are to a large extent interchangeable. It is only comparatively recently that tantalum and columbium have become articles of commerce, but these elements to-day are used in commerce in the making of dental tools, in the manufacture of radio chargers and similar purposes, and the prospects are that within a comparatively short time their use will be greatly extended. We therefore respectfully request that tantalum be added in paragraph 302 (n) and that ductile columcium metal be added in 302 (r).

We also suggest that the word "niobium," which is simply another name for columbium, be dropped in 302 for the purpose of simplification.

These paragraphs as thus amended would read as follows:

[Matter to be omitted is in black brackets; new matter is in italics]

"PAR. 302 (n). Barium, boron, calcium, columbium [or niobium], strontium, *tantalum*, thorium, titanium, uranium, vanadium, zirconium, alloys of two or more of these metals, or alloys not specially provided for of one or more of these metals with one or more of the metals aluminum, chromium, cobalt, copper, manganese, nickel or cilicon, 25 per centum ad valorem.

"PAR. 302 (r). Ductile tantalum metal, *ductile columbium metal* or ductile nonferrous alloys of tantalum metal *or columbium metal*, 40 per centum ad valorem."

Respectfully submitted on behalf of the Fansteel Products Co. of North Chi cago, Ill.

VAN RENSSELAER LANSINGH,
President York Metal & Alloys Co.

BRIEF OF THE AMERICAN TUNGSTEN AND MOLYBDENUM REFINERS

NEW YORK, *June 25, 1929.*

FINANCE COMMITTEE,
United States Senate, Washington, D. C.

SIRS: We suggest a modification of the language in paragraph 352, but no change in rates. Drilling tools should be included with cutting tools inasmuch as oil-drilling tools equipped with the new hard metal alloys are generally composed of the carbides of tungsten and other elements mentioned below. This matter has been elaborated in our brief on paragraph 302, section (g).

The list of elements called for in this paragraph should be extended to include certain others which are well known to produce hard carbides suitable for the above-mentioned uses. Unless this is done, it will be easy, and certain to happen, that the foreign manufacturers will substitute other suitable elements and thus evade the duty on this class of tools and edges. With this modification, paragraph 352 will read as follows:

[Matter to be omitted is in black brackets; new matter is in italics]

"PAR. 352. Twist and other [drill bits] *drills*, reamers, milling cutters, taps, dies, die-heads, and [metal] cutting *and drilling* tools of all descriptions, and cutting edges or parts for use in such tools, [composed of steel or substituted for steel,] all the foregoing, not specially provided for, 50 per centum ad valorem; *any of the foregoing*, if containing more than one-tenth of 1 per centum of vanadium, or more than two-tenths of 1 per centum of tungsten, molybdenum, or chromium, *boron, tantalum, titanium, columbium, uranium, or combinations thereof*, 60 per centum ad valorem. The foregoing rates shall apply whether or not the articles are imported separately or as parts of or attached to machines."

Respectfully submitted for the American tungsten and molybdenum refiners.

VAN RENSSELAER LANSINGH,
President, York Metal & Alloys Co.

MANGANESE ORE

[Par. 302 (a)]

STATEMENT OF HON. TASKER L. ODDIE, UNITED STATES SENATOR FROM THE STATE OF NEVADA

Senator ODDIE. The amendment to paragraph 302 (a), H. R. 2667, which I introduced, was referred to your committee. Section 302 (a), the manganese schedule in the present tariff law, provides no duty on ores containing 30 per cent or less of manganese, and 1 cent per pound on the manganese in ores containing more than 30 per cent.

When this schedule was under discussion in 1922, low-grade ores containing 30 per cent or less of manganese were not considered commercial for the reason that there were no known methods for recovering the manganese from such ores. Furthermore, low-grade ores were then used only to a limited extent directly in the metallurgical treatment of iron or steel. Since 1922, metallurgical practice has changed, so that low-grade manganese ores have been used to a larger extent directly in the furnace to sweeten pig iron and to mix with high-grade ores in the manufacture of ferromanganese. New metallurgical processes have been developed for the recovery of manganese from low-grade ores. The Bureau of Mines has made extended investigations and as a result reports favorably on the application of flotation and magnetic concentration in recovering the manganese in low-grade ores. The Hon. O. P. Hood, Acting Director of the Bureau of Mines, has written to me covering the investigations of the bureau on processes for the beneficiation of low-grade manganese ores, and I herewith submit the same for publication in the record at this point.

DEPARTMENT OF COMMERCE, BUREAU OF MINES,
Washington, June 25, 1929.

Hon. TASKER L. ODDIE,
United States Senate, Washington, D. C.

MY DEAR SENATOR: I have your letter dated Washington, D. C., June 14, regarding recovery of manganese from low-grade domestic ores.

1. I am sending you herewith a blue-print copy of a map of the United States, which the bureau has prepared, showing the occurrence of manganese in 32 States.

2. Laboratory investigations carried on by the Bureau of Mines indicate that certain types of carbonate and oxide ores of manganese are amenable to treatment by flotation or magnetic concentration methods. The Bureau has likewise demonstrated in an experimental blast furnace the feasibility of obtaining in the pig iron the manganese from low-grade manganiferous iron ores. Although our studies in an experimental open hearth have not yet been entirely successful in separating the manganese from the iron, they have indicated the direction for future experimentation. In addition to the research of the Bureau of Mines, several private interests have been conducting work along similar lines, and the results of their efforts should be given careful consideration in any broad survey of the technology of the industry.

These results of the bureau's reasearch are given in a number of publications, of which the following are sent you herewith:

Reports of Investigations, Serial Nos. 2817, 2902, 2936.
War Minerals Investigations, Series No. 5.
Bulletin No. 12 of the University of Minnesota.
Reprint, entitled "Production of Ferromanganese in the Blast Furnace."

In addition to these, other significant results are given in Bureau of Mines Bulletin 173; in an article entitled, "Minnesota Magnaniferous Iron Ores in Relation to the Iron and Steel Industry," by T. L. Joseph, E. P. Barrett, and C. E. Wood, which is published in the Transactions of the American Institute of Mining and Metallurgical Engineers, Vol. LXXV, pp. 292–371 (1927); and in an article on pages 49 to 56 of the proceedings of the first annual convention American Manganese Producers Association, September 10–11, 1928.

3. The Bureau of Mines has made no original estimate of manganese reserves. The Mining and Metallurgical Society of America made an estimate five years ago, reported in their Bulletin No. 168, indicating an amount of known recoverable manganese totaling between three and one-half and five million tons. Discoveries made since that time should, of course, be added.

In Mineral Resources, chapter "Manganese and Manganiferous Iron Ores in 1926," on page 145, the author states that, in his opinion, the hope of maintaining or increasing domestic production lies in solving the metallurgical problems involved in the beneficiation of low-grade manganese ores, and that information available indicates the existence of large deposits of such low-grade material in Minnesota, Montana, Washington, Colorado, New Mexico, Nevada, Arkansas, and the Appalachian Range.

Very truly yours,

O. P. HOOD, *Acting Director*
(For Scott Turner, Director).

In consequence of these changes, in 1928 over 100,000 tons of ore containing 30 per cent and less of manganese entered the country free of duty, and if the present free list schedule is continued, this tonnage will undoubtedly increase. Coming as it does from foreign countries where the cost of labor is extremely low, it is obvious that American deposits of low-grade ore can not be profitably developed without protection.

Authorities of the Bureau of Mines and others of high standing in the profession have estimated large tonnages of manganese ores of low grade, geographically well distributed in the United States. In connection with the reserves of low-grade ore, I herewith quote from pages 145 and 146 of Mineral Resources of the United States, 1926, Part I, published by the Bureau of Mines:

These low-grade manganiferous and ferruginous ores are found mainly in the Lake Superior region, in Colorado, and in New Mexico; the rhodonite and rho-

dochrosite in Montana; and the bementite in the mineralized area of the Olympic Peninsula. The major part of the reserves of the Lake Superior region is in the Cuyuna Range. The Butte area of Montana contains large quantities of a mixture of carbonates and silicates of manganese and quartz. The low-phosphorus content and low ratio if iron to manganese in these minerals favor their utilization in the production of ferromangnese. Regarding the reserves, J. T. Pardee, after mentioning the reserves of what is now commercial ore, says: "In addition, the lodes contain an almost unlimited quantity of low-grade material consisting of carbonates and silicates of manganese and quartz mixed in different proportions. This constitutes a reserve from which, if the necessity arose, the country's needs might be largely supplied. With improvements in the methods of reduction, much of it might even become valuable under ordinary conditions." There seems little question that at depth in the Philipsburg district, Montana, large amounts of the carbonates of manganese will be encountered The problems presented by the Colorado ores, largely those of Leadville and possibly of Red Cliff, are metallurgically like those of the Cuyuna Range or.

In the chapter on manganese, in Mineral Resources for 1925, attention was called to certain areas in the Olympic Mountains, Wash., where considerable prospecting in 1923, 1924, and 1925 has indicated extensive deposits of bementite, a manganese silicate.

In California, without exception, deep mining has shown that the oxide of manganese found near the surface gives way to silicates and carbonates, as, for example, at the Ladd mine in San Joaquin County. The evidence at hand indicates that solution of the problem of rendering this ore metallurgically available will result in the development of large tonnages.

In Nevada are large bodies of ferruginous mananese ore. Some of the ore of this type mined in the Pioche district in 1926 was utilized as a flux; but the larger part was utilized at Provo in the manufacture of pig iron.

If the manganese in the Utah ferruginous and manganiferous deposits were rendered available for the manufacture of high-grade steel, the domestic output of manganese would be increased materially.

Comparatively large reserves of ferruginous and manganiferous ores occur in Grant County, N. Mex.

In the Batesville-Cushman district, Arkansas, there are large unknown tonnages of what is known as Cason shale, in which "manganese buttons" occur.

In the Appalachian Range there are manganiferous iron ores which present problems identical to those of similar Lake Superior ores.

Since these ores receive no protection under the present law, the amendment which I have introduced provides for a duty of one-half of 1 per cent per pound on the manganese contained in ores running from 10 to 20 per cent manganese, 1 cent per pound on ores running from 20 to 25 per cent, and 1½ cents per pound on ores containing manganese in excess of 25 per cent, such ores containing 10 per cent or less of manganese still remaining on the free list.

It should be pointed out that a ton of manganese reduced from ores of foreign origin would replace a ton of manganese reduced from low-grade domestic ores in our market. Therefore, unless the duty on high-grade ores containing more than 25 per cent is increased to 1½ cents per pound of manganese, the market for the refined product derived from the treatment of low-grade domestic ores would be seriously limited and the domestic industry would be rendered unprofitable. Under the protection afforded in my amendment, the manganese industry in the United States should soon develop to the point where the United States would no longer be dependent upon the ores of Soviet Russia and other foreign countries.

The Department of Agriculture has made an intensive investigation of the use of manganese as a fertilizer and has found very beneficial results. These pictures from the reports of the Department of Agriculture and certified by the department well illustrate the bene-

fits of manganese as a fertilizer. Manganese does not replace potash, nitrogen, or any other of the well-known elements, but constitutes a new and additional element in the composition of farm fertilizers. If the manganese industry in the United States, based principally upon the beneficiation of low-grade ores, is permitted to develop, a by-product would result which could be sold very cheaply to the farmer. If, however, the domestic manganese industry is not permitted to develop, the high costs of producing manganese sulphate from ores of foreign origin would seriously limit, if not prohibit, its use as a fertilizer.

The Bureau of Mines, at my request, has prepared a map of the United States showing the States in which manganese occurs, a copy of which I now submit to the committee. It will be noted that there are 32 States in which manganese is known to occur, so that if the domestic manganese industry is permitted to develop through the protection afforded in my amendment, the by-product of manganese sulphate would be available at a large number of points in the United States, thereby reducing to the minimum the cost of transportation to the farm. If the farmers were to continue to be dependent upon foreign sources of supply, the high cost of transportation from the seaboard to the interior would practically prohibit its use.

From the standpoint of the national defense, the United States should be independent of foreign sources of manganese supply, and since these facts have been substantiated by a letter from the War Department and printed in the record of the House hearings, I will not here duplicate the evidence.

To summarize, Mr. Chairman, there are five principal reasons for taking up this item and the adoption of my amendment at the present time.

1. The development of new metallurgical methods for the beneficiation of low-grade manganese ores.

2. The changes in metallurgical practice whereby low-grade manganese ores are used more extensively in the furnace.

3. The desirability to industry generally in developing a domestic manganese industry to safeguard against exorbitant foreign prices.

4. The favorable prospects of the more extensive beneficial use of manganese as a fertilizer by the farmers of the United States.

5. The importance to the national defense of having this country permanently made independent of foreign sources of manganese supply.

There are, therefore, five principal reasons for readjustment of the tariff on manganese ores, in accordance with my amendment, each one of which is in accord with the administration's program, especially that which indicates the importance of by-product manganese sulphate as a fertilizer for the use of the farmer.

The president of the American Manganese Producers Association, Mr. J. Carson Adkerson, will appear before the committee in behalf of the domestic industry and in support of my amendment.

(Senator Oddie subsequently submitted the following letter:)

LETTER FROM HON. TASKER L. ODDIE, A SENATOR FROM THE STATE OF NEVADA

JULY 12, 1929.

Hon. DAVID A. REED,
Chairman Subcommittee on Metals of Senate Finance Committee,
United States Senate, Washington, D. C.

MY DEAR SENATOR REED: The Legislative Assembly of the State of Nevada passed a joint resolution, approved March 21, 1929, relative to mineral and metal products of the State, certified copy of which I herewith inclose.

The resolution requests a continuation of the present duties, inclusive of the increases granted by the President, on bismuth, cadmium, graphite, lime, magnesite, brucite, monazite and thorium, quicksilver, and talc. To make applicable to brucite, a Nevada product, the same duties as apply to magnesite; and to bentonite and the filtering clays in general the duties now applicable to talc; for a continuation of at least the present duty on zinc and a slightly higher duty on lead, fluorspar, and molybdenum; for an increase on antimony of from 2 to 4 cents per pound, and metallic arsenic, 6 cents per pound; arsenious acid or white arsenic, 4 cents per pound; barytes, $8 per short ton, and bauxite, $3 per long ton; crude gypsum, $3 per ton; crushed gypsum, $3.50 per ton; calcined gypsum, not less than $4.25 per ton; and on kaolin (add montmorillonite), $3.75 per ton; on mica, potash, pumice, abrasive, garnet and tourmalines, pumice stone, travertine, marble, and asbestos, the duties recommended by the American Mining Congress, and to forbid their free entry as ship ballast; on metallic tungsten, not less than 67½ cents per pound; and on manganese, of which mineral Nevada is a heavy potential producer, the duties now sought and advocated by the American Manganese Producers Association.

In all of the duties requested above I concur, and will ask that the committee give the same its careful consideration.

I wish particularly to note that the resolution indorses the duties advocated by the American Manganese Producers Association, which are contained in the amendment which I have introduced to H. R. 2667 and upon which I made a statement on section 302 (a) when the bill was under consideration by your committee. In view of this fact, I shall appreciate your having the resolution incorporated in the testimony on manganese.

Very sincerely yours,

TASKER L. ODDIE.

ASSEMBLY JOINT RESOLUTION NO. 18, APPROVED MARCH 21, 1929, MEMORIALIZING CONGRESS RELATIVE TO PRODUCTS OF THE STATE OF NEVADA

Whereas brucite, bismuth, cadmium, graphite, lime, magnesite, monazite and thorium, quicksilver, talc, lead, fluorspar, molybdenum, antimony, metallic arsenic, arsenious acid, barytes, bauxite, crude gypsum, kaolin montmorillonite, mica, potash, pumice, garnet, tourmaline, travertine, marble, asbestos, and metallic tungsten are valuable products found within the borders of the State of Nevada; and

Whereas the production, transportation, and reduction of many of the foregoing products are extremely expensive, in proportion to the same costs relative to the foreign products of the same materials, thereby resulting in stagnation in the production of said materials within this State, unless the same shall be protected by proper tariff duties: Now, therefore, be it

Resolved, That Congress of the United States be, and is hereby, memorialized by the Senate and Assembly of the State of Nevada, as follows:

For a continuation of the present duties, inclusive of the increases granted by the President on bismuth, cadmium, graphite, lime, magnesite, brucite, monazite and thorium, quicksilver, and talc; to make applicable to brucite, a Nevada product, the same duties as applies to magnesite; and to bentonite and the filtering clays in general, the duties now applicable to talc; for a continuation of at least the present duty on zinc and a slightly higher on lead, fluorspar, and molybdenum; for an increase on antimony of from 2 to 4 cents per pound; and metallic arsenic, 6 cents per pound; arsenious acid or white arsenic, 4 cents per pound; barytes, $8 per short ton and bauxite, $3 per long ton; crude gypsum, $3 per ton; crushed gypsum, $3.50 per ton; calcined gypsum, not less than $4.25 per ton; and on kaolin (add montmorillonite), $3.75 per ton; on mica, potash, pumice, abrasive, garnet and tourmalines, pumice stone, travertine, marble, and asbestos,

the duties recommended by the American Mining Congress, and to forbid their free entry as ship ballast; on metallic tungsten, not less than 67½ cents per pound; and on manganese, of which mineral Nevada is a heavy potential producer, the duties now sought and advocated by the American Manganese Producers Association; and be it further

Resolved, That copies of this resolution, duly authenticated, be transmitted forthwith by the secretary of state of the State of Nevada to the President of the United States Senate and to the Speaker of the House of Representative and to each of our Senators and to our Representative in Congress.

MORLEY GRISWOLD,
President of the Senate.
V. R. MERIALDO,
Secretary of the Senate.
R. C. TURRITTIN,
Speaker of the Assembly.
V. M. HENDERSON,
Chief Clerk of the Assembly

STATE OF NEVADA,
Department of State, ss:

I, W. G. Greathouse, the duly elected, qualified, and acting secretary of state of the State of Nevada, do hereby certify that the foregoing is a true, full, and correct copy of the original assembly joint resolution No. 18 of the thirty-fourth session of the Legislature of the State of Nevada, now on file and of record in this office.

In witness whereof, I have hereunto set my hand and affixed the great seal of State, at my office, in Carson City, Nev., this 23d day of March, A. D. 1929.

[SEAL.] W. G. GREATHOUSE,
Secretary of State.

STATEMENT OF J. CARSON ADKERSON, WOODSTOCK, VA., REPRESENTING THE AMERICAN MANGANESE PRODUCERS ASSOCIATION

(The witness was duly sworn by the chairman of the subcommittee.)

Senator REED. You testified before the House Ways and Means Committee, I believe?

Mr. ADKERSON. I testified before the House Ways and Means Committee.

Senator REED. And filed a brief with that committee?

Mr. ADKERSON. Yes, sir. I filed a brief with that committee.

Senator REED. We will be glad to have you proceed in your own way, sir.

Mr. ADKERSON. Mr. Chairman, and gentlemen of the committee, I am president of the American Manganese Producers' Association, comprising 156 members located in 32 States. I am a producer of manganese ore and for 16 years have not spent a day or a dollar in any line of work except manganese. In behalf of the owners of manganese mines throughout the country I petition the committee to adopt the amendment introduced by Senator Oddie, chairman of the Committee on Mines and Mining.

At the outset I desire to confirm in its entirety the statement presented by Senator Oddie in support of his amendment, which provides for two changes in the tariff, both of which are necessary to the development of the manganese industry in this country. The first change is an increase from 1 cent a pound to 1½ cents a pound in the duty on ores containing in excess of 30 per cent of manganese and the second is the extension of protection to cover lower grade ores of 30 to 10 per cent manganese, which are now being imported in increasing tonnages, duty free, under the present tariff. In consequence of these importa-

tions of low-grade ores the domestic industry is being deprived of its natural home market.

Important data and information have become available since the House hearings.

Given the necessary protection as provided in Senator Oddie's amendment and with known methods of recovery the tonnage already in sight is ample to assure the complete independence of the United States in respect to the manganese for several decades. There is no dispute over the fact that large tonnages of low-grade ores actually exist.

On page 599 of its summary of Tariff Information, 1929, the United States Tariff Commission says:

> In the United States the developed deposits of high-grade ore are not sufficient to meet the requirements of the domestic steel industry. Fresh discoveries have tended to increase domestic productive ability, but unles further discoveries are made the prospect for a larger domestic industry rests upon the application of modern methods to the utilization of large resources in the form of low and medium grade ores. Practical tests of certain new processes of beneficiation which are being made in Montana, Virginia, and other States might result in materially expanding the proportion of domestic requirements derived from American mines.

It is important to remind this committee that the report of the Tariff Commission was prepared many months ago. Since that time the processes of beneficiation referred to have been actually put into operation with general success.

The production of domestic manganese is being seriously impaired by the competition of ores produced by the cheap labor of Soviet Russia. Imports from Russia have increased from less than one-half of 1 per cent of our total imports in 1922 to approximately 40 per cent of our total imports in 1928. The following table shows the growing monopoly of Russian ores in our American market, and I herewith submit it, without reading, for insertion in the record at this point.

(The table referred to is as follows:)

Metallic manganese contained in dutiable ore imported into United States[1]

[Figures show metallic manganese content of ore]

Year	Total from all countries (gross tons)	Imports from Russia	
		Gross tons	Per cent of total
1922	374,351	1,642	0.4
1923	196,986	11,670	5.9
1924	231,393	41,097	17.8
1925	286,564	114,537	40.0
1926	347,378	122,345	35.2
1927	308,630	133,159	43.1
1928	207,808	79,529	38.3

[1] The U. S. Bureau of Mines figures for actual arrivals at U. S. ports (i. e., general imports, not imports for consumption).

Mr. ADKERSON. An examination of this table will disclose that the dutiable imports from Russia in 1928 fell to 79,529 gross tons. This apparent decline in imported dutiable ore is due largely to the fact that the steel producers have found a way to use the low-grade ores, and during the year 1928, according to reliable data, imported in

excess of 100,000 tons of manganese ore carrying a content of 30 per cent or less metallic manganese, thereby avoiding payment of duty. This emphasizes the necessity of protection on ores running from 10 to 30 per cent metallic manganese.

Senator KING. May I interrupt you there, Mr. Adkerson? I was in Russia. I was at the oil fields at Baku, and at the Donuslaf coal mines, where they produce coal. It costs $6 in gold to mine and put at the tipple 1 ton of coal. I was all through the Ural Mountains and noticed their mining processes there. One miner in the United States would mine as much as half a dozen in Russia. I may be in error. It may have improved greatly since I was in Russia, but the cost of production in Russia, because of their antiquated methods and because of the inefficiency, and because of the general paralysis of the Government and the people, are very much greater than they are in the United States. That would be my judgment.

Mr. ADKERSON. That may be true; but, at the same time, the ores are underselling the American ores in the domestic market, and also underselling some of the other ores from other foreign countries.

The original brief of our opponents challenges only one essential question of fact, and that is whether these large tonnages of low-grade ores can be converted into high-grade material at anything less than war-time prices. At the time of the hearings before the Ways and Means Committee I listed eight distinct types of practical processes for recovering manganese commercially from low-grade ores. Most of these had been perfected and several of them had been patented only within the preceding one or two years. Since January, when my brief was filed, the United States Bureau of Mines has announced the probable workability of still another process of great significance. This discovery relates to the application of flotation to low-grade oxide ores, and thereby may make available large tonnages of material that are not amenable to ordinary washing methods employing jigs and tables.

Senator KING. Are your ores in Virginia oxides or carbonates?

Mr. ADKERSON. They are oxides.

There can be no question of a technical nature that the manganese industry in the United States will develop on a broad and comprehensive basis by the application of these new processes and methods to the recovery of manganese from the large tonnages of low-grade ores which are known to exist and which are well distributed throughout the United States. Under the stimulus of the last tariff act, the known tonnage of commercial manganese ore has been greatly increased and further improvements in processes will tend further to enlarge our usable reserves of manganese as they have enabled us to produce other minerals economically long after our supplies of high-grade resources became depleted.

Senator KING. Why have not some of those processes of which you speak—and I am asking for information—been applied successfully?

Mr. ADKERSON. They have.

Senator KING. Then why do you not produce manganese cheaper then you are doing now?

Senator EDGE. Or in greater quantity?

Senator KING. Or in greater quantity, with the great demand?

Mr. ADKERSON. If you will kindly excuse me until I get through with this, I will gladly explain that.

Senator KING. Go ahead. I do not want to interrupt you at all.

Mr. ADKERSON. From September 22, 1922, to January 1, 1929, the manganese content of ore, ferromanganese, and spiegeleisen produced in or imported into the United States amounted to approximately 2,100,000 gross tons, of which not to exceed 1,800,000 tons was used in the steel industry. During the same period the output of steel ingots and castings amounted to a total of 281,943,000 gross tons. From these figures it is apparent that the average consumption of manganese per ton of steel produced is only a trifle more than 14 pounds. In order to allow for certain slight additional metallurgical losses and for the larger use of manganese alloy steels, however, it has been customary to estimate that on the average 16 pounds of manganese are required per ton of steel, and on this basis the cost of the proposed duty on manganese ore would figure out to 24 cents, or an increase of 8 cents per ton of steel.

Senator KING. Pardon me for interrupting you, but how can you figure the amount per ton, when the last witness stated that certain grades of steel carried from 11 to 13 per cent?

Mr. ADKERSON. We take the total tonnage of steel produced over a period of a number of years and the total tons of manganese ore consumed during that number of years, and, assuming that the stocks on hand are comparatively the same, it would give an average of how much is used per ton.

Senator KING. Is there no steel made without manganese?

Mr. ADKERSON. That is generally recognized to be so. I am not a metallurgist.

Senator KING. That is to say, every ton of steel that is manufactured does have some manganese in it?

Mr. ADKERSON. Yes.

Senator KING. Has there been an increase in the use of manganese with the development of the steel industry and the superior quality of steel which is being produced from time to time? I think you will recognize that vanadium, which is a very costly material, and chrome, have been introduced into some steel production. I was wondering if the increase in manganese had not been progressively greater.

Mr. ADKERSON. If it has it has been since the tariff hearings, because these figures include 1928.

Senator KING. I mean for the past 10 or 15 years. I was wondering whether the use of manganese has been larger per ton of steel produced than it was 10 or 15 years ago. I am asking for information, because I do not know.

Mr. ADKERSON. This survey, which was quoted by the American Institute of Mining Engineers, treated of it for a period of six years. The witness referred to it here. It shows that it is between 13 and 14 pounds per ton and that the use of it was on the decrease. They assume 13 pounds as the amount to use per ton of steel. That was in 1924.

Senator KING. Would you question the statement made by one of the witnesses—the first witness who testified, whose name I have forgotten—when Senator Reed suggested 16 cents per ton as the additional cost, by reason of the utilization of manganese, and he said it would be 25 or 26 cents?

Mr. ADKERSON. I would.

Senator KING. You would question that?

Mr. ADKERSON. Yes.

Senator REED. I based my figures, as you apparently do, on the cost of producing ingots. Of course, we all recognize that that is not a salable form of steel. He said that when you reduced it to finished products it would be a higher amount per ton. That is obviously correct, is it not?

Mr. ADKERSON. I did not quite understand that.

Senator REED. You have based your statement of the additional cost of the manganese on the tonnage of ingots, have you not?

Mr. ADKERSON. The tonnage of ingots and castings and raw steel produced, the total tons, and the total manganese consumed.

Senator REED. Yes.

Mr. ADKERSON. If there is any more than that consumed, we have no record of where it comes from.

Senator REED. What I mean is that you have contrasted the manganese that was used with the tonnage of ingots produced, and, of course, the tonnage of ingots is larger than the tonnage of finished products made from those ingots. Everybody who has seen the upper end cropped off an ingot knows that that must be so. Consequently, per ton of finished products produced, there must be more than 16 pounds of manganese.

Mr. ADKERSON. The figures that were used were the Tariff Commission figures for the finished steel, starting out, and basing it on the figures which are generally recognized and used by the Tariff Commission as the tonnage of steel produced, and the tonnage of ore bought and used. If that is true, it does not affect in the least the tons of steel produced and the tons of manganese consumed.

Senator KING. Of course, the greater the use of manganese in steel the better it is for the domestic producer, if he produces manganese. The more manganese that is used in the production of steel the better it is for the domestic producer of manganese.

Mr. ADKERSON. Naturally so.

Senator KING. So, I was trying to help you swell the amount of manganese that is needed in the production of steel—conformable to the facts, of course.

Mr. ADKERSON. This is the maximum cost of the tariff and makes no allowances for future economies of operation which may reasonably be expected. The present tariff has cost on the average about $6,000,000 a year, most of which, because of the relatively small production from domestic mines, was paid into the United States Treasury.

This may seem like a large sum in itself, but it is actually a very small sum indeed when compared with the total output of steel products having an annual value of more than three billions of dollars.

This trifling increase of 8 cents per ton compares with import duties on steel-mill products ranging from a minimum of $4.48 a gross ton on plain structural shapes to $22.40 on tin plate and upwards of $75 a ton on special forms of steel. That these duties are effective is clearly shown by a comparison of prices of steel products in the United States with those in Europe. When they export, American steel makers have to sell their products at much lower prices than they charge domestic consumers. The bulk of the 300,000,000 tons of American steel that was produced during the seven years of the present tariff has been sold in a tariff-protected market. Steel costs from $10

to $20 more per ton in Pittsburgh than it does in Rotterdam, and while I would not suggest lowering the tariff on steel products I do desire to call attention to the fact that American buyers of steel have paid out tremendous sums in order to enable the steel companies to pay dividends. In 1928, if the total duties on manganese ores had been added to the profits of the 22 leading steel companies, the net earnings of these companies would have been increased only fifteen one hundredths of 1 per cent, or from 6.55 to 6.70 per cent.

Even if the steel companies had to pay the cost of the manganese duties, therefore, it would form quite a small item in the affairs of an industry capitalized at more than $4,000,000,000. But the fact of the matter is that the 16 cents a ton tax due to the present tariff on manganese is passed on to the ultimate consumer on whom it bears even more lightly. In the case of the average automobile, it adds a little less than 10 cents to the price of a car, and the increased duty needed to protect the manganese mining industry would raise this figure to around 14 cents.

Senator EDGE. Will you reach in your statement there any evidence to counteract the testimony that has been given by the two or three witnesses preceding you? As I view it, I am a protectionist. I would like very much to do the very thing you are suggesting. As to the small cost, I agree with you. Although it is $6,000,000, it is relatively small, but the point some of us want to be assured about is that it is going to help you.

Mr. ADKERSON. All right.

Senator EDGE. I do not want to criticize your argument, of course, but discussing the relatively small added cost to the consumer is not the point. The point is, can this infant industry—terming it as such—be really helped from a practical standpoint by the imposition of a duty, or the increase of the duty?

Mr. ADKERSON. Yes.

Senator EDGE. That is the point on which some of us want to be convinced.

Mr. ADKERSON. All right. I will do that.

This seems like a small price to pay for military and industrial security in respect to so essential an item as manganese.

While it may be the common practice for the proponents of duty increases to request more than the industry actually needs, I would like to reiterate before this committee, as I did before the House committee, that the protection afforded in Senator Oddie's amendment constitutes the minimum necessary for the development of the manganese industry on a scale commensurate with the Nation's requirements.

In 1922 the industry asked for a duty of 2 cents a pound and time has demonstrated that a duty of 1 cent per pound is inadequate and has enabled the industry to develop only slowly. The present duty has fostered the use of manganiferous iron ores, the output of which has grown from less than 60,000 tons a year before the World War to around 1,500,000 tons, valued annually at approximately $4,000,000 at the mines. But the present duty has failed sufficiently to increase the production of high-grade manganese ore. In 1914 we produced 2,635 tons of high-grade ore; in 1928, 45,000 tons. Construction now completed or nearing completion promises to increase our output to 200,000 tons of high-grade ore annually, but this is scarcely one-fourth

of domestic requirements and much of this may be held back unless the American market is sustained by an increased tariff.

Senator KING. When were those improvements to which you have just referred begun?

Mr. ADKERSON. It is a long story. Some years were spent in research, in working out problems of beneficiation. Some in the development of the mines, taking it step by step. It started, you might say, in 1922, with the passage of the tariff.

Senator KING. Not predicated upon the assumption that this particular special session of Congress would increase the tariff?

Mr. ADKERSON. Oh, no.

This country has the resources and the metallurgical genius necessary to become independent of foreign supplies. All we need is this measure of protection against cheap foreign labor.

Of equal importance is our need of protection on ores containing 30 per cent or less of manganese. Let me again remind you that 100,000 tons of ore containing between 20 and 30 per cent of manganese was imported in 1928. These ores, I understand, were mixed with higher grade ores and used in the manufacture of ferromanganese. Unless this avenue of evasion is stopped, I feel certain it will make further inroads upon our industry and prevent normal development.

I would like to say this, that in the manganese situation of the United States to-day there are two lines of thought and two kinds of engineers. One is the old school, which said that there was no ore, and that it could not be done. The other is the new school, which claimed that we had the ore and that it could be done; and we have gone out and done it. To-day one plant at Butte, Mont., is producing at the rate of 72,000 tons a year, a product which runs a higher grade than any other ore being produced in the world.

Senator KING. That is by concentration; is that what you mean?

Mr. ADKERSON. No; by beneficiation, taking a low-grade ore. The operations at Butte have taken a low-grade ore, which formerly was considered worthless rock, and manufactured a product which is being shipped east and used in the manufacture of ferromanganese, at the rate of 72,000 tons a year, whereas the total production of the entire United States for 1928 was 45,000 tons.

I am authorized to make this statement:

In the hills of Georgia, 50 miles northeast of Atlanta, on the property of the Georgia Manganese & Iron Co., a manganese project is being rapidly constructed.

Its mills, dams, pipe lines, pumps, standard-gage railway system, and a town, modern in every detail, to house the families of 400 employees, at a cost of about $1,000,000, are being paid for by the widely scattered stockholders of the Brunswick Terminal & Railway Securities Co. of New York.

This project will be in full operation this fall with a capacity of 800 tons of concentrates running from 40 to 50 per cent metallic manganese per day, or 120,000 tons per year.

Two years have been devoted to research for determining ore treating processes and machinery. Perrin & Marshall, mining engineers of international repute, determined and blocked out the manganese deposit and declared it to be 10 per cent metallic manganese in the run-of-mine.

That statement is signed by John Cunningham, engineer, Brunswick Terminal & Railway Securities Co.

Senator REED. I have been handed a circular of that company, Mr. Adkerson, in which they claim:

The new Georgia Manganese & Iron Co. plant, to be completed in about nine months, is expected, at capacity operation of 200,000 tons of ore annually, to obtain profits of $16.89 per ton.

They further say that the great bulk of the country's needs is imported, in spite of a tariff averaging around $11 per ton. Have you anything to do with that company?

Mr. ADKERSON. No; except that they are members of the association, and I am representing them here.

Senator KING. Is that the company you just referred to?

Mr. ADKERSON. No.

Senator EDGE. If they can obtain profits of $16.89 a ton, it does not seem as though the importation is very seriously interfering with their prospects, according to their financial circular.

Mr. ADKERSON. I assume that they are estimates. We use 850,000 tons of ore a year——

Senator BARKLEY. That circular was sent out to sell stock on, was it not?

Senator REED. I assume so.

Mr. ADKERSON. And that does not fulfill the requirements of the Nation. We are basing our appeal on the largest producing district of the United States.

Senator REED. The circular was sent out by Palmer & Co., of the New York Stock Exchange, in January, 1929.

Mr. ADKERSON. I want to add to that that there is another operation, the Hy-Grade Manganese Co., of Woodstock, Va., where we have been carrying on development work constantly for about eight years. We are just now completing the construction of a milling plant which will produce 30,000 tons a year. That will be completed in the latter part of this summer.

There are some photographs here which I would like for you to look at.

Mr. Chairman, one point which our opponents attempted to make was that the optimistic promises made in 1921 and 1922 by the proponents of the duty on manganese have not been fulfilled. The inference has been that in the short space of six years the industry has had ample opportunity to accomplish its destiny. Manganese was mined in the United States during the war, but the war-time development was along old-fashioned lines. Research and development were interrupted by the armistice, and since 1922 the industry has had virtually to be re-created. In view of all the circumstances, the increase from 2,635 tons in 1914 to approximately 45,000 tons in 1928 is not a bad showing.

I made mention yesterday also of the developments in the production of manganiferous iron ores, the production of which has been enormously stimulated as a result of the tariff. In this connection, it is pertinent to note that most of the witnesses who appeared before the Finance Committee and before the Ways and Means Committee likewise were interested primarily in manganiferous iron-ore properties situated in the State of Minnesota.

It should also be kept in mind that the proponents of the duty in 1921 and 1922 originally asked for a duty of 2 cents per pound, and that most of their optimism was based upon the hope of receiving this measure of protection. Actually, they received 1 cent per pound. This duty has proved insufficient in many cases—particularly so in view of the uncertainty of the world market for manganese.

Senator KING. Mr. Adkerson, may I interrupt you?

Mr. ADKERSON. Yes.

Senator KING. One of the witnesses yesterday read from the testimony which was given by one of the proponents of the tariff in 1921-22, who was the head of the manganese organization, as I recall his testimony, and in that testimony which he gave he stated that with a duty of 1 cent per pound they could soon develop this industry. Now you say 2 cents was asked for. Which is correct?

Mr. ADKERSON. There was no organization or association in 1922. There were some individuals who were after a tariff, and the ones who took the lead in that were the owners of the manganiferous iron-ore properties in Minnesota, and it is interesting to know that in 1922 the total production of manganiferous iron ore in the United States was approximately 300,000 tons. Under the protection of the 1-cent tariff it has now increased to approximately 1,300,000 tons a year, or equivalent to $4,000,000 at the mines. Of course the miners of high-grade ore were interested in the tariff at that time, and the developments which have taken place in the high and low grade ore industry speak well for themselves.

Senator KING. The witness to whom I referred was Mr. Caldwell, from Kentucky. In his testimony he referred to the testimony which was given in 1921 or 1922 before the Ways and Means Committee or before the Senate committee—I am not sure which—in which the proponents of the tariff on manganese—not manganiferous ores, but manganese—said that with 1 cent duty they could develop the industry. I was wondering if you were familiar with that testimony, and if you controverted it. You say now that they asked for 2 cents, and that apparently indicated that they were asking for 1 cent.

Mr. ADKERSON. I think you will find that that statement was made by an individual who was interested in Minnesota; but, even so, that was based upon the assumption that we would have a market equivalent to the foreign ore market, and that the tariff which would be granted would be effective.

Senator KING. What do you mean by that—prohibitive?

Mr. ADKERSON. No; but in this way—that the tariff of $11.20 per ton would be effective to domestic ores. As a matter of fact, it has not been. The domestic miners have not received the protection granted by the 1-cent tariff.

For instance, I will make it plain in this way: According to the figures as given by the Tariff Commission under manganese ore as to the price the steel people have paid for foreign manganese during the 5-year period ending December 31, 1928, the steel makers of this country paid on an average of 68 cents a unit for foreign ores. During the same period of time there is not one instance that we know of where domestic operators producing high-grade ore, and ore running even higher grade than the best foreign ore, have received a price greater than 60 cents per unit. There is a differential of 8 cents per unit against domestic products and in favor of foreign products, which, of course, has held back domestic production.

Senator KING. Why should they pay more for foreign than for domestic manganese ore?

Mr. ADKERSON. That is a question we have been trying to get an answer for since the tariff has been on.

Senator KING. Have you sought an explanation from those who purchased the manganese ore?

Mr. ADKERSON. I have heard it said that——

Senator KING. Have you sought one from those who did the purchasing?

Mr. ADKERSON. Yes, I have; and the explanations are to the effect that productions are small, and that they had rather pay a larger price for larger tonnages of foreign ore. It must be remembered that manganese is an infant industry, and a production of 400,000 tons per year can not come forward overnight. We believe that in the spirit of helping to develop American industry and extend the markets for the domestic industry we should be granted the same price as is paid for foreign ores, but even in instances where the domestic tonnages have been in cargo lots equal to some of the cargo lots of foreign ores, that same differential applied, so that that explanation does not hold good even when you have a large tonnage.

Senator KING. I was wondering why you called it an infant industry when in 1918 they produced 305,000 long tons; in 1925, 98,000 long tons; and then dropped down in 1928 to only 45,000 long tons. There seems to be a diminution of production, notwithstanding the relatively high price paid.

Mr. ADKERSON. That was due to a decline in prices, and that is the reason why we are asking for an increase of one-half cent per pound, to bring the present price of manganese ore back to the point where it has been for the 5-year period ending December 31, 1928, and the price we are asking is not an increased price which would be given to us for the sale of the ore, but a price which will bring the price of domestic or foreign manganese back to a point where the figure would be the same as the steel people have been paying for foreign ore under the 1-cent tariff.

Senator EDGE. Is not the real problem that you have, after all, certain doubt as to whether you are going to be successful, and how long you should be given to try to demonstrate that success with a transition of your low-grade ore into an ore that is sufficiently high grade for the American steel producers to use? Is not that your whole problem?

Mr. ADKERSON. Exactly so, Senator. We are prepared to prove——

Senator EDGE. The only question, then, for the committee to give further consideration to is whether you have had a fair chance in six years; whether the Bradley-Fitch plan and the other plan—I forget the moment the name of it——

Senator KING. The flotation process.

Senator EDGE. Or any other process will bring about what you have sincerely and naturally and properly hoped to bring about?

Mr. ADKERSON. Most assuredly and with adequate protection and prices assured, we are prepared to present evidence to that effect before this committee.

Senator EDGE. Of course, you say "with adequate protection." Then the question, it seems to me, comes to the committee—as I have said several times in this discussion; I hope I do not have to demonstrate my protectionist theory and belief—but the question for the committee is, Shall the manufacturers of steel for further years, even at a higher rate, costing that much more to produce steel, as has been demonstrated by previous witnesses, continue to carry that burden to the American people, hoping either against hope or hoping with proper expectation that we can produce locally or domestically the type of manganese required? Now, that is our problem.

Mr. ADKERSON. Yes.

Senator EDGE. You have been working on it for six years. You have apparently made some headway, but you have not made anything like the headway necessary to meet more than a very small part of the domestic demand. That is true is it not?

Mr. ADKERSON. But the real work has been in preparations.

Senator EDGE. Is it not true that up to date, in six years, you have not yet reached the point where you can to any great extent meet the demand of the steel producers? Is not that true? To date you have not? I should like to have "yes" or "no" to that, if I can.

Mr. ADKERSON. We are on the threshhold of it now, providing we can get the prices for the ore.

Senator EDGE. You were on the threshhold of it, according to the previous testimony, six years ago were you not?

Mr. ADKERSON. No.

Senator EDGE. Your witnesses said so.

Mr. ADKERSON. Well, that could be done. Now, that has been done, and some has taken a longer time than may have been expected, but the showing which has been made by the manganese industry is marvelous in comparison to some of the other industries.

Senator EDGE. And I feel very sympathetic with your viewpoint, but, I repeat, speaking for one member of the committee, I think that is a problem to which the committee has to give careful consideration—whether it can be done; whether the last six years have demonstrated that it can be done; whether we are justified in continuing this excessive price, which would not be necessary unless we had the duty, and now a still more excessive price that you are asking for—whether or not, I repeat, that is justified. That is our problem, and we are listening to you cheerfully to tell us that is is justified.

Mr. ADKERSON. The duty of 1 cent per pound has proved insufficient in many cases, particularly so in view of the uncertainty of the world market for manganese. One cause of the price uncertainty is the necessity of the Soviet Government, which is striving to barter manganese for other materials and manufactures sorely needed in that country. I am not able to confirm Senator King's inference that these ores are being dumped upon our markets, but the facts are clear that the sale of these ores is pushed for the purpose of establishing dollar credits rather than for the purpose of making a profit on the ore mined.

Senator KING. Mr. Witness, I did not intend to convey the impression, and I do not think my language, properly interpreted, conveys the impression, that Soviet ores were dumped upon this market. What I intended to say, from my investigations when I spent several months in Russia, in the mining regions, in the Ural Mountains, in the coal districts, in the oil districts, and in the Caucasus Mountains where these manganese mines are, was that labor there was so inefficient, and the methods of production were so antiquated, that the cost of production was very much greater than it was in America. I called attention to the fact that to put a ton of coal at the tipple cost, I have forgotten whether it was $6 in gold or $8 in gold; and you can see the disparity in prices. I have no idea as to the price at which they are selling their manganese ores, and when I was there a German company had the concessions for the mining of the manganese ores in the western part of the Caucasus Mountains there, close to the Black Sea.

I did not intend to convey that impression.

Mr. ADKERSON. My inference was that the cost of production there would be as high as, if not higher than, it was here, whereas at the same time they are underselling us in the markets.

Senator KING. I think you are justified in inferring from what I said that I believed the cost of mining and the cost of production of any commodity in Russia was greater than it was in the United States, because of the inefficient methods employed.

Mr. ADKERSON. That the cost of production would be greater than it is in the United States?

Senator KING. That certainly was the case when I was there, and I said there might have been some modification in the past few years, and still I think that the cost of producing oil and the cost of producing coal and the various minerals in Russia is greater than in the United States, all other things being equal, because of the inefficiency of the methods that are employed.

Mr. ADKERSON. Would not that constitute dumping that material within the American market?

Senator KING. I do not know anything about the price. Many other factors would enter into the equation.

Mr. ADKERSON. The affiliations of the Bethlehem Steel Co. or its officials with the Soviet Government mining trust have effectively closed to American miners roughly one-third of their total potential market.

The United States Steel Corporation has millions of dollars invested in a manganese venture in Brazil. This condition naturally eliminates from consideration by domestic miners a second third of the potential sales possibilities. For this portion, provided we could even sell below the actual cost of mining and delivering ore from Brazil, it is possible that American miners would be able eventually to displace part of this tonnage. But the existence of these affiliations operates to discourage capital from undertaking development on a large scale, for the reason that they are fearful of the market. Mr. Pumpelly will perhaps give you some of his experiences in attempting to market his product, and from time to time there have been evidences of a policy that virtually constitutes a boycott on American ore.

It takes time and dollars to develop a new industry, and particularly one which is as complicated as manganese. Attention was called in the committee yesterday to a prospectus of the Georgia Mineral Co., wherein a substantial profit was estimated. At this property, I may say, the difficulties of treatment have not been serious, and ore reserves have been repeatedly checked up. A novel method of mining has been devised, however, and it is largely because of this innovation that the indicated profit promises to be sufficient to return the capital on the rather heavy initial investment required. This capital, I may say, was not forthcoming until years had been spent in proving up ore reserves, and until a pilot plant had definitely shown that the ideas were practical.

Several of the witnesses yesterday declared that the processes which I have mentioned in our brief to the Ways and Means Committee were not new. This is certainly not true of the flotation of oxide ores, nor of the flotation of carbonate ores. To-day I hope that Mr. Nagelvoort will show you still another process which should tend further to simplify our beneficiation problems.

As regards the novelty of certain other processes, I need only say that the opinions expressed under oath yesterday by at least one high official of a large steel company are not shared by our United States Patent Office.

I hesitate further to intrude upon the time of the committee to enumerate more of our many handicaps. Any fair-minded person who is in possession of all the facts is surprised that, under the circumstances, our industry has made the showing it has. The Germans have a proverb to the effect that "all beginnings are hard," and in our case this has been doubly true because of the opposition of the steel industry, which constitutes our leading market. In the beginning, certainly, this opposition was based upon convictions such as Professor Leith expressed yesterday. Certain of these convictions doubtless still remain, and they are fortified by the individual affiliations of responsible officials in the steel industry with foreign enterprise.

In April, 1927, attempts were made at a meeting of the American Institute of Mining and Metallurgical Engineers, held at Cleveland, to commit that body to the passage of a resolution recommending the Congress to remove the duty on manganese. The way for this proposition had been paved as a result of the publication of the subcommittee's report cited yesterday by Professor Leith, and it was only the good sense of the majority of the membership of this national engineering body that prevented these plans from going into effect. Attempts of this sort have certainly reacted adversely upon our normal development.

Now that the facts of domestic possibilities have been spread upon the record by the association which I represent, I believe that many of the minor annoyances which we have suffered will be eliminated, and if prices are stabilized by an increase in duty provided for in Senator Oddie's amendment, I feel confident that developments will progress rapidly enough to demonstrate the truth of my statements.

Senator Oddie's amendment, furthermore, closes a loophole in the present tariff, thereby checking the new menace which confronts us in the form of imports of manganese-bearing ores containing slightly under 30 per cent of manganese.

The learned employee of the steel industry, Professor Leith, is of the old school which declares that manganese reserves of the United States are limited, and that beneficiation of these reserves is not an assured fact. It is to-day recognized that, due largely to the 1-cent tariff on manganese ore, the Cuyuna district of Minnesota is producing approximately 1,000,000 tons of the total manganiferous iron ore annually, with a value at the mines of approximately $4,000,000.

It is interesting to know that when the Cuyuna iron-ore field first started manganiferous iron-ore deposits were encountered in drilling. Professor Leith, then prominent in iron-ore matters in this country, turned down the district as being worthless. This is confirmed in the following words of Carl Zapffe, geologist and general manager of iron properties of the Northern Pacific Railway, as shown in the proceedings of the first annual convention of the American Manganese Producers' Association, page 85, as follows——

Senator EDGE. Why not insert that in the record?

Mr. ADKERSON. It is only a word.

Senator KING. It shows that geologists make mistakes. The greatest copper field in the United States, in my State, was turned down by the most eminent geologist of all time.

Mr. ADKERSON. Yes; they said it was impossible, and that to-day is exactly what has taken place in the manganese industry—things which the old school declared were impossible have been done by the younger men who declared that they could be done, and they have gone out and have done them. The steel industry and the old school fail to recognize it, but one thing that they will recognize is the shipments which have gone forward and which are going forward and under adequate protection will continue to go forward.

This is the statement of Mr. Zapffe, one of the outstanding authorities on the manganiferous iron-ore region, who was with Professor Leith at the time this was turned down:

> I was at that time associated with a man who was very prominent in iron-ore matters in this country, Doctor Leith, from the University of Wisconsin, at Madison. The party, of course, wanted to know what to do with this option. The concensus of opinion was that there was absolutely no possible use for the material. "Quit drilling, save your money, and surrender the option."

That, sir, was Professor Leith back at the time the formation was encountered. To-day what is being done? I read further from the words of Mr. Zapffe:

> They are shipping over 1,000,000 tons a year from this district and over 2,000,000 tons a year from the whole Lake Superior district, so important has this material become.

To-day, gentlemen, remember, this district is the leading manganiferous iron-ore producing center in the United States. This is the same district, gentlemen.

Professor Leith now says that our reserves of manganese ore are limited. Carl Zapffe, an outstanding recognized authority, one who is widely quoted in all recent governmental publications relative to this manganiferous ore, reports as follows:

> In the Cuyuna district I can show anybody any time drilled areas susceptible to open-pit mining, some even now disclosed, that will estimate several billion tons. This is not a guess; this is a fact, and it was referred to by me in published papers of several years ago.

The material which Mr. Zapffe refers to is not the formation that they encountered some years ago, and which was at that time considered worthless. The material which he refers to to-day, as he expressed it to me, is the material which the steel companies do not even recognize as an ore formation. It is a material which may be called "rock" which to-day can be manufactured into a superior product. It has been done, and is being done through a pilot plant, and the ore manufactured from this "worthless" rock, which the steel people so far have failed to recognize that they even have in their districts, is higher grade than any ore produced anywhere else in the world—higher grade even than the ore which is being produced from the commercial plant now at Butte, Mont.

Senator REED. Mr. Adkerson, how many men do you employ in your own plant?

Mr. ADKERSON. Where is that?

Senator REED. I do not know. Where is it?

Mr. ADKERSON. My own plant is employing about 60 men. That is at Woodstock, Va., where we have been operating continuously

for eight years, doing nothing but development work continuously, and where we now have 5,000 feet of tunnel, and are spending several hundred thousand dollars in the construction of a milling plant which will be completed in August.

Senator REED. I see that there were nine shippers of manganese in Virginia last year, and their total shipments were 2,800 tons.

Mr. ADKERSON. Shipments of the past in the United States, Senator, mean nothing. It means no more than trying to charge up the total cost of some big irrigation project against the output of a few homesteads which existed when the project was started. Manganese is as a new project where it is on the verge of production, and with adequate protection the project will realize on the investments which have gone forward.

Senator EDGE. That is what you have to prove, Mr. Adkerson.

Mr. ADKERSON. It is difficult for some individuals to understand that we no longer look at manganese in terms of high-grade ore in its natural state in the ground.

The engineers of the old school and the steel companies have as yet to realize that tonnages which we quote to-day are not limited to tonnages of high-grade manganese or of manganiferous iron ore. It is the high-silica manganese rock, which they have not as yet learned to classify as ore. Much of this material is not adjacent to existing mines.

Senator BARKLEY. What do you mean by "the old school"—the old-fashioned fellows?

Mr. ADKERSON. The ones who say that manganese does not exist in paying quantities within the United States, or that there is a limited reserve of only 1,200,000 tons.

At this point I desire to incorporate in the record a short article published in the Daily Metal Trade, issue of March 6, 1929.

(The matter referred to is here printed in the record, as follows:)

[Reprinted from Daily Metal Trade, issue of March 6, 1929]

DEVELOPMENT OF DOMESTIC MANGANESE INDUSTRY PUSHED—PRESIDENT OF PRODUCERS' ASSOCIATION HOLDS MOST IMPORTANT PROGRESS HAS BEEN MADE IN PAST 18 MONTHS—CLAIMS PRODUCTION FIGURES OF PAST MEAN LITTLE

By J. Carson Adkerson, President American Manganese Producers' Association

To-day we fly; we talk by wireless telephone to London; we recover metallic ores by flotation. To-day we mine and treat tailing dumps and slag piles of mining operations of yesterday, and we are to-day treating and recovering manganese values from material which yesterday was considered worthless rock.

There was a time when we considered manganese ore in terms of high-grade or in its natural state only. But to-day we look at manganese in terms of low-grade ore, which may be treated or beneficiated into high-grade ore.

FEW ARTICLES ON SUBJECT

The most important developments have come within the last 18 months There are few published articles treating on the subject. Persons not intimately associated with the industry are not familiar with the new developments. It is not surprising that those not acquainted with the new processes still cling to the old idea of high-grade ore in its natural state only.

The latest publication giving general information on the industry is the Proceedings of the First Annual Convention of the American Manganese Producers' Association. This was published in September, 1928. But even this does not include some of the more recent important developments in the industry, such

as the recovery of manganese from low-grade rhodochrosite by flotation. Flotation of manganese ore is a development in beneficiation which only a year ago was generally declared impossible and is announced as the result of exhaustive tests carried on at the United States Bureau of Mines experimental station at Rolla, Mo., under the direction of Will H. Coghill.

There is none who will deny the existence of hundreds of millions of tons of available low-grade manganese ore in the United States. There is none who can deny that this low-grade manganese ore is to-day being beneficiated into an ore running higher in manganese than any other ore produced anywhere in the world; there is none who can deny that production of high-grade ore from the low-grade material will continue to expand and grow, providing tariff protection of 1½ cents per pound is guaranteed.

To-day one plant alone at Butte, Mont., is taking low-grade material formerly considered worthless and shipping a high-grade manganese ore at the rate of 72,000 tons a year. This is not hoped for; this is actually being done, and the material shipped runs 57 per cent metallic manganese.

NEW METHODS SUCCESSFUL

One operator at Cartersville, Ga., is producing manganese ore at the rate of 450 tons a week and with proper tariff protection guaranteed, machinery now being installed will be completed to bring the production to 100,000 tons a year. This is being done on a deposit where all former attempts at production had failed and is now made possible by entirely new methods and processes applied to manganese mining and treatment.

One company in Minnesota has spent more than $300,000 in working out a process and building a pilot plant for the recovery of manganese from the otherwise worthless manganese bearing rock of the Cuyuna Range, and plans are under way for the construction of a plant to produce 100,000 tons per year of ore running 63 per cent metallic manganese.

DEVELOPMENTS UNDER WAY

Other developments are under way. Production figures of the past mean nothing. The manganese industry of to-day is not what it was yesterday. This is the age of progress—and progress in the manganese industry has been made in the face of powerful opposition and repeated statements that the ore did not exist and that it could not be done.

Manganese is no longer discussed in terms of high-grade ore or in its natural condition in the ground. The manganese industry is advancing along the paths of science and progress and the old idea that the United States had only a limited supply of manganese has been discarded.

Senator KING. I think you want to be fair to the so-called "old school." Doctor Leith testified yesterday very candidly, I thought, that there were large deposits in various parts of the United States, but that they were very low grade. He was speaking of the high grades, and he stated, as I recalled, that there was more than the amount which you have indicated of low-grade manganese throughout the United States.

Mr. ADKERSON. I did not catch all of his testimony—his exact language.

Senator KING. That was his testimony.

Mr. ADKERSON. The only things I have to go by are the written articles published, which Doctor Leith has concurred in. They are bound to come around to our way of thinking. The facts will be placed before them, and there is no man on earth who can fail to recognize the facts.

Senator KING. I am a little interested to know why, if there is such a plethora of this manganese ore in the United States available for use, those who require it, and to whom it is indispensable in the production of steel, should be willing to pay $8,000,000 tariff annually to bring in ore, when they could get it right at their doors.

Mr. ADKERSON. We would like the same question answered, Senator. That is what we are trying to get answered now.

Senator KING. I am a little curious to know why, if there is such an abundance of ore, this company or any company would go to Brazil and, under adverse circumstances, try to develop mines there.

Mr. ADKERSON. I think—I do not know—I think that the steel industry to-day are beginning to realize that they have overlooked a bet in placing their money in foreign countries. The Harriman interests and the Bethlehem officials' interest connected with the Georgian manganese concessions had that sore experience. Why, the company having those concessions expected to make, according to press reports, $120,000,000 on their investment in Russia, but they wound up by having to loan the Russian Government $1,000,000 in cash, and having to take in return notes for $4,500,000 which we understand are to-day being paid back through manganese ore, to the detriment of the American producers.

Senator KING. I know nothing about that. I know that Mr. Harriman sought a concession from the Bolshevik Government, and that was under consideration when I was in Russia; but I do not think he got the concession, or, if so, it was subsequently cancelled.

Senator REED. Gentlemen, I want to give Mr. Adkerson all the time that he can reasonably ask, but certainly we do not want to get so far afield as that.

Mr. ADKERSON. I read from the The Mineral Resources of the United States, published by the Bureau of Mines, 1925, page 186:

> The Harriman control of the Caucasian deposits probably will greatly influence the future price and domestic flow of ferromanganese. In December, 1925, the Harriman concessionaires turned over their holdings to the Georgian Manganese Co. (Ltd.), with a capital of $4,000,000. The shares of the company are divided among the following countries: United States, 51 per cent; Germany, 25 per cent (A. G. Gelsenkerschener and August Thyssen, 12.5 per cent each); and England, 15 per cent (Guinness, Duprex, and others). The remaining 9 per cent is divided among other countries and individual holders.

Senator EDGE. May I ask how much longer you are going to take? A question of the element of time was raised yesterday, the first time since the committee has been in session. You have about six or seven additional witnesses here. If we are going to work on time, I insist on both sides having exactly the same time. That will mean that perhaps five of your witnesses will not get a chance to speak.

Mr. ADKERSON. At least two of them have said that they would give me their time, Senator.

Senator EDGE. All right, but as long as the element of time was raised—I, personally, do not believe in it; I think some people say more in 10 minutes than others can say in an hour—but at the same time let us treat both sides fairly.

Senator REED. Who are the two witnesses who have given you their time, please?

Mr. ADKERSON. Professor Sweet——

Senator REED. Professor Sweet is not listed as a witness.

Mr. ADKERSON. He was.

Senator REED. He is not now. Was he listed yesterday?

Mr. ADKERSON. He withdrew in my favor—Professor Sweet and Mr. Lake.

Senator EDGE. You see, this calendar is reprinted every morning, and any witness who withdraws naturally would not appear. How many have we on the present list?

Senator REED. We have seven witnesses to-day on manganese ore, and three on ferromanganese.

Senator EDGE. I think it was stated yesterday that the three witnesses who appeared against a raise, or against the duty, whatever you want to term it, consumed two hours. Now, you have had about half an hour to-day, I should say, and 25 minutes yesterday There is almost one hour now; so you can see what we are facing.

Mr. ADKERSON. I thought it was two hours and a half.

I continue reading in reference to the connection of officials of the Bethlehem Steel Co. with manganese properties in Russia:

> Part of the 51 per cent allotted to this country has been taken over by the Bethlehem Steel Co. With the exception of the World War period, the Bethlehem Steel Co. has not normally been a distributor of ferromanganese. The ferromanganese it manufactured was for its use. In order to insure utilization of the minimum royalty tonnage called for under the Harriman concessions, this company may be forced to become a distributor as well as a consumer of this alloy.

Senator REED. Mr. Adkerson, we are going to finish this manganese item at 12 o'clock. You are the general of your forces. We will leave it to you to apportion the time from now until 12 oclock, just as you please.

Senator EDGE. At 12 o'clock manganese closes, is that it?

Senator REED. Yes.

Mr. ADKERSON. All we ask is that we have at least the same length of time as was granted the others.

Senator REED. That is just what we are giving you, exactly the same time as the other side had.

Mr. ADKERSON. It is a very important matter, and concerns about 40 companies and about 156 individual members in 32 states.

Senator REED. That is exactly what we are giving you, the same time the other side had.

Mr. ADKERSON. It involves some of the largest leading companies in the United States, the Anaconda Copper; New Jersey Zinc; Butte Copper & Zinc; Marcus Daly, James Girard, Brunswick Terminal, and a number of others. We are representing all those companies.

Senator REED. You are in control of the time from now until 12 o'clock.

Mr. ADKERSON. Can it be possible that Professor Leith, in making a statement concerning the Cuyuna Range, is looking with the same dubious eyes that led him to make the original error in turning down the Cuyuna Range in the days of its infancy. It would be very unfortunate for this committee to adopt a national policy upon a statement so ultraconservative that it would prevent the development of the manganese industry in the United States. The Nation can not afford to make the mistake that the United States Steel Corporation did in abandoning operations on the Cuyuna Range, which have since proved so profitable. The United States to-day would be the most backward Nation in the world if its developments had been dependent upon conservatism and doubt.

In his remarks to the committee yesterday Professor Leith discussed not only the Cuyuna Range, to which the above comments apply, but also expressed his fears with respect to the existence of substantial ore reserves in Butte, Mont., where, as members of the committee are doubtless aware, the Anaconda Copper Mining Co. has already virtually blocked out a substantial tonnage.

Mr. Pumpelly who has actually studied this district and is now shipping at the rate of 72,000 tons annually, will shortly tell you of these operations.

It may be of interest to know that Professor Leith was chairman of the meeting at Cleveland, Ohio, in 1927, which was called for the purpose of considering the removal of the tariff on manganese ore. This meeting followed in due order the report of the subcommittee wherein the total reserve of manganese in the United States was stated to be limited to 2,995,400 tons of high-grade ore and 48,116,000 tons low grade.

It is also of the interest to know that Mr. J. V. W. Reynders was a member of the subcommittee which wrote the report on which Professor Leith bases his statement in regard to the reserves of manganese ore before this committee.

It is also of interest to know that Mr. Reynders was joint chairman of the Cleveland meeting called for the purpose of considering removal of the tariff on manganese ore.

It is also of interest to know that Mr. Reynders was consulting engineer for the Harriman interests operating manganese mines in Russia in which the Bethlehem Steel Co., or officials of the Bethlehem Steel Co., were financially interested.

In confirmation of the Bethlehem Steel Co.'s financial interest in Russia, I quote from United States Bureau of Mines Bulletin, 1925, page 186:

> The Harriman control of the Caucasian deposits probably will greaty influence the future price and domestic flow of ferromanganese. In December, 1925, the Harriman concessionaires turned over their holdings to the Georgian Manganese Co. (Ltd.), with a capital of $4,000,000. The shares of the company are divided among the following countries: United States, 51 per cent; Germany, 25 per cent (A. G. Gelsenkirschener and August Thyssen, 12.5 per cent each); and England, 15 per cent (Guinness, Duprex, and others). The remaining 9 per cent is divided among other countries and individual holders. Part of the 51 per cent allotted to this country has been taken over by the Bethlehem Steel Co. With the exception of the World War period, the Bethlehem Steel Co. has not normally been a distributor of ferromanganese. The ferromanganese it manufactured was for its use. In order to assure utilization of the minimum royalty tonnage called for under the Harriman concessions, this company may be forced to become a distributor as well as a consumer of this alloy.

Professor Leith is one of the principal exponents of the policy of the international control of minerals. The policy is antagonistic to the development of the United States as a Nation to become independent of foreign sources of supply. It is only natural, therefore, that Professor Leith would urge free trade for manganese. On the basis of such a policy it is obvious that the United States will continue to remain indefinitely dependent on foreign sources of supply, which would be a great national liability in times of peace and especially in times of war.

In reference to the American Institute of Mining Engineers' report, which has been so widely quoted by Doctor Leith, I wish to state that shortly after the Cleveland meeting I took the matter up with the War Department, as to the reserves in the United States. Some engineers of the War Department came to the field to see what operations were going on. Shortly after the return of those engineers I received a letter from the War Department, which letter I now wish to insert in the record.

(The letter referred to is as follows:)

WAR DEPARTMENT,
Washington, D. C., October 3, 1927.

Mr. J. CARSON ADKERSON,
Hy-Grade Manganese Co. (Inc.), Woodstock, Va.

MY DEAR MR. ADKERSON: Your work in the development of an adequate supply of manganese ore to meet the industrial needs of the United States has been brought to my attention. Your activities along this line are rendering valuable service in the solution of the problems of industrial preparedness, and I wish to express my appreciation of the work that you are doing.

It appears that manganese is essential to the production of steel, and without steel national defense is obviously impossible. The safety of the country requires that we have a readily available source of manganese within the United States. Those who are working to meet this requirement have my best wishes for success.

Sincerely yours,

HANFORD MACNIDER,
The Assistant Secretary of War.

Mr. ADKERSON. Shortly after that date I had a letter from Mr. Weld, who was chairman of the subcommittee which wrote the report, saying that the reserves of manganese in the United States were limited, and on which Doctor Leith bases the most of his statement. I will read from that letter these words. This letter is from Mr. C. Minot Weld, chairman of the subcommittee which wrote the report on manganese in 1924, and this letter is addressed to me. The part I shall read is as follows:

At the request of the War Department the former joint committee of the A. I. M. E. and the Mining and Metallurgical Society of America is being reconstituted for the purpose of restating the case of manganese from the point of view of a war need.

I have since had conferences with Mr. Weld in New York, at his written request that we get together so that that report could incorporate the new developments which have gone forward in manganese, so it is natural to assume, as is expressed, in view of the new developments, that the report of the subcommittee on which Doctor Leith bases the most of his information, is to-day obsolete data.

We wish to assert, too, that the ore reserves in the United States are ample. I will read from a report of Mr. Carl Zapffe, manager of iron ore properties of the Northern Pacific Railway, and geologist of the Northern Pacific Railway, referring to the low-grade ores in the Cuyuna Range.

In the Cuyuna district I can show anybody any time drilled areas susceptible to open-pit mining, some even now disclosed, that will estimate several billion tons. This is not a guess; this is a fact, and it was referred to by me in published papers of several years ago * * *.

Bradley is conservative and modest. He has progressed further than is believed. Men of great experience and success have taken hold and are about to build a commercial plant. With our huge reserve, a billion tons of rock will yield 250,000,000 tons of ore of the highest manganese content and be equivalent to 400,000,000 tons of foreign ore. Cole's work on the rhodochrosite ores constitutes, in comparison, an adjunct. Beneficiation of manganese-bearing rock has never before been carried out as lately, as thoroughly, as comprehensively, and as successfully. It deserves everybody's thought and encouragement and approbation. If there ever was a time when good endeavor resulted into something feasible and going to prove of immense value to a nation, we have it * * *.

I read from the proceedings of the American Manganese Producers Association convention in 1927. Mr. Carl Zapffe, in open meeting, speaking to the representative of the War Department, who was the

principal speaker of the evening at the meeting on manganese, held at the Mayflower Hotel in Washington, D. C., said:

I am saying this particularly for your benefit, Major, because you probably will not be here to-morrow. You say there is probably no substitute for manganese. Statements have been made, printed, and broadcast, to the effect that we have only one and a half millions of tons of high-grade manganese in this country. I will give you that as a cash discount. You can do with that what you please. I think you can even take your stock pile and accept that as a gift, and do with that as you please. I am willing to make the assertion that in less than five years' time—and probably nearer three—and we will include an operation of which I have not first-hand knowledge, although I do have detailed information or first-hand knowledge of these other two, but another individual told me about his particular operation. I simply have to take his word for it. I have not seen it and do not know anything about it. We will throw that in for good measure. I will wager that in a few years time you will see industries producing ferromanganese in this country to the extent of at least one-half, and probably in five years all, the ferromanganese produced in this country will be made from domestic manufactured ores. That is the age in which we are living—manufacturing ores from low-grade material.

Senator EDGE. What is that from?

Mr. ADKERSON. From the printed proceedings of the first annual convention of the American Manganese Producers Association, held at Washington, D. C., in 1928.

Senator KING. Who is the gentleman you have just referred to?

Mr. ADKERSON. Mr. Carl Zapffe.

Senator KING. Who is he?

Mr. ADKERSON. Geologist, and general manager of iron ore properties of the Northern Pacific Railway. He is a recognized authority who is widely quoted in most recent Government publications, referring to the reserves of the Cuyuna district in Minnesota.

Senator REED. Mr. Adkerson, you are not forgetting what I said about quitting at 12 o'clock. There are six witnesses to whom you have to allot that remaining time.

Mr. ADKERSON. Yes. I would like to have you be just a bit considerate with us. It is very important, and I would like the same time the others had. There is much important information here that we would like to get before this committee, so that you may see that the developments have gone forward as projected; investments have been made, and we hope to realize on the investments and bring forward the production. But without the increase in the tariff, some of the projects must be given up.

Senator EDGE. If you are making the story complete, the other witnesses will not have to duplicate it, will they?

Mr. ADKERSON. With your permission I will go ahead. We will save time, Senator.

I will read from the report of a new discovery which has been made, and is not mentioned in the Government publications. The report is by John A. Savage & Co., outstanding engineers of Duluth, Minn. It refers to the properties in South Dakota:

However, we believe the work done indicates that this acreage contains over 50,000,000 tons of ore material analyzing at least this good (16 per cent) in manganese.

The tonnages in class 2 territory and in class 3 territory are many times the above 50,000,000 tons.

I skip to the end of the report:

From the point of view of military preparedness, as emphasized by the War Department re necessary minerals, we believe that if our recommended plan of

operation or any other becomes practical and successful, and if the Bradley or a similar process is successful, your lands contain enough ore material to make the United States entirely independent of imported manganese.

I herewith submit, to be incorporated in the record, a wire from Mr. A. T. Sweet, professor of metallurgy, Michigan College of Mines.

(The telegram referred to is as follows:)

HOUGHTON, MICH., *June 25, 1929.*

J. CARSON ADKERSON,
President Manganese Producers Association,
Metropolitan Bank Building, Washington, D. C.:

This is to advise you that we have successfully developed a leaching process for the treatment of low-grade South Dakota manganese ores, controlled by the General Manganese Corporation. The process produces a product containing 65 per cent manganese, with no objectionable impurities, at a cost estimated by us of $6.04 per ton of product. There is now a pilot plant in operation at the Michigan College of Mines, and we would welcome an investigation by interested parties.

A. T. SWEET, *Professor of Metallurgy.*

Mr. ADKERSON. I also submit a letter from Mr. Wilson Bradley, president of the Bradley-Fitch Co., telling of the success of the Bradley-Fitch beneficiation process on the low-grade ores of the Cuyuna Range, and ask that that it be incorporated in the record.

(The letter referred to is as follows:)

CHICAGO, *January 4, 1928.*

Mr. J. CARSON ADKERSON,
President American Manganese Producers Association,
Metropolitan Bank Building, Washington, D. C.

DEAR MR. ADKERSON: In response to your letter of December 28, 1928.

The process which has been developed by the Bradley Fitch Co. will treat the low-grade manganese ores of America and from them produce a very high-grade product for use in making ferromanganese.

Under the promise of a duty being maintained on manganiferous ores, as at present, the writer started, five years ago, to develop this process. The process was first treated on a laboratory scale in the laboratories of the Dorr Co., at West Point, Conn. This work was so successful that a small experimental plant was built at the Mines Experiment Station at Minneapolis at a cost of approximately $50,000. This experiment plant was operated for two years. During its operation the process was investigated by a well-known firm of consulting engineers, H. A. Brassert & Co., and for the past year and a half it has been receiving this concern's continuous investigation. Their report, which will include mill plans, cost estimates, etc., will be ready some time this month. I am sure that this report will be extremely favorable.

The process leaches the manganese from low-grade ores through the use of ammonium sulphate. The above-mentioned report covers the application of the process in treating the nonmerchantable high silica manganiferous ores which occur in large tonnages on the Cuyuna Range in Minnesota. It is the plan to treat ores containing 13½ per cent manganese and produce a concentrate which will contain 63½ per cent manganese. For each ton of concentrates we will have to mine something over 5 tons of crude ore. Our cost sheets show that it will cost $32.61 to produce one ton of 63½ per cent manganese from 5 tons of manganiferous ore. Of course this cost may vary somewhat on actual operation. A ton of 63½ per cent manganese ore is worth, seaboard without duty, $25.40; with duty, $39.62. It is manifest that the process will not be put in operation if the duty is lowered.

We have planned a mill with an ultimate capacity of 100,000 tons of this high-grade concentrate per year. We expect to build the first unit of this plant during 1929. We have applications from manganese miners for the use of the process that lead me to believe that within the next three to five years 300,000 to 500,000 tons of concentrates will be produced by this ammonium sulphate method.

The Bradley Fitch Co., which owns the process, has expended over $300,000 in its development to date and has under its control something over 5,000,000 tons of 13½ per cent manganese for the use of the process. The Bradley Fitch

Co. will license responsible manganese ore mines in the use of the process and is not attempting in any way to build up a monopoly of this concentrated product.

This gives briefly the points which I think you want, but if there are other questions that you would like to put to me, or if I can be of any service to you in Washington, please advise me of this.

Yours very truly,

BRADLEY FITCH CO.,
WILSON BRADLEY, *President.*

Mr. ADKERSON. I also have a letter from Mr. Will H. Coghill, supervising engineer, Department of Commerce, Bureau of Mines, Mississippi Valley Experiment Station, Rolla, Mo., in which he states:

Probably no other metal has offered so many inviting prospects when its industry was in the same degree of development.

We began our investigation less than one year ago.

Also we are having success in floating the oxide of manganese. By supposedly scientific reasoning this mineral has been regarded as nonfloatable, but we have blown up the theory and can make ferro-grade from some of the low-grade manganese oxides.

Our roasting and magnetic separation to remove the iron also has resulted in some high-grade products.

I submit the letter to be included in the record.

(The letter referred to is as follows:)

MISSISSIPPI VALLEY EXPERIMENT STATION,
Rolla, Mo., May 31, 1929.

Hon. SAMUAL S. ARENTZ,
House of Representatives, Washington, D. C.

MY DEAR CONGRESSMAN ARENTZ: I am pleased to have your letter of May 25 expressing an interest in the beneficiation of manganese ores. The subject is near to my heart because so many manganese properties are in localities that are in need of a stable industry and manganese is a possible means.

We began our investigation less than one year ago and I believe I can safely state that we are the first to view the subject broadly by dissecting manganese ores to find if they are amenable to such processes of concentration as flotation, gravity concentration, and magnetic separation. During the course of the investigation we have found some ores to be entirely refractory to physical separation (this does not include leaching), but on the other hand some of them are amenable. We have in this country hundreds of manganese prospects, so that if a very small percentage were amenable and the prospects could be developed into mines we would have an industry that would afford much employment and be a source of pride and safety. Probably no other metal has offered so many inviting prospects when its industry was in the same degree of development. Of course the mining and beneficiation of manganese ores may be accused of being of the "shoe-string" sort, but unquestionably the other industries have gone through the same "shoe-string" stages. Those who are inclined to be bearish on the subject will cite the fact that many of the manganese deposits are residual or of the replacement type, thereby having a definite known lower limit. But when one recalls the many disappointments where other ores were supposed to continue with depth, one wonders if this knowledge is not a blessing in disguise. However, a consideration of the superficial nature of many of the oxide deposits must not be too hastily dismissed.

We have been successful in putting the flotation of the carbonate through the laboratory stage and feel confident that it can be commercialized to make ferromanganese, because our fluospar work of two years ago has been commercialized so that from waste sludge pond stuff they are now making almost chemically pure fluospar concentrate. This fluospar plant is at Rosiclare, Ill.

Large bodies of manganese carbonate are known, but they happen to be in the hands of a large mining company, which at this moment finds the working of other ores more profitable. Their manganese ore will have to wait its turn.

Also we are having success in floating the oxide of manganese. By supposedly scientific reasoning this mineral has been regarded as nonfloatable, but we have blown up the theory and can make ferro grade from some of the low-grade manganese oxides.

Our roasting and magnetic separation to remove the iron also has resulted in some high-grade products.

So far we have published only two papers, namely, Preliminary Ore Dressing Tests to Recover Manganese in Rhodochrosite Ores and Beneficiation of Oxidized Manganese Ores by Magnetic Separation of Roasted Jig Concentrates. A copy of each is inclosed herewith. Also is inclosed a preliminary map showing the location of the many manganese prospects and mines. Each large dot on the map represents a prospect or a mine that is mentioned in the literature or has come to our attention by our own investigation. Our complete bibliography will be large and is being prepared with a great deal of care.

I believe that you will see that making a survey of these ores is a big task. Other investigators have not gone beyond the geology and the assay of the samples. Our work consists of breaking the ores and resolving them into their component parts. Some of them are found to be permeated with foreign matter and others yield clean mineral grains.

I would like to leave the idea with you that we have many manganese prospects and they will be a "teaser" for decades to come if we do not settle the questions as to their amenability to beneficiation. Our mining men have invested their money, and after the manner of mining men, are good sports. They need help from an impartial source. We believe that we can render this help, but it is a big job. All mines have to fight through the prospect state, and the prospect for manganese is good if market conditions are not adverse.

I thank you for your interest in this subject.

Respectfully,

WILL H. COGHILL,
Supervising Engineer.

Mr. ADKERSON. I would also like to submit a list showing some of the operating companies.

(The list referred to is as follows:)

Some companies in active operation or preparing for production of high-grade manganese ore (subject to adequate tariff protection)

Name	Location	Estimated production, high-grade ore	
		1929	1930
		Tons	*Tons*
Domestic Manganese & Development Co.	Butte, Mont.	43,000	72,000
Georgia Manganese & Iron Co.	White, Ga.	20,000	120,000
Hy-Grade Manganese Production & Sales Corporation.	Woodstock, Va.		30,000
Trout Mining Co.	Phillipsburg, Mont.	9,000	35,000
Anaconda Copper Mining Co.	Butte, Mont.	[1] 70,000	
Butte Copper & Zinc Co.	do.		
Bradley Fitch Co.	Buffalo, N. Y.		
Luna Manganese Co.	Deming, N. Mex.		
U. & S. Mining & Development Co.	Phillipsburg, Mont.		
Anson G. Betts.	Cummington, Mass.		
Stange Mines.	Crandon, Va.		
Chapin Exploration Co.	Chicago, Ill.		
General Manganese Corporation.	Detroit, Mich.		
Manganese Ore Co.	Watauga Valley, Tenn.		
Moorlight Mining Co.	Phillipsburg, Mont.		
Manganese Mines Co. of America.	Denver, Colo.		
Montizona Copper Co.	Pima County, Ariz.		
Jas. Donovan.	Las Vegas, Nev.		
Manganese Valley Mines.	Deming, N. Mex.		
Lava Manganese Co.	Lava Hot Springs, Idaho.		
Express Headlight Mining & Development Co.	Villa Grove, Colo.		

[1] This 70,000 is furnished Domestic Manganese & Development Co. for benefication.

Mr. ADKERSON. I will say that we can show now, that at the rate of production going forward to-day, we will have from 80,000 to 90,000 tons of high-grade ore produced during 1929, providing the present rate of production keeps up. From operations where construction on the properties will be completed not later than this fall—they are now nearing completion—it shows that the tonnage for 1930,

providing there is a market for the ore, will be in excess of 200,000 tons of high-grade ore.

Senator EDGE. There is no question about there being a market for the ore, is there?

Mr. ADKERSON. There has not been. In order to show that there has been no ready open market for the ore, I submit at this point a letter from the Bethlehem Steel Co., refusing tonnages of high-grade ore.

(The letter referred to is as follows:)

BETHLEHEM, PA., *March 17, 1926.*

HY-GRADE MANGANESE CO. (INC.),
Woodstock, Va.

GENTLEMEN: Answering your letter of March 11, we are fully covered on manganese ore for the current year, and are, therefore, unable to consider at this time the purchase of your product.

Yours very truly,

BETHLEHEM STEEL CO. (INC.),
CHAS. R. HOLTON,
Purchasing Agent.

Senator EDGE. At the same time, the imports are how much? You do not have to answer that. We have the imports in the record, of course.

Senator KING. Over 600,000 tons.

Senator REED. Let me see that letter from the Bethlehem Co.

Mr. ADKERSON. Some question was raised yesterday about how many pounds of manganese are used per ton of steel. I will read from the report of the American Institute of Mining Engineers, which was quoted so widely by Professor Leith yesterday.

The average for the entire 12 years is seen to be 13.9 pounds. This average figure is not so significant, however, as the trend of consumption, which seems to be slowly but fairly surely declining. In view of this trend, your committee has concluded to adopt 13 pounds as a conservative forecast of the probable future average consumption of metallic manganese per ton of total steel manufactured.

Senator EDGE. You would not say that that letter from the Bethlehem Steel Co., signified that there was no market for ore?

Mr. ADKERSON. There was not a market for us in several instances, and we are prepared to show you that practically the same information has gone forward to every other producer, and we do not know where the Bethlehem Steel Co. has bought any domestic ore.

I want to direct your attention also, gentlemen, to the fact that all the leading steel-making nations of the world are taking steps to develop and insure an adequate supply of manganese ore to meet their requirements. France, having no manganese, is each year spending many millions of dollars storing up a supply of manganese within her borders. England is encouraging development of properties in her colonial possessions and is retaining political control of those properties, not allowing foreign companies even to acquire ownership of them, and even they are wondering what they would do in case of an emergency, when their ship lanes were cut off.

I wish to submit, to become a part of the record, a list of the directors of the association.

(The list referred to is as follows:)

DIRECTORS OF THE AMERICAN MANGANESE PRODUCERS ASSOCIATION

Richard H. Brown, president Manhattan Electrical Supply Co., 11 Park Place, New York City.
A. J. Seligman, president Butte Copper & Zinc Co., 42 Broadway, New York City.
John H. Cole, president Domestic Manganese & Development Co., Butte, Mont.
Wm. B. Daly, general manager mines, Anaconda Copper Mining Co., Butte, Mont.
Francis P. Sinn, New Jersey Zinc Co., 160 Front Street, New York City.
O. D. Hutchens, president Manganese Ore Co., Johnson City, Tenn.
Chas. W. Massie, secretary-treasurer Hy-Grade Manganese Co. (Inc.), Woodstock, Va.
Joel Hurt, jr., president American Minerals Corporation, Hurt Building, Atlanta, Ga., or 165 Broadway, New York City.
Robert E. Dwyer, vice president Anaconda Copper Mining Co., 25 Broadway, New York City.
H. A. Pumpelly, vice president Domestic Manganese & Development Co., Owego, N. Y.
J. Carson Adkerson, consulting engineer, Metropolitan Bank Building, Washington, D. C.
Ottomar Stange, president Stange Construction Co., 1600 Arch Street, Philadelphia, Pa.
Herbert Wilson Smith, Union Carbide Co., 30 East Forty-second Street, New York City.
N. H. Mannakee, Bluefield, W. Va.
Gaston Scott, secretary to Governor of Alabama, Montgomery, Ala.
D. H. McCloskey, 2677 Hudson Boulevard, Jersey City, N. J.
W. R. Spencer, president Luna Manganese Co., Jackson, Mich.
W. J. Stanton, vice president-treasurer Cuban American Manganese Corporation, 120 Broadway, New York City.
L. B. Miller, National City Bank Building, Cleveland, Ohio.
Carl Zapffe, Northern Pacific Railway Co., Brainerd, Minn.
F. N. Hicks, Chicago, Milwaukee & St. Paul Railway, Seattle, Wash.
John Hickey, president Moorlight Mining Co., Philipsburg, Mont.
E. A. Fritzberg, manager United States Manganese Corporation, Staunton, Va.
W. G. Rinehart, Batesville, Ark.
E. F. Rummel, Chicago, Milwaukee & St. Paul Railway, Chicago, Ill.
C. G. Ewing, president Philipsburg Mining Co., 821 Security Building, St. Louis, Mo.
H. O. Flickinger, president Silver Prince Mining Co., Philipsburg, Mont.

GENERAL COUNSEL

Barron, Rice & Rockmore, 220 West Forty-second Street, New York City.

Senator REED. You are president of the association, are you not?
Mr. ADKERSON. Yes.
Senator REED. What are these samples you have here?
Mr. ADKERSON. This [indicating] was formerly a worthless rock, not mentioned in the Government bulletins of years ago as manganese ore. It is rhodochrosite from Butte, not recognized as ore, and it can not be shipped east at present prices, low grade as it is. It is now being taken as worthless rock and beneficiated into an ore which runs 57 per cent metallic manganese, or a higher grade than any ore in the world. It is being done through a process of beneficiation, and the plant is producing at the rate of approximately 72,000 tons a year. It is a new development which has just recently come through.
Senator KING. With respect to this first sample, what is the per cent of manganese?
Mr. ADKERSON. It runs about 37 per cent.

Senator KING. This rock?
Mr. ADKERSON. Yes.
Senator KING. What is the residue—silica?
Mr. ADKERSON. Silica.
Senator KING. And quartz?
Mr. ADKERSON. Some quartz and carbon dioxide gases, which go off in the furnace.
Senator REED. You say that runs 37 per cent manganese?
Mr. ADKERSON. Thirty-seven per cent manganese. This [indicating] runs 57.
Mr. Adkerson submitted the following memorandum:

MEMORANDUM ON THE MANGANESE INDUSTRY BY AMERICAN MANGANESE PRODUCERS ASSOCIATION, WASHINGTON, D. C.

JUNE 12, 1929.

The 1922 tariff reads as follows:
"PAR. 302 (a). Manganese ore or concentrates containing in excess of 30 per centum of metallic manganese, 1 cent per pound on the metallic manganese contained therein."
There is no change in the present manganese tariff as reported from the House.
Tariff needed to adequately protect the American industry should read as follows:
"PAR. 302 (a). Manganese ore or concentrates of all kinds, containing less than 10 per cent of metallic manganese, shall be admitted free of duty; containing 10 per cent or more of metallic manganese and less than 20 per cent, one-half of 1 cent per pound on the metallic manganese contained therein; containing 20 per cent or more of metallic manganese and less than 25 per cent, 1 cent per pound on the metallic manganese contained therein; containing 25 per cent of metallic manganese or more, 1½ cents per pound on the metallic manganese contained therein."
The United States consumes annually about 850,000 tons of manganese ore, or 425,000 tons metallic manganese. Average domestic production of high-grade ore (35 per cent manganese and above) for 5-year period ending December 31, 1928, is 55,000 tons per year.
Domestic production of low-grade ore (5 to 35 per cent manganese) is 1,310,000 tons per year. Domestic production of both high and low grades ores result in the payment of $5,096,299 per year [1] to American miners and approximately $4,000,000 to the railroads of the United States. This is from an infant industry in the first few years of its existence.
The production of domestic manganese is being seriously impaired by the invasion of ores produced by the cheap labor of Soviet Russia. Imports from Russia have increased from less than one-half of 1 per cent of our total imports in 1922 to approximately 50 per cent of our total imports in 1928. The following table shows the growing monopoly of Russian ores in our American market. The table gives actual arrivals at United States ports and is not withdrawals from bonded warehouses for consumption, such as form the basis of other printed reports.

Imports of manganese ore into United States

Figures show metallic manganese content of ore

Year	Total from all countries (gross tons)	Imports from Russia	
		Gross tons	Per cent of total
1922	374,351	1,642	0.4
1923	196,986	11,670	5.9
1924	231,393	41,097	17.8
1925	286,564	114,537	40.0
1926	347,378	122,345	35.2
1927	308,630	133,159	43.1
1928	159,842	79,529	49.8

[1] Figures of Department of Commerce.

An examination of this table will disclose that the dutiable importation from Russia in 1928 fell to 79,529 gross tons. This apparent decline in imported dutiable ore is due largely to the fact that the steel producers have found a way to use the low-grade ores and during the year 1928, according to reliable data, imported in excess of 100,000 tons of manganese ore carrying a content of from 20 to 30 per cent metallic manganese, thereby avoiding payment of duty.[2]

This emphasizes the necessity of protection on ores running from 10 to 20 per cent metallic manganese.

The increase of one-half cent per pound is sufficient only to guarantee a price of approximately 65 cents per unit, which is still 3 cents per unit less than the average price paid by the steel industry for foreign ores during the 5-year period ending December 31, 1928.

The present tariff of 1 cent increases the cost of a ton of steel 16 cents. The one-half cent per pound increase will increase the cost of a ton of steel only 8 cents. Total tariff will then be 24 cents per ton of steel.

The tariff increase of one-half cent per pound with protection on low-grade ore is being opposed chiefly by the Bethlehem Steel Co. The Bethlehem Steel Co. or the officers of the Bethlehem Steel Co. are reported to be financially interested in manganese concessions in Russia.[3] In 1928 these concessions were given up under pressure and the companies having these concessions are reported to have been given notes from the Soviet Government to the extent of $4,500,000, payable over a term of from 12 to 15 years. The notes, it is understood, are to be paid only through manganese ores or from the profits on sales of manganese ores by the Soviet Government. Leonard J. Buck (Inc.) is the manganese sales agent for the Soviet Government in the United States. Leonard J. Buck is the son of the vice president of the Bethlehem Steel Co. The reason for the Bethlehem Steel Co.'s opposition to the development of the American manganese industry is readily apparent.

The present developed reserve of manganese ore, high grade in its natural state in the ground, is limited as far as our knowledge goes. The reserve of low-grade manganese ore in the United States, however, runs into the hundreds of millions of tons.[4] During the last few years new processes for recovering manganese from low-grade ores have been developed and in commercial operation produce a high-grade ore from these low-grade reserves. The product so produced runs higher in grade than any other ore known in the world.

The steel people in their arguments against the tariff state that there is practically no manganese in the United States. They refer entirely to high-grade ore in its natural state in the ground. Most of the figures and statements referred to by them to-day are obsolete.

Each of the steel-making nations is to-day measuring and safeguarding its reserve of manganese ores. France, having no manganese deposits, is each year spending many millions of dollars in buying and storing a supply of manganese within her borders. Sir Robert Hadfield, the eminent British metallurgist in a recent publication on manganese, quotes an ancient Chinese proverb, "They who own the iron of the world rule the world." He continues, "It would also seem safe to add that they who own the manganese of the world have largely in their hands the control of steel of satisfactory quality such as is now necessary to meet modern requirements."

Mines and milling processes can not be developed quickly to meet an emergency. The industrial security and independence of the Nation are dependent upon the further development of the domestic manganese industry and this can be accomplished through adequate tariff protection.

The question resolves itself down to this: Shall our vast domestic manganese reserves be developed, mined, and utilized, or shall those of Russia?

STATEMENT OF K. M. LEUTE, REPRESENTING GENERAL MANGANESE CORPORATION, DETROIT, MICH.

(The witness was duly sworn by the chairman of the subcommittee.)

Mr. LEUTE. Mr. Chairman and gentlemen, I represent the American General Manganese Corporation, of Detroit, Mich. Mr. Adkerson has touched on our material. We have reports here that show

[2] U. S. Tariff Commission.
[3] See 1925 Bulletin, Manganese, Department of Commerce, p. 156.
[4] See Bulletin, Manganese, 1926, Department of Commerce, pp. 145-146.

that we have 50,000,000 tons of manganese nodules imbedded in shale in South Dakota, that lend themselves to open-pit mining.

We have been able successfully to devise a process for taking that ore, material running 16 per cent, and making a 65 per cent manganese sinter, with practically no impurities in it, beyond .0015 per cent.

The cost of laying that down at the furnace is estimated to-day at 59.4 cents a unit.

When this project was first started in 1927 we spent a good many thousands of dollars on it. We have acquired by purchase or lease, 100,000 acres of land.

The price of manganese was approximately 66 or 67 cents a unit.

Senator KING. What is a unit?

Mr. LEUTE. A unit is one per cent of a long ton, or 22.4 pounds. Our whole calculations were based upon that. We showed approximately a seven-cent profit, and we could operate, with the hope of saving some iron ore that is in this ore, and possibly securing a premium due to the purity of our material. It enabled us, under the world price at that time, which was around 66 cents a unit, to make a fair return on the money that has got to be invested in the property.

Since that time foreign ores have come down to where, at the present time, they are about 57 cents a unit, instead of 66 or 67 cents, and I understand they are being sold even lower. That will bring them into this country at 55 cents a unit, with the present tariff. In other words, the present tariff we have to-day is not protecting us to the point where we can look forward to getting at least 65 cents a unit for our product.

As I say, it costs us 59.4 cents to lay it down at the furnaces. If we had the 65 cents, or the 66 cents—and that was a price even lower than the price that existed for five years prior to December 31, 1928—we could successfully operate with that margin of profit, plus what we can get on the iron that we save and the premium that we can possibly get for the purity of that ore.

Senator REED. Did you make any shipments last year?

Mr. LEUTE. No. We have been, since 1927, acquiring this property, testing it, and doing engineering work and developing a process that will successfully handle it. Mr. Savage, of Duluth, I do not believe will be questioned as to the tonnage. Professor Sweet, of Michigan College of Mines, has a pilot plant in operation where this ore is being processed, and is able to give some very definite conclusions as to the cost.

Senator KING. Is that not more of a laboratory?

Mr. LEUTE. It is a laboratory pilot plant.

Senator KING. On the property?

Mr. LEUTE. At the Michigan College of Mines. It is being conducted under their supervision. They go on record, giving us their estimated costs of that process, added to our costs of mining, plus our freight, which enabled us to lay that down at the furnace at 59.4 cents. As I say, against that we have the saving of iron and a possible premium for purity, due to the fact that a 65 per cent manganese ore, without any silica, aluminum, or any other impurities, saves considerable in the smelting of it, in the thorough manganese. What part of that premium we will get, we do not know, but it is absolutely essential for us, to even operate out there, that we have a price in this

country of approximately 65 cents a unit, which we would have had under the old tariff, and which evidently the Tariff Commission thought was a fair price back in 1922 or 1923. So, all we are asking for is protection that will give us a price of approximately 65 cents.

Senator REED. Thank you.

STATEMENT OF HAROLD A. PUMPELLY, OWEGO, N. Y., REPRESENTING DOMESTIC MANGANESE AND DEVELOPMENT CO., BUTTE, MONT.

(The witness was duly sworn by the chairman of the subcommittee.)

Senator REED. You represent the Domestic Manganese and Development Co., of Butte?

Mr. PUMPELLY. I do, sir. I am vice president of that company.

Senator REED. Did you testify before the House Committee?

Mr. PUMPELLY. I did.

Senator REED. And did you file a brief?

Mr. PUMPELLY. I did.

Senator REED. All right. We will be glad to hear from you.

Mr. PUMPELLY. Mr. Chairman, and members of the committee, I am the vice president of Domestic Manganese and Development Co., located at Butte, Mont.

On March 15, 1928, our company started production on the beneficiation of the carbonate ores in the Butte district. We have a potential production of 72,000 tons per year with our present equipment. There is invested in the enterprise approximately $423,000. The operation consists of calcining the ore in rotary kilns and then nodulizing the calcined material. The product has the ideal characteristics for blast furnace charge. I am told it is the finest material from the standpoint both of chemical analysis and physical condition that has been offered the American market. Its analysis has averaged from 55 to 60 per cent manganese, 6 to 9 per cent silica, 0.085 per cent phosphorous 3.75 per cent iron.

Senator KING. That is after treatment, after calcining?

Mr. PUMPELLY. Yes.

Senator KING. What does the ore run?

Mr. PUMPELLY. The ore we are using at the present time, raw, runs from 35 to 37 per cent manganese.

Senator KING. The preceding witness exhibited several samples, the first of which is a pink ore containing silica and some quartz, and he stated a considerable amount of manganese. Is that the kind of ore you are working?

Mr. PUMPELLY. Yes. I think that is our ore, sir.

Senator KING. Is that in a blanket vein, or fissure vein?

Mr. PUMPELLY. In a fissure vein, sir, with lenses. It occurs in large lenses.

Senator KING. In lime formation, or quartzite?

Mr. PUMPELLY. Quartzite.

Senator REED. How deep do you work it?

Mr. PUMPELLY. We do not work it, sir. The Anaconda Co. works it. We buy the ore from them. Their mine, I believe, at the present time is down to 1,600 feet. I have been down to the 1,200 foot level.

Senator KING. Do you know anything about the quantity of ore of this character that they have?

Mr. PUMPELLY. No, sir; I do not. I have seen engineers' reports and I have heard various estimates, but I will not try to make any statement about the possibilities.

Senator KING. They were mining for copper, I presume.

Mr. PUMPELLY. No, sir. They were mining for zinc.

Senator KING. And lead? Or zinc alone?

Mr. PUMPELLY. Zinc, I believe, and some silver.

Senator KING. And they encountered this?

Mr. PUMPELLY. Yes. It is a very interesting formation.

Senator KING. Is it in the vein itself?

Mr. PUMPELLY. No, sir.

Senator KING. Or is it in the lenses on the side?

Mr. PUMPELLY. It is in the lenses on the side. It is apparently a strange formation.

Senator KING. Is it a deposition from mineralized waters?

Mr. PUMPELLY. That, I can not tell you.

Senator KING. That came up from the deep?

Mr. PUMPELLY. I imagine so.

The interesting part about the economic side of that mine is that the zinc occurs on one side of the main tunnel and rhodochrosite and manganese on the other. In other words, you do not have to mine the zinc to get the rhodochrosite.

A short review of our experience in attempting to market the product will give the committee a clearer idea of one of the fundamental problems that confront an American producer.

The initial order was placed with one of the Eastern ferromanganese producers, on the so-called American schedule, at a price of 60 cents per unit, with encouragement that a revision upward in price, commensurate in price with foreign ores, was in order if the product ran as represented. Frequent request for an adjustment in price brought no change. After shipment of approximately 11,000 tons of ore we were forced to shut down with a loss of exactly $3.08 a ton.

Senator KING. Where do you ship it?

Mr. PUMPELLY. We ship it to Pittsburgh.

Senator KING. What was the content of the ore?

Mr. PUMPELLY. I have not the exact analysis, but this is approximately the way it ran, Senator: 56 per cent manganese; I think the average silica was 9 per cent; phosphorous about .085, and the iron 3.75.

Senator KING. Did that make up the 100 per cent?

Mr. PUMPELLY. No; that does not. There are initial losses, and various things in the treatment——

Senator KING. I am speaking of the product which you shipped. Analyzing that, what elements were there that made up the 100 per cent?

Mr. PUMPELLY. Well, we will say 56 per cent manganese; 9 per cent silica; 3¾ per cent iron; and then there is a percentage of oxygen in the product. Of course, it is not analyzed. And there are various other small percentages of elements in there that are not taken into consideration.

Senator KING. Would the oxygen be deleterious, or would that be burned out?

Mr. PUMPELLY, That is burned out when the ferro is made, and the ore is reduced. In other words, the affinity of the manganese for the oxygen occurring in the open hearth, is the thing that makes ferromanganese the necessary product.

Senator KING. Was there any claim made by any of the companies that your product was less favorable than other ores for smelting purposes?

Mr. PUMPELLY. The only question of criticism, Senator King, that we have ever had on the ore, was the siliceous content, the silica. That is an interesting point. I was going to cover it later.

Senator KING. All right. Excuse me for interrupting you.

Mr. PUMPELLY. The average silica content of this shipment was 9 per cent. Subsequently changes were affected in plant and other costs were slightly reduced.

Our next attempt was an offer of our entire tonnage for a period of five years to another ferromanganese producer at the prevailing market price. The offer was refused.

Senator REED. Where was that? Was that in Chicago?

Mr. PUMPELLY. No, sir.

Senator REED. Pittsburgh?

Mr. PUMPELLY. In the East. The offer was refused.

The third attempt was an offer to our first customer which was met with a counter offer of 57 cents per unit, enough lower than our first contract price to wipe out all the economies we had effected, the business was not accepted.

The fourth attempt met with somewhat better success and at a price of 61 cents per unit, we started in March of this year to ship the output of one kiln at the rate of 3,000 tons per month to a third ferromanganese producer. We have since been able to renew this contract and have within the last 10 days made another contract with a company in the West which will allow us to go into full production for the first time, at the rate of 6,000 tons per month.

I wish to call the committee's attention to a comparison of the foreign and domestic prices on manganese ores for a period of seven years beginning 1922 and ending 1928. Basing my statement on United States Tariff Commission figures the average price paid for foreign ore, delivered at Pittsburgh, Pa., was 68 cents per unit. The highest price paid for domestic ore of a commensurate grade, delivered at Pittsburgh, Pa., was 60 cents per unit. This difference figured in dollars value on a grade of ore such as we produce amounts to $4.48 per ton against us as an American producer.

Figured in tariff protection terms, it amounts to three-quarters of the tariff protection we are entitled to. We are losing one quarter.

Senator REED. What is the explanation of that lower price for the domestic product?

Mr. PUMPELLY. Well, sir; I do not know. I think the ferromanganese producers have a very good case; when an investigation was made by myself and my associates of the feasibility of our attempt in Butte, I heard in several instances from men in a position to know what they were talking about—the steel men—that the American manganese producers' statements had, of necessity, been discounted about 90 per cent.

Senator KING. That is, about their ability to produce?

Mr. PUMPELLY. Exactly. Also, I think there was a variance in the grade of the product, Senator King. In other words, it was not a stable industry.

Senator KING. I have had clients who shipped ore. On one carload, because of some base material—for instance, too much sulphur, too much phosphorus, or too much arsenic—they would be penalized. While perhaps the lead, silver, or copper content might be just as high as the other carload, or perhaps a little higher, they got very much less because of the base elements. You may be penalized, so to speak, using the technology of the smelting, because of the high silica content.

Mr. PUMPELLY. Exactly.

Senator KING. You would expect that, would you not?

Mr. PUMPELLY. Yes, sir. I will go into that in just a minute. I am very nearly through, Senator.

In closing, I would like to clear up one matter which seems to have confused the minds of many, whose attention has been directed to our operations in Butte, and to which our respected opponent, Doctor Leith, referred yesterday, namely, the silica problem which confronts both the producer of manganese ore and the producer of ferromanganese. Beneficiation processes, already devised, make possible the total elimination of silica from our product.

Senator KING. Is yours the Bradley beneficiation process?

Mr. PUMPELLY. We are not employing that now, no, sir. We are merely taking our ore in a lime kiln, or rotorary kiln, calcining it, and burning off the carbon dioxide.

Senator KING. What do you call your process?

Mr. PUMPELLY. I do not know that we have ever given it a name. It is applying the principle of calcining to carbonate ore.

Careful mining methods reduce the amount of silica in our product to a point which is entirely acceptable to our customers. The practices at blast furnaces differ widely, depending upon the mixture of ores used.

For instance, what is one man's food is another man's poison. We are finding that out. The contracts we are operating under at the present time allow us a tolerance in silica of 12 per cent. We have operated under one contract that allowed us only 8 per cent, and penalized us over that. That is that man's own business. He has a different situation to meet there. In delivering tonnages to that man we average, I think, 9 per cent, 1 per cent over his limit before penalty. However, he did not refuse to accept our ore.

Senator KING. Have you any objection to telling us with whom you have the contract?

Senator REED. We do not want any business secrets, if there is any reason for not telling us.

Mr. PUMPELLY. I prefer not to.

Senator KING. The only reason I asked was to ascertain whether they considered this a good product.

Mr. PUMPELLY. We have letters from them at the present time saying that it is as fine a grade of material as they have ever used.

Senator KING. Are these manufacturers of any importance?

Mr. PUMPELLY. Yes; I think so, Senator. I would consider them so.

Just in conclusion, if the only problem in marketing our product was its insoluble content, I would have no fears for the future business.

That is all I have to say.

Senator BARKLEY. As I understand, that ore runs from 35 to 37 per cent manganese.

Mr. PUMPELLY. That is the crude ore, the raw ore.

Senator BARKLEY. So, you are not concerned about the problem of utilizing the low-grade ore.

Mr. PUMPELLY. We are, sir, because there is a limited quantity of 37 per cent ore in any district, especially in our own. When you drop that to 10 per cent, it throw open tremendously greater tonnages.

Senator BARKLEY. When all this ore similar to yours is exhausted, the question then revolves around the possibility of utilizing these low-grade ores.

Mr. PUMPELLY. Exactly.

Senator BARKLEY. By a process that will make them commercially available for the extraction of manganese.

Mr. PUMPELLY. It is the same problem you have on the iron ore ranges.

Senator BARKLEY. You have not reached that problem yet?

Mr. PUMPELLY. We have not. We do not expect to for several years to come, but we are trying to provide against it.

Senator BARKLEY. If the highest price of the domestic product is 60 cents, and the imported brings 68, then there is no charge of underselling in competition with you.

Senator REED. It is overselling.

Mr. PUMPELLY. No. It might be interesting to know, however, that at the present time we are averaging approximately 61 cents for our product, and I understand the price of the imported ore at the present time has broken to below 57 cents.

Senator EDGE. Do you find that profitable? I did not hear all your testimony. You may have answered it. Do you find it profitable, selling at 61 cents, charging against it, of course, not all your experimental work, but what you would properly and naturally charge against the production?

Mr. PUMPELLY. Senator, I will put it this way. It makes a rather small proposition out of something that could be potentially large. The profit is not large.

Senator REED. You would hardly expect it to be in the first year of operation.

Mr. PUMPELLY. Exactly. That is very true.

Senator EDGE. As I understand it, you are representing the Butte, Mont., mine, which has been more successful than most of the other mines.

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

Senator EDGE. That is the general information.

Mr. PUMPELLY. I think we are more ready to go.

Senator EDGE. I am just wondering, in considering the matter of duty, if it would be a profitable investment at 61 cents. We have two or three prospectuses presented to the committee, where they anticipate, for the purpose of selling stock, that they will make from $10 to $20 a ton, presumably on the local price.

Mr. PUMPELLY. Well, sir, our profit is nothing like that.

Senator REED. Let me ask you about this one. Here is one from the Manganese Ore Co. of Tennessee. They say this in their stock-selling prospectus:

The steel mills at Birmingham can not get enough high-grade domestic manganese to keep them operating. They have assured the company that they can probably use the total output at $13.50 per ton up, according to manganese content. Concentration tests have shown the company that it can expect recoveries as high as 65 per cent of 32 per cent and better ore under modern concentrating methods. The price at the mill ranges as high as $23.50 per ton. The cost of production and delivery will run around $10 per ton. This means profit.

You have not had that experience?

Mr. PUMPELLY. No; I have not, sir. I might say that our production in Butte, I am quite safe in saying, could take care of all the ore consumed by the Tennessee Coal & Iron Co. We could take care of them with one plant.

Senator EDGE. It would not seem that the question of duty entered into the prospects, as far as this circular is concerned.

Mr. PUMPELLY. By comparison—I do not mean to take too much time, gentlemen——

Senator REED. We are wasting the time with our questions.

Senator EDGE. If we ask questions, we can not very well charge that against your time.

May I ask another question? I am a little confused. In the testimony given by one of the witnesses yesterday, as I recall it, he said that an application had been made to the Tariff Commission under section 315 for a raise in the duty on this particular paragraph; and, as I recall it, that later was withdrawn. Have you any information as to that?

Mr. PUMPELLY. I think I have, Senator Edge. I can not tell you the year, but there was a request under the Fordney-McCumber Act for an increase in the tariff, and for a decrease in the tariff; I imagine the one to balance the other That was withdrawn before the hearing.

Senator EDGE. Who made the application?

Mr. PUMPELLY. I do not know that, sir.

Senator REED. Both of them were withdrawn.

Mr. PUMPELLY. Both of them were withdrawn, I believe.

Senator KING. Do you buy your ore from the Anaconda Co.?

Mr. PUMPELLY. We buy our ore from the Anaconda Co., Senator King.

Senator KING. Are they interested in this project?

Mr. PUMPELLY. Financially?

Senator KING. Yes.

Mr. PUMPELLY. In no way.

Senator KING. Have you a contract for the purchase of all their ores of this character?

Mr. PUMPELLY. We have a contract for the purchase of a minimum tonnage per week, and we have the first refusal of any other ores they may develop in the district. However, if some one else will pay more for their ores, they will get them.

Senator KING. They mine it, then, in the mining of their zinc ores.

Mr. PUMPELLY. No.

Senator KING. You mine it?

Mr. PUMPELLY. No. They mine it, but it is not connected with their zinc ore.

Senator KING. You told me a moment ago that the zinc ore was on one side of the vein and these manganese ores on the other side.

Mr. PUMPELLY. Yes, sir. That gives them a balanced production. They can mine either one.

Senator KING. Do they hoist?

Mr. PUMPELLY. Yes. They can shut down on the zinc operations and make it all manganese, or make it 50-50, or mine all zinc.

Senator KING. I am a little interested in knowing if you have anyone who can tell us about the quantity of this ore—this so-called high-grade ore which you have exhibited, this pink quartzite, or silica-manganese ore.

Mr. PUMPELLY. The estimates are confusing. They are varied. They are optimistic and they are pessimistic. I think I would be willing to take Doctor Leith on that, on the high-grade ore.

Senator KING. To what depth——

Mr. PUMPELLY. I think, on the other hand, Senator, if you drop that percentage of manganese content to 10, for instance, you will greatly increase the available tonnage.

Senator KING. You do not insist that there is any very large amount of the high-grade ore available?

Mr. PUMPELLY. Not any tremendous amount. There is one district that was not taken into consideration at all. That is Philipsburg, Mont., and I think that has equally as large, if not larger, reserves.

Senator REED. Thank you, Mr. Pumpelly.

STATEMENT OF PAUL M. TYLER, WASHINGTON, D. C.

(The witness was duly sworn by the chairman of the subcommittee.)

Senator REED. Are you connected with the Bureau of Mines?

Mr. TYLER. I have written that in my statement, Senator.

Senator REED. Let me ask you one or two questions first. Did you testify before the House Ways and Means Committee?

Mr. TYLER. I did not.

Senator REED. Did you file a brief there?

Mr. TYLER. I did not.

Senator REED. Have you any personal interest in this manganese industry?

Mr. TYLER. I have.

Senator REED. What is it?

Mr. TYLER. I have been interested in the industry for more than 15 years at various times. Before I entered the Government service I was engineer in charge of construction for a concern which was operating in Virginia. They built a mill and reopened the Crimora mine, which has the record of having the largest production of any manganese property in the United States.

My experiences then was in a consulting capacity. While I did not go down to the property at that time, I was consulting engineer and was very closely associated with Prof. Charles E. Locke, at the Massachusetts Institute of Technology, who designed the flow sheet. He and I worked together on a great many problems of that sort. I had been his assistant, and up there I was still under his tutelage.

Senator REED. Do you own stock in some of these companies?

Mr. TYLER. I do not, sir.

Senator KING. Are you an employee of any of the companies now?

Mr. TYLER. I am not, sir; but I would like to say that my whole attitude with regard to manganese was discussed with my superiors

at the Bureau of Mines, and they took it up with the Department of Commerce, three or four months before I became employed by the Bureau of Mines. They are fully informed in regard to all my connections, and with regard to all my convictions. I want to make it perfectly plain, as I shall in the statement I have prepared, that I do not appear here to represent the Bureau of Mines. I come here as a citizen of the United States who has convictions, and, I must admit, very strong convictions.

Senator REED. We will be very glad to hear them.

Senator BARKLEY. I would like to ask you one question. You say you are not financially interested in manganese at all?

Mr. TYLER. If this is a matter for the record, I will be glad to give the whole story.

Senator KING. You can answer yes or no, whether you are interested.

Mr. TYLER. I am interested; yes.

Senator KING. You answered Senator Reed that you owned no stock.

Mr. TYLER. I own no stock in any company. Let me say that my interest is confined to the hope that I can develop a process for beneficiating low-grade ores, and I believe——

Senator KING. You have invested money in that, have you?

Mr. TYLER. I have invested money in laboratory work along those lines.

Senator KING. You are speaking, then, to-day, as an interested party, and not as a representative of the Bureau of Mines?

Mr. TYLER. Absolutely not. I want that clearly understood by all concerned, as it is understood by my superiors at the Bureau of Mines.

Senator REED. Go ahead, please.

Mr. TYLER. I appear before this committee at the request of Senator Ashurst. I believe that I am the last representative of a Government agency to make a comprehensive survey of the manganese industry, but I desire that it be clearly understood that any opinions that I may here express with respect to manganese are those of an individual and do not of necessity constitute the final judgment either of the Bureau of Mines, where I am now employed, or of the Tariff Commission by whom I was employed when I made an inspection of domestic deposits. While I am now in charge of a division in the Bureau of Mines, I am not the bureau's specialist on manganese and manganese is not one of the commodities handled in my division.

As a result of my practical experience in examining mines and testing ores in the laboratory, I entered the Government service in 1918 with a conviction that manganese occurrences were typically erratic and undependable, and that there were certain fundamental difficulties in the way of obtaining from many low-grade ores a concentrated product sufficiently free from silica and iron to be acceptable under normal conditions to the makers of ferromanganese.

In 1919 and again in 1921 and 1922 when I was chief of the metals division of the Tariff Commission, I had further opportunities to review the reports of highly competent geologists and to examine the statistical position of manganese mining, partly because of the war-time importance of manganese the industry interested me more than many others and I gave it much study. In several reports that I

wrote about that time I stated that manganese mining on a large scale in the United States was an artificial industry and could not be justified except under war-time conditions. In 1922 when I was attached to the Finance Committee as an expert during the consideration of Schedules 2 and 3 of the Fordney bill, I voiced what was then the almost universal judgment of Government geologists and economists for I believed that our supplies of usable manganese ore were too limited and too precious to be exploited except in the event of war-time emergency.

I resigned from the Tariff Commission in 1923, but as I was writing articles from time to time dealing with the economics of the steel industry I kept more or less in touch with the developments in manganese. Nevertheless in 1927 when I was engaged by the Tariff Commission to make a study of the costs of producing manganese, ferromanganese, and seiegeleisen, I was more than ever convinced that the tariff had failed to create even the healthy nucleus of a domestic industry.

I visited several more of the ferromanganese furnaces, talked with officials of the steel companies, analyzed our imports and reviewed the literature on foreign and domestic deposits. These studies served to deepen my former convictions with regard to manganese and I started upon a tour of domestic deposits anticipating only further evidence to confirm my judgment.

In Minnesota I learned more in detail of the pioneer work of the Bureau of Mines Experimental Station and I watched the operations of an experimental plant using the Bradley process. I made a flying trip to the Cuyuna Range. I proceeded to Butte and thence to Phillipsburg, Mont. From there I went to the Olympic Peninsula in the State of Washington; thence through California to Arizona and from there to New Mexico and then to Arkansas. I stopped at Birmingham, Ala., to see the ferromanganese plant of the Tennessee Coal & Iron Co. and talked with Mr. Blair, the ore buyer. I spent about a week in Georgia and finally I walked over the principal properties in Virginia. Throughout this itinerary I was accompanied by an accountant and part of the way by an economist of the Tariff Commission, and I believe that my opinions were shared by my associates in this investigation.

I want to say further that, having made my report to the Tariff Commission, I asked permission of the chariman of that commission to engage in working out certain of my ideas, because I had then become convinced that the manganese industry had the makings of a real industry, and I decided to invest my time and my money in working out certain of the details which I felt were promising.

The two outstanding impressions resulting from my actual contact with the mining districts were, first, that we have large supplies of low-grade ore, and, second, that the metallurgy of manganese was antiquated and out of date.

I believe the metallurgical problems have been largely solved. At the Bureau of Mines Experiment Station at Minneapolis, Rolla, and Salt Lake, new principles of metallurgy have been discovered within the last three or four years. The flotation of carbonate ores and the flotation of oxide ores would have been laughed at five years ago. They would have been declared utterly impossible.

The other day I had a letter which said it was impossible. And yet at the Bureau of Mines Experiment Station these new principles have been worked out, and I believe that they will be commercially practicable.

I shall venture no opinions as to the wisdom of a national policy that extends to raw material industries, the same sort of protection that has nourished our manufacturing industries. I am prepared to submit as my personal conviction that, provided a price of approximately 65 cents a unit can be established at Pittsburgh, we should be able, before long, to satisfy at least one-half of our needs, and in the event of war, all the manganese we require.

I furthermore believe that our known resources are so great that the problem of conservation does not enter the picture for many years, and that, as mining progresses, our known supplies will tend at first rather to increase than to diminish.

This concludes my remarks. I shall be very glad to answer, to the best of my ability, any questions the members of the committee wish to ask me with regard to the industry.

Senator REED. What is the name of this process that is being used on these Cuyuna ores?

Mr. TYLER. So far as I know, there is none that is now being used on these ores. The Bradley process, I believe, is adaptable to them, and I believe there are two or three other processes that will work.

The Bureau of Mines has also worked out at least two processes, which, in the event of war emergency or at prices somewhat higher than now obtained for ferromanganese, will, I believe, be practicable.

Senator REED. Is the Bradley process susceptible of use with the Virginia and Georgia manganese ores?

Mr. TYLER. I believe it is purely a matter of economics. I do not believe there is any manganese ore, aside from the silicates, which the Bradley process can not be made to treat——

Senator REED. Is it being used on those ores at all?

Mr. TYLER. So far as I know it is not, but I believe Mr. Bradley's experimental plant at Minneapolis has treated ores from 20 or 30 States.

Senator EDGE. As I understand it, your first conviction of the necessity of conservation, because of possible war needs, and so forth, has been changed, now that you feel that through the development of these processes there is no danger, and that we have an inexhaustible supply?

Mr. TYLER. Manganese is one of the most widely distributed of all elements. It is almost as widely distributed as iron. We have small amounts everywhere.

Senator EDGE. Yes, but——

Mr. TYLER. And I think that there is enough concentration of it in low-grade deposits so that we need not fear. The only question in my mind has been the cost, and that cost, I think everyone admits, will be high for some years to come.

Senator EDGE. You mean the cost of the process?

Mr. TYLER. Whether it can be gotten out at a price which it is economical for the Nation to pay for its supplies of a necessity.

Senator KING. Did you visit the Emma mine?

Mr. TYLER. Yes.

Senator KING. Did you encounter any of the ore?

Mr. TYLER. Yes, sir. I saw a stope there more than 30 feet wide, and more than 100 feet long, of practically solid material such as you have in your hand.

Senator KING. Would it bear as high manganese content as the sample I have in my hand?

Mr. TYLER. Yes, I should say so. I should estimate that was almost pure rhodochrosite, probably running from 37 to 38 per cent manganese, and the rest carbon dioxide and oxygen.

Senator KING. What do you think of the calcining process by which that is treated?

Mr. TYLER. It has been demonstrated repeatedly. Mr. Howard, who may appear before you in the interest of ferromanganese, has worked it out. For a time they attempted to sell this material. They shipped it all the way from Butte, Mont., to Reusens, Va., and it was there calcined.

Senator KING. During the war?

Mr. TYLER. After the war.

Senator KING. During the war, when prices were high, what process was employed?

Mr. TYLER. It is my opinion that it was not worked during the war. Shortly after the war the Anaconda Copper Co. attempted to make ferromanganese from that material in an electric furnace and gave it up.

Senator KING. If this is a profitable venture, why did not the Anaconda Copper Co., with its large resources and its immense capital, enter upon it?

Mr. TYLER. In 1921 or thereabouts the price of manganese ore at the seaboard dropped to in the neighborhood of between 20 and 22 cents, as I recall it. That was too low to be economically profitable.

Senator KING. Now it is up to between 57 and 68 cents a pound.

Mr. TYLER. My information is that about 57 cents is the equivalent price at Pittsburgh, including duty and cost of transportation from the seaboard to Pittsburgh.

Senator KING. For my information, what is the difference between what you call manganese and ferromanganese? Where do you draw the dividing line?

Mr. TYLER. Manganese is the name of an element. Manganese appears in an ore, as an element. It is also a metal. Ferromanganese is an alloy, essentially of manganese, with accessory iron, a considerable amount of carbon, silica, and various impurities.

Senator KING. When it is imported it comes in as ferromanganese?

Mr. TYLER. It comes as manganese ore; as ferromanganese, as spiegeleisen, and as ferromanganese alloys, including manganese metal containing about 96 per cent of the element.

Senator KING. Speaking of the sample I have in my hand, when it is reduced, what does it produce?

Mr. TYLER. Mr. Pumpelly's process is to take that material, put it through a rotary kiln, and prepare this product [indicating].

Senator KING. That product you have in your hand is a smaller sample. That contains what?

Mr. TYLER. This may contain anywhere from 56 to 58 per cent—maybe 54. It depends on the silica content.

Senator REED. Thank you very much.

STATEMENT OF ADRIAN NAGELVOORT, REPRESENTING THE GENERAL ORE CONCENTRATING CO., WILMINGTON, DEL.

(The witness was duly sworn by the chairman of the subcommittee.)

Mr. NAGELVOORT. I am secretary of the General Ore Concentrating Co. I am a chemical engineer. I graduated from the University of Michigan in 1905.

Senator REED. Did you testify before the Ways and Means Committee?

Mr. NAGELVOORT. No, sir.

Senator REED. Or file a brief?

Mr. NAGELVOORT. No, sir.

Senator EDGE. Have you a brief to file before our committee?

Mr. NAGELVOORT. No, sir. I want to give you the answer to a question that has been brought up here a number of times, and that is as to what constitutes low-grade ore and high-grade ore; and also as to the time necessary to develop processes for the beneficiation of ores.

I have been working on a process for the beneficiation of ores. I started work first in 1915, and spent two years on it. The war stopped the work on it at that time. I went into the service and became commanding officer of the Niagara Falls branch of the Edgewood Arsenal, and had to make poison gases for the time of the war.

After the war I went into the nitrogen fixation problem, and two and one-half years ago took up this problem again of the ore beneficiation, where we had left off in 1917.

We have recently brought it to a successful process. I want to show you the gist of it.

This is a laboratory demonstration of what we do on a large scale. I have here some ore from Montana, manganese ore.

Senator REED. Crude ore?

Mr. NAGELVOORT. The crude ore, which is a low-grade ore. I want to show you what constitutes low-grade ore, as compared to the high-grade ore.

Senator KING. It is not from the same deposit as this pink specimen, is it?

Mr. NAGELVOORT. No. This is from the Trout Mine. About 75 per cent of the ores of the country are low grade, because they are mechanical mixtures of materials of this kind [indicating]. That [indicating] is no manganese ore at all. That is silica. This [indicating] is the manganese ore.

Senator REED. What does that run in manganese?

Mr. NAGELVOORT. This will run about 55 per cent manganese. This [indicating] will run perhaps 2 or 3 per cent. A mixture like that is low grade, and contains about 35 per cent manganese.

The problem of making a high-grade ore is simply picking out these particles [indicating]. You could do it by hand, but it would be very costly. The processes that are used for doing such work are jigs. They put all this material into water and jump it up and down. The denser stuff will sink a little faster than the lighter stuff, so you get concentration. But the present concentration methods using the jigs and water are not good enough to bring the low-grade manganese ores up above 40 per cent.

Senator KING. Do you crush before you concentrate?

Mr. NAGELVOORT. You must crush, Senator, to produce a mechanical breaking apart of the two minerals.

Senator KING. What mesh do you employ?

Mr. NAGELVOORT. It depends on the ore deposit. Sometimes you have to go down to 100 mesh. Most of these ores can be economically separated by meshing down to only half an inch, or a quarter of an inch.

Our process was developed on this principle. These materials [indicating] are pretty close together in specific gravity. That means density. That means that a piece of this rock weighing 3 pounds would be a little bit larger than a piece of this rock [indicating] weighing the same 3 pounds. That is, it weighs less per cubic foot, but they are pretty close together and it is very difficult to separate them. But if you have a liquid that has a density between the two, the one rock will float and the other will sink. I can show you how that happens.

That [indicating] is the rock that is light, and that floats on this heavy liquid.

Senator REED. Is that some sort of oil?

Mr. NAGELVOORT. It is not an oil. It is a compound of bromine. This is a heavy material, and that will sink and go to the bottom [indicating].

There [indicating] is your separation [demonstrating]. It is on this principle that we have built a machine that will carry on the ore separation using this method. It is the most effective separation of these minerals that I know of. It makes the cleanest separation, and it is the most positive and quickest and, perhaps, the cheapest.

Senator KING. Is it not a fact that you would waste a good deal by that process, for the reason that, as you know, nodules of ore from a pinhead up will sometimes contain several elements?

Mr. NAGELVOORT. We can only work on those deposits that are suitable to this process.

Senator REED. You could not use it on this rhodochrosite?

Mr. NAGELVOORT. Probably not. We can work only on certain classes of ores.

Senator REED. Are you using that commercially anywhere now?

Mr. NAGELVOORT. We are building a plant right now to treat 50 tons a day. Our plant that we have used would treat only 2 tons a day.

Senator EDGE. Do you know whether the producers abroad have been experimenting at all along similar lines to bring about these results you are seeking?

Mr. NAGELVOORT. I do not know, but the answer could be given in a general way, I believe, that research work never originates in the big companies. It always originates with some individual outside. The big companies are very slow to take up new processes.

Senator KING. Is that true of the company that Steinmetz was connected with?

Mr. NAGELVOORT. That is one company that was built on research; the General Electric Co.

Senator REED. Is that true of the American Telephone & Telegraph Co.?

Mr. NAGELVOORT. They are very slow. The United States Steel Corporation is very slow. It is only two years ago that the United States Steel Corporation started a research department. Their chemical laboratories are test laboratories, not research laboratories. As a good example of how slow the big companies are to take up new developments, Lee DeForest developed the audion tube for radio almost 27 years ago, and it is only 10 years ago that radio broadcasting really came into play. Still, it was possible 27 years ago.

Senator EDGE. Does that apply to the oil companies? I thought they had been rather progressive.

Mr. NAGELVOORT. In general, it does apply to the big companies.

Senator REED. Where are you building this experimental plant?

Mr. NAGELVOORT. At Wilmington.

Senator REED. Is there any ore near there?

Mr. NAGELVOORT. No. I am doing this in the laboratory of Mr. Francis Du Pont. In 1912 several of the members of the Du Pont family financed the first research work on this ore separation method.

Senator REED. The Du Pont Co. has not been backward in research work?

Mr. NAGELVOORT. No. The Du Pont Co. is another company that is built on research.

Senator EDGE. That is not a small company by any means.

Mr. NAGELVOORT. It is a big company now. It was a small company.

Senator KING. General Motors is an adjunct of it.

Mr. NAGELVOORT. I do not know. They tell me it is.

Senator REED. Let us get back to manganese.

Senator BARKLEY. Did I understand you to say that after you got the manganese out of this [indicating], it looks like this [indicating]?

Mr. NAGELVOORT. I did not say so, but that is true. What you had here [indicating] is burned off. That is carbon dioxide. That gives that residue, which is a manganese oxide.

Senator KING. You do not get rid of the silica, however, in the burning?

Mr. NAGELVOORT. No. Everything stays there except that the gas goes off.

Senator REED. If there are no further questions, we are very much obliged.

Senator KING. What is the cost of that oil?

Mr. NAGELVOORT. We make that at 20 cents a pound, and the loss per ton is less than a pound per ton.

Senator KING. What do you make it from?

Mr. NAGELVOORT. Acetylene and bromine. This [indicating] is a water layer on top. The minerals are wetted with water, so that they are not wetted by this heavy liquid. This particle down here is not wetted by the heavy liquid. It is wetted with water. A film of water incloses the mineral, and when it is drawn up out of the heavy liquid the heavy liquid stays where it belongs and the mineral, wetted with water, comes on out.

STATEMENT OF E. S. CLARK, CHICAGO, ILL., REPRESENTING CHAPIN EXPLORATION CO. AND OTHER MINING INTERESTS IN ARIZONA AND NEVADA

(The witness was duly sworn by the chairman of the subcommittee.)

Mr. CLARK. I represent in this hearing the Chapin Exploration Co., an Arizona corporation controlled and operated by a Chicago business man by the name of Homer C. Chapin, 410 South Michigan Boulevard, who is the president of that company.

Senator REED. Did you testify before the Ways and Means Committee, or file a brief?

Mr. CLARK. I did not.

Senator KING. Is it an exploration company for minerals only, or is it doing general work?

Mr. CLARK. It is for minerals only. It is not a stock company, in the sense that any stock is for sale, or has been sold. It represents the private funds of Mr. Homer C. Chapin and his brothers, who are interested in iron in Michigan. That is their main business, but for years they have been mining in Arizona.

Senator KING. Are they connected with any of the copper mines there?

Mr. CLARK. No, sir. Their mining has been confined to gold and silver, and recently manganese.

I was sent out recently by them, less than a year ago, to ascertain whether or not there were bodies of manganese ore of sufficient tonnage to justify development, and I traveled rather extensively over Arizona and Nevada. I found, almost in every county in Arizona, deposits of manganese. But finally it was considered wise, if we could find anything within a reasonable radius of the new dam that is proposed to be built in Boulder Canyon, to locate as nearly as possible to the site of that. So we confined our attention for a while to certain manganese deposits in Mohave County, Ariz., and in Clark County, Nev.

As a result of the reports of our engineers, who have been engaged for some months there in exploration and research work, there is indicated a tonnage exceeding 60,000,000 tons of ore that will, to be conservative, run around 10 per cent. A great deal of it will run 30 per cent, but the average will be fully 10 per cent.

Senator KING. That would mean that a good deal is below 10 per cent.

Mr. CLARK. There is some below 10 per cent, but I would not say a large portion of it, by any means.

Senator KING. If there is any considerable portion that is 30 per cent, and the overwhelming amount of it is 10 per cent, then there must be some below 10 per cent in order to bring the average to 10 per cent.

Mr. CLARK. There is some below 10 per cent, as I have stated. I am trying to be ultra conservative in saying that the entire body will average 10 per cent. It probably will average more, but I would not like to say so.

It is supposed that we will be able to reduce that very economically. We have tested it out under the Bradley process, and through the Dings magnetic separation process, of Milwaukee, and it lends

itself readily to either one. It could be handled very cheaply and mined very cheaply.

Senator KING. Is either electrical?

Mr. CLARK. That one in Milwaukee is electrical. That particular manganese lends itself to separation by electricity.

Senator EDGE. How long have you been operating in Arizona?

Mr. CLARK. Our people have been operating out there for 12 years, but it is only during the last year that we have turned our attention to manganese.

Senator EDGE. I mean in the production of manganese.

Mr. CLARK. Only in the last year; and we have only reached the point of ascertaining, as nearly as we can, about what our ore bodies are, and what character of ore they consist of, and how they may be beneficiated so as to reach the market.

Senator KING. You have not carried on any experiments?

Mr. CLARK. Not as yet.

Senator EDGE. We have a table here furnished by the Department of Commerce, in which Arizona, in the year 1927, is shown to have three shippers, who made total shipments of 3,905 tons of ore containing 35 per cent or more; of ore containing from 10 to 35 per cent, one shipper, who shipped 179 tons. In the year 1928, instead of being 3,905 tons, the figure is 3,507 tons.

Mr. CLARK. We have not attempted to ship anything.

Senator EDGE. There were five operators, apparently.

Mr. CLARK. They are not operating. We do not pretend to have reached anywhere near an operating basis yet.

Senator EDGE. You are working on prospects?

Mr. CLARK. Yes, sir; and we are experimenting to see what can be done. We have a freight rate against us of $10.19 a ton to the nearest reduction works, in Birmington, Ala., and one of $14.11 to Pittsburgh. Our only hope is in being able to handle this stuff in large volume, heavy tonnage, ranging from 500 to 1,000 tons per day, and with careful management our figures indicate that we may be able to get out under present conditions. That would be swapping dollars.

If the tariff should be so amended as to apply to ores containing 10 per cent and upward, it would be of very great assistance to the kind of mines that our people are interested in.

Senator EDGE. Why is that? The tariff report states that, of ores containing less than 35 per cent, there is only 10,000 tons imported.

Mr. CLARK. That is very true, Senator, but there are certain governmental reports—I can not put my finger on one right now—that indicate that a great deal of ore—at least 100,000 tons of ore—came in last year; came in from foreign ports free of duty, because falling under the 30 per cent grade.

Senator EDGE. As against this report of 10,000.

Mr. CLARK. Yes, sir. Doubtless ways will be found of bringing that lower grade ore in, and that will conflict directly with such properties as we are trying to develop in Arizona and Nevada.

Senator BARKLEY. If these extremely low grades, ranging below 10 per cent of manganese, can be economically developed in the United States, what inducement is there to bring them in from foreign countries?

Mr. CLARK. I do not know that any as low as 10 per cent are being brought in, but if they run 29 per cent, they come in free of duty, and they necessarily conflict with the ores produced in this country when they do come in.

Senator REED. They are used in making manganese pig, are they not?

Mr. CLARK. I do not know what they are used for. They are all imported, as I understand it, by the steel interests, and are used for whatever manganese is used for.

Senator EDGE. If this report is incorrect, and if it is 100,000 tons instead of 10,000, that is a thousand per cent off, and we should have the information. If anyone who is interested has the information that 100,000 tons have come in duty free, containing under 30 per cent manganese, we should have the information.

Mr. CLARK. I have a speech here, made by Congressman William Williamson, of South Dakota, on May 22, 1929, in the House of Representatives, in which he makes that statement.

Senator EDGE. Does he give the authority for that statement?

Mr. CLARK. No, sir, I do not think he does.

Senator KING. Let me ask this question. If the low grade ore is brought in, it has to be reduced for use the same as low grade ore produced in the United States, does it not?

Mr. CLARK. I think so, unless they use it in sweetening up pig iron, for which use, I think, they use a great deal of low grade ore.

Senator REED. I can clear this up. Mr. Leonard, who represents the Tariff Commission, and who is assigned to us, tells me that the figure of ten thousand tons really was the figure of a previous year, although it is not so stated in the summary.

Mr. CLARK. Exactly.

Senator REED. And that the actual imports last year ran pretty nearly 100,000 tons.

Mr. CLARK. That was my information, and that is indicated by the fact that the imports of the Russian product, the Soviet product, fell off from 133,000 tons in 1927 to 79,000 tons in 1928, indicating that they imported a great deal duty free. That is the point I wanted to make.

Senator EDGE. What we want are the facts.

STATEMENT OF PERCIVAL CHRYSTIE, REPRESENTING TAYLOR-WHARTON IRON & STEEL CO., HIGH BRIDGE, N. J.

(The witness was duly sworn by the chairman of the subcommittee.)

Senator REED. Mr. Chrystie, did you testify before the Ways and Means Committee?

Mr. CHRYSTIE. No, sir.

Senator REED. Do you file a brief before them?

Mr. CHRYSTIE. No, sir.

Senator REED. Have you anything to add to what has been said by these other gentlemen?

Mr. CHRYSTIE. There is very little to say, it seems to me, Senator, but I would like to say this. The company which I represent, the Taylor-Wharton Iron & Steel Co., of High Bridge, N. J., is in a little different position. We are the company that domesticated manganese steel in the United States.

Manganese steel is an English invention, invented by Sir Robert Hadfield. We brought it out in this country in 1892.

Senator EDGE. How old is your business? When was it established?

Mr. CHRYSTIE. Our business was founded 187 years ago. We have been a corporation for 61 years.

Senator KING. It can not be called an infant industry now, can it?

Mr. CHRYSTIE. It is not an infant industry with us.

Manganese steel is a steel that contains from 11 to 13 per cent or 14 per cent manganese. So, therefore, this present tariff has been very serious to us. Every $10 decrease in the price of ferromanganese from its present price means approximately $2.50 a ton less cost in our castings.

Senator KING. May I interrupt you a moment? You used the expression "manganese steel." You said it contained from 11 to 13 per cent of manganese. What classification do you make in differentiating that steel? You say manganese steel. That is differentiated from what other kinds of steel?

Mr. CHRYSTIE. When you say "manganese steel" the trade recognizes steel containing from 11 to 14 per cent manganese as manganese steel.

Senator KING. What is that steel used for particularly, in contradistinction to other steel?

Mr. CHRYSTIE. That steel is used where a steel is wanted to resist severe wear. It is used in parts of steel-mill machinery where the wear and service is very severe; parts of stone and ore crushers, excavating shovels, and the bucket line on gold, tin, and platinum dredges. I think I do not exaggerate when I say that there would not have been any gold dredging in California if it were not for manganese steel.

Senator KING. Is 13 per cent the highest manganese content in any steel that is manufactured?

Mr. CHRYSTIE. From 13 to 14 per cent. If you get above that, then the steel loses its good qualities, just as it loses its good qualities if you go down to 8 or 9 per cent.

Senator KING. Take ordinary steel rails. What is their manganese content?

Mr. CHRYSTIE. I think they are running now around from 1 to 1¼ per cent.

Senator KING. Is that sufficient?

Mr. CHRYSTIE. Yes. A rail is made out of an entirely different steel. It is a special steel worked out by scientific men after making countless tests.

The steel is also used for the wearing parts of grinding mills.

Senator KING. I was quite ignorant as to the proportion of manganese in the steel and as to the great difference between 1¼ and 13 per cent as the maximum. I did not know that there was such a wide range.

Mr. CHRYSTIE. Yes. That was a special steel, a patented steel, patented by Sir Robert Hadfield, and those patents ran out 20 years ago. At the present time there are perhaps 20 foundries in the United States making manganese steel, of which the company I am connected with has two.

We estimate this year that there will be from 45,000 to 50,000 tons of manganese steel produced in this country.

I left out one thing, in reply to your question. During the war manganese steel was adopted by our Government as the best metal for helmets used by our troops, to resist fragments from shrapnel.

Senator KING. I suppose manganese steel is used in our battleships.

Mr. CHRYSTIE. There is some used in the battleships. Al the railroads, both steam and street, have virtually adopted it for crossings, switches, and frogs. A manganese-steel frog will outwear an ordinary steel frog on the basis of about 6 to 1. It is so hard and so tough that it has made travel safer. There is less breakage from manganese steel than from any other steel.

I might add this, in view of what has been said about deposits of manganese. Within 3 miles of our plant in New Jersey there is a manganese mine. It was worked 50 years ago. It contains manganese ore running about 35 per cent, and also it runs very high in silica, and for that reason it is absolutely worthless. Yet there is a manganese mine almost alongside our plant.

Our ferromanganese is now of domestic manufacture, from ore probably from Africa or Russia, or Brazil, and yet there is a mine with 35 per cent manganese within 3 miles of our works.

In the northern part of New Jersey we have hundreds of millions of tons of iron ore, a low-grade iron ore. Thomas A. Edison, who is a great genius, as we all know, conceived the idea a few years ago of concentrating that ore. He built a tremendous plant there. I am afraid to say how much money he spent. He spent large sums of money, but the thing was an absolute commercial failure. He succeeded in doing it, as you can do it in the laboratory, but, as a commercial success, it did not amount to anything.

Senator KING. With 35 per cent manganese ore right at your door with the high silica content, do you mean to say our metallurgists and chemical men and geniuses here have been unable to utilize that ore?

Mr. CHRYSTIE. Commercially; yes, sir.

Senator KING. I am talking about commercially.

Mr. CHRYSTIE. Absolutely. Our plant was established 187 years ago, in this little locality in New Jersey, because that neighborhood contained iron ore, timber from which charcoal was made, and water power.

Senator KING. Did your firm make the Liberty Bell?

Mr. CHRYSTIE. No; we did not make the Liberty Bell, but we have made munitions of war for every war the United States has been in. That is the reason we are established there. But to-day our pig iron comes from ore, probably, up in Minnesota, because it is not a commercial proposition to utilize the ore that we have right at our own doors.

We are prejudicated, I will admit——

Senator KING. Against whom, or against what?

Mr. CHRYSTIE. We are prejudiced in favor of having a reasonable duty on ferromanganese, so that ferromanganese can be made in this country, and putting ore on the free list, as it was for all time up to 1922.

I am not going to attempt to give you any figures here, because you have figures galore from these other gentlemen as to the reserves,

but that is our position, and I am speaking for all the makers of manganese steel.

Senator EDGE. In connection with paragraph (e), dealing with the manganese metal, what would you suggest would be a relative duty if the raw material were put on the free list?

Mr. CHRYSTIE. I would not like to suggest any particular amount. I would say a duty that would protect the domestic manufacturer, whatever that may be. I am not prepared to answer that now.

I will say this, that we had been buying ferromanganese since 1892. Prior to the war practically all our ferromanganese was produced in England, and any made in this country was of an inferior grade.

Since the war the manufacturers of ferromanganese in the United States have been making a better ferromanganese than the English.

Senator BARKLEY. Ferromanganese is a mixture of manganese and iron, is it not?

Mr. CHRYSTIE. Ferromanganese is the metal coming from the smelting of manganese ore.

Senator BARKLEY. The very name "ferromanganese" means that it is a mixture of iron and manganese.

Mr. CHRYSTIE. Iron and manganese.

Senator BARKLEY. About 80 per cent iron and 20 per cent manganese?

Mr. CHRYSTIE. Yes. The ferromanganese specifications call for from 78 to 81 per cent.

Senator BARKLEY. Yes. It varies.

Mr. CHRYSTIE. Yes.

Senator BARKLEY. The iron ore which goes into the manufacture of this ferromanganese bears a tariff of 75 cents a ton.

Mr. CHRYSTIE. A cent a pound on the metallic content. The bill reads 1 cent per pound on the metallic manganese content therein. That is the duty on the ore.

Senator BARKLEY. That is the manganese ore.

Mr. CHRYSTIE. That is the manganese ore; and manganese ore is used for making ferromanganese.

Senator BARKLEY. I am asking this for my own information because I do not know much about the iron and steel business. What state of development does iron assume before it is mixed with the manganese to produce ferromanganese? Is it the raw iron ore?

Mr. CHRYSTIE. In making ferromanganese in this country it is smelted in a blast furnace, just exactly as pig iron is made; that is, the coke and the manganese ore are put in a blast furnace and the manganese ore melts, and the manganese flows out.

Senator BARKLEY. But where you mix the iron ore——

Mr. CHRYSTIE. When we make our steel, you mean?

Senator BARKLEY. No—the iron ore and the manganese.

Mr. CHRYSTIE. There is no iron ore used in the making of ferromanganese.

Senator BARKLEY. There is not?

Mr. CHRYSTIE. None whatever.

Senator BARKLEY. Where do you get that 78 to 81 per cent of iron? Is that already in the manganese ore?

Senator REED. No. There is not 78 per cent of iron in ferromanganese.

Mr. CHRYSTIE. I think it is the rule of the manganese makers—I know this was their rule—that it takes about 2½ tons of manganese ore, 45 per cent grade, to make 1 ton of ferromanganese.

Senator REED. Mr. Chrystie, you did not understand the question. The question is, where does the iron come from which is mixed with the manganese and carbon to form ferromanganese?

Senator BARKLEY. My percentage is reversed. It is about 78 to 82 per cent manganese, instead of iron.

Mr. CHRYSTIE. Yes.

Senator BARKLEY. Where do you get the other 20 per cent?

Mr. CHRYSTIE. Most of that is iron. There is some silica; there is some carbon, some phosphorus, and some sulphur.

Senator REED. Is it all in the ore?

Mr. CHRYSTIE. It is all in the ore.

Senator BARKLEY. You do not take the two separate ores and mix them?

Mr. CHRYSTIE. No, sir.

Senator BARKLEY. It is all in the ore?

Mr. CHRYSTIE. It is all in the ore.

Senator BARKLEY. It is in the ore that contains a very large percentage of manganese.

Mr. CHRYSTIE. Correct.

Senator KING. Let me ask you a question. I am expressing no views as to whether this ought to be done or not. I have an open mind; but if the tariff on manganese ore were removed, so that the ore came in free of duty, why—and I am asking only for information—should there be a high duty upon ferromanganese ore, if the manganese was the important thing in the dual product? Have I made myself clear?

Mr. CHRYSTIE. No. I do not quite understand you, Senator. The duty on manganese ore is based on 1 cent per pound on the metallic manganese content therein.

Senator KING. I am familiar with that.

Mr. CHRYSTIE. That means that for every 2,240 pounds of ore, if there was 50 per cent manganese, the duty on that 1 ton of manganese ore would be $11.20.

Senator KING. I did not make myself clear. It is my mistake, of course. Assume that manganese ore comes in free of duty. Why should not ferromanganese come in free of duty if the important value in the ferromanganese product is manganese?

Mr. CHRYSTIE. Because the English and the Germans can make ferromanganese at a lower cost than we can. Their labor costs are lower.

Senator REED. May I suggest, then, that the ferromanganese represents a further stage in manufacture.

Senator KING. Yes.

Senator REED. And the only justification for an additional duty is to protect the labor engaged in reducing it to ferromanganese.

Senator EDGE. In other words, it ceases to be a raw material.

Mr. CHRYSTIE. It ceases to be a raw material.

Senator KING. That is the point I am trying to get at. Is there any ferromanganese which is so low in iron and so high in manganese as that the iron ceases to be of any particular value?

Mr. CHRYSTIE. No; I do not think so, Senator.

Senator KING. The point I am trying to get at is, if manganese is so important to the steel industry here——

Mr. CHRYSTIE. You can not separate that. You can not get that iron out of your manganese. It would be a very expensive proposition to smelt it out. You could get pure ferromanganese, but if you did it would be prohibitive in cost.

Senator BARKLEY. Whatever tariff there might be on ferromanganese, it would not be as high a tariff, justifiably, if the manganese itself came in free, as it would require if the manganese itself were taxed.

Mr. CHRYSTIE. Yes.

Senator REED. That is all, is it not, Mr. Chrystie?

Mr. CHRYSTIE. Yes.

Senator REED. Thank you very much.

STATEMENT OF DR. C. K. LEITH, MADISON, WIS., REPRESENTING THE AMERICAN IRON AND STEEL INSTITUTE

(The witness was duly sworn by the chairman of the subcommittee.)

Doctor LEITH. I speak for the American Iron and Steel Institute and the American iron and steel industry generally, but I shall present a view which I have shared for a long time with a large part of the profession interested in minerals and manganese.

Senator REED. Did you appear before the Ways and Means Committee?

Doctor LEITH. I did not.

Senator REED. Did you file a brief?

Doctor LEITH. I did not. My business is consulting geologist and professor of geology.

My contact with the manganese question has been in consulting practice, and during the war as chairman of the committee on mineral imports of the Shipping Board, as mineral adviser to the War Industries Board, as mineral adviser to the Peace Commission in Paris, since then as mineral adviser to two of the Government departments, and in a considerable range of consulting practice since the war.

Senator REED. Are you a member of the faculty of the University of Wisconsin?

Doctor LEITH. I am. I shall submit a brief, but I shall comment just informally and very briefly on a few of the high spots of the situation as I see it.

The question that is basic to the entire discussion here is the question of whether there is or is not manganese ore or manganese material in this country sufficient to warrant the present efforts to develop it under the present tariff.

In a country that has been as prolific as this country has been in the production of minerals it is a perfectly natural presumption that manganese can be found like other minerals. That has been the presumption for years. It has been systematically searched for in the development of a very thriving and growing mineral industry. The steel industry has taken a vigorous part in this search. Thousands of deposits have been examined and reports made, and it is not through any lack of effort that there was failure to find manganese in this country, and when the war opened up there was a pretty general consensus of professional opinion in the country that it was short of the necessary manganese supplies.

When the war broke out this opinion had been expressed and printed time after time. The question became acute at once, due to the fact that manganese was using up a lot of ships. It takes a lot of ships to carry 600,000 or 800,000 tons of manganese per year, particularly from such long distances, and those ships were very badly needed for purposes of the war. So, as chairman of the committee on mineral imports of the Shipping Board, I was instructed to take up the question to see how much manganese could be eliminated from the import trade and how much could be substituted from domestic sources.

It was a new situation. We called in the experts of the Bureau of Mines and of the Geological Survey. We called to Washington dozens of experts from different parts of the country who knew anything about it. We called producers and owners of small mines, and went over the situation very intensively. We sent out men, special agents of various kinds, technical men, into the field to check over the reports which had been made.

On one side we had the steel industry, fearful lest the cutting down of the ship supply would endanger the Government's steel program; and there were some stormy sessions and stormy representations on the part of the steel industry. On the other side we had some of the domestic enthusiasts who thought this country could supply all the manganese that was necessary. The situation called for critical weighing of facts without regard to political or commercial considerations.

Senator KING. Or geographical consideration?

Doctor LEITH. Or geographical considerations.

After very thorough consideration of the subject—I may say that this particular investigation was probably more intensive for that year than would have been possible in a series of years under normal peace-time conditions—and after careful weighing of all these facts, we cut down the requirements of ore from abroad, particularly those from Brazil, and sent out an S O S to the country to come along with manganese, however, it could be gotten, at almost any price.

The results of that are very well known. At a price that was five times the normal price, and with a loss to almost all of the consumers—four hundred and ten of them registered claims with the war relief committee, and registered claims for considerable losses—the country came forward with something like 35 per cent of the requirements of manganese—20 per cent of its requirements for the high grade, and 15 per cent of its requirements for the low grade. This fact, I think, convinced most impartial observers that the professional opinion which had been slowly developing for 20 years before that time was undoubtedly correct, and that the country had gone about as far as it could go to spring the limits.

After the war there was a desire on the part of the people professionally interested in the minerals to preserve some of the lessons of the war and preserve some of the information that had been acquired under these abnormal conditions, and the technical societies, the Mining and Metallurgical Society of New York and the American Institute of Mining and Metallurgical Engineers, both formed committees to study subjects of that sort. I was chairman of the committee on foreign mineral policy for the Mining and Metallurgical Society of America, and we had a picked subcommittee on manganese

to report on the situation. This subcommittee was selected with the best care we could give to the subject, regardless of affiliations, and the report of this committee is probably the most incisive and comprehensive report on manganese that has been made or that now exists in print. It has been quoted again and again. It has been brought up before Congress. It has been used in official reports of departments of the Government, and I think I can say that it is the most authoritative statement that has been issued.

About the same time the Secretary of War called on the American Institute of Mining Engineers for a report on some of the key minerals, and it more or less borrowed our committee. The members were in effect common to the two institutions, and a special report was made up from the same material to the Secretary of War which was published by the War Department, but there was certain confidential material, not for distribution, though it contained substantially the information of the published report.

Senator KING. Bearing what date?

Doctor LEITH. Bearing the date of 1924.

Senator KING. Have any discoveries since then led to any change in the deductions therein drawn, or the facts therein stated?

Doctor LEITH. No, sir. I was going to develop that fact in just a moment.

I should like to read you just one paragraph from that report:

> There are those who believe and maintain that the domestic manganese reserves of the United States are very large, many times the figures presented herewith by your committee. Acutated by this belief, it is the opinion of these people that a domestic manganese industry should be created and fortered by artificial means—by tariffs or bonuses—so that an emergency may find it actively functioning and prepared to meet any requirements. Your committee can not agree with this opinion, simply because it does not find the large reserves. Effective artificial stimulation of domestic manganese production would merely serve to deplete the already limited reserves, very possibly to the point where the next emergency would find the country practically bare.

Senator REED. Were you on this committee, Doctor?

Doctor LEITH. I was on the general committee, and this committee report is directed to me personally.

Senator REED. Do you concur in it?

Doctor LEITH. I concurred in it.

Then, finally, to complete our historical record, we have had seven years——

Senator EDGE. Before you leave that report, do they make an estimate in the report of the manganese reserves in the country?

Doctor LEITH. Yes; in whole and in detail. If you care to have it, we can submit a copy of this report for the record.

Senator EDGE. I think the figures should be put in the record.

Just to complete the historical record, during the last seven years the price of ore has ranged from 50 to pretty well up to 100 per cent beyond the world price, and the production of domestic ore of metallurgical grade has been only a very small fraction of the country's requirements. The figures have already been presented to your committee.

Senator KING. You used the words "metallurgical grade." Do you fix 30 per cent as the limit below which it is not metallurgical grade?

Doctor LEITH. Yes; 35 per cent is the ordinary limit. If we

included with the metallurgical the battery and chemical ore, this would reduce the proportion somewhat, but even then the overwhelming proportion was imported during these times.

Notwithstanding this record, claims are now brought forward on behalf of the domestic manganese producers that large discoveries have been made, both of high-grade and low-grade ore; that beneficiation processes have been developed or brought to a commercial state, which have made available the low-grade deposits; and that with a further increase in the tariff a considerable increase in the production of ore can be expected.

When it comes to the high-grade deposits, as we look through the briefs presented before the Ways and Means Committee, the arguments are not supported by much detailed evidence. In fact, there is very little stress placed upon high-grade ores. I think I am not going too far in saying that, after all, at this time there is not very much difference of opinion about the limitation of the high-grade reserves. Here and there a man claims figures beyond those given by the committee referred to, but these additions are relatively small, and, for purposes of discussion, I think we can practically eliminate high-grade ores and leave them in the status in which they were left by the committee; in other words, something representing about three years' supply for this country.

The arguments are all based mainly upon the low-grade ores and the possibility of beneficiating them by new processes.

I may say that many manganese deposits have been examined during this tariff period by representatives of the steel companies and by representatives of the Government scientific bureaus. I have taken some little part in that myself, and I do not know to-day of a single real outstanding discovery of manganese that would materially upset that figure.

Senator KING. Would these recent developments in Virginia upset that figure or modify your statement in any way?

Doctor LEITH. None whatever.

Senator KING. Or in Montana?

Doctor LEITH. None whatever. You will find that those situations are pretty covered and discounted by the committee report.

There will be differences of opinion on the matter of detail in specific properties, but, as I say, judging from the arguments already presented, you will not find much stress on these high-grade ores, and in the meantime there is a very large part of the profession that has become more solidly convinced than ever that their figures as to the limitation of the high-grade ores are substantially correct.

Now, the question comes up about the low-grade reserves, and that is the crux of the present question, the basis of the entire discussion. At the outset, we agree that there are immense tonnages of low-grade manganese materials in this country. It is one of the very common minerals, and it is like iron, aluminum, and many others. It is scattered very widely over the country. There can be no doubt that there is a very large tonnage of this material available. It is also true——

Senator KING. You used the word "available" there.

Doctor LEITH. I mean existing. Thank you for the correction.

Senator KING. I just wanted to know what you meant.

Doctor LEITH. I am going to make a distinction a little later.

It is also true that the manganese in this immense quantity of material can be taken out by laboratory practices. You can take it out of anything, no matter what the percentages, or no matter what the commercial availability may be. But the part of it from which the manganese can be extracted by processes of beneficiation at a commercial profit, we claim to be extremely small. And we claim that under the present tariff, or even under a considerable increase in the present prices, the percentage of the country's requirements which can be met from that source is very small. It is necessary, at the very outset, then, to distinguish rather sharply between the total existing ores and what we call the commercially available ores. There is an immense quantity of the one, and a very limited quantity of the other, and a good deal of the discussion is at cross purposes, and has been, in some of the records before Congress, because some people are talking about one thing and some people are talking about the other.

It is our claim that most of these low-grade reserves—by far the larger part of them—are eliminated from practical consideration by various factors relating to the nature and composition of the ore, the nature of the processes which have to be applied, and the commercial conditions which enter into the situation.

I want to take up one or two or three illustrations to show the kinds of limitations that apply to these ores. There is not time enough to take up all the low reserves in this country, because they are scattered around in a great many States.

In all the discussions which have been put forward before Congress the Cuyuna Range of Minnesota has played a very prominent part. It is very often named first. The committee report, to which I have just referred, assigns the Cuyuna Range three-fourths of the available low-grade ore in this country.

The American Manganese Producers Association claims that it is 10 years' supply for the entire country. Local enthusiasts go very much further and describe this tonnage in very lage figures—enough to supply the country for a great many years.

As a specialist in Lake Superior ores, I have followed the development of this Cuyuna Range from the very beginning, first for the United States Geological Survey, and later in the consulting practice. At the present time I look after the exploration and development for mines, accounting for 70 per cent of the production of the manganiferous ores of that range. I have had occasion, in this connection, to estimate and value the ores of that range, not only in regard to individual mines but for the range as a whole, again and again.

I assign the range a total tonnage of 40,000,000 tons, of which about a quarter is just put on for full measure. In other words, I could not take you up there to-day and show you more than 32,000,000 tons of material. Of that 32,000,000 tons——

Senator KING. Pardon me. Is that on the surface or has it been excavated and blocked out?

Doctor LEITH. Blocked out by mines, but principally by diamond drilling. There has been an immense amount of drilling in that territory.

Senator KING. Have the drills been driven to such depth as to extend beyond the manganese limitations?

Doctor LEITH. In a great many cases they have, and in many other cases we make allowances for considerable extensions with depth.

The figure I give is way beyond anything we would call proved ore, or even probable ore. It is trying to give the benefit of the doubt to the district, and give it the maximum tonnage which we know anything about.

Senator KING. Is it iron?

Doctor LEITH. It is an iron-ore district primarily, and it has been explored as an iron-ore district, and in the exploration for iron ore this manganiferous ore has been found.

Senator KING. Do you find any gold, silver, copper, lead, antimony, or anything of that sort with it?

Doctor LEITH. No, sir. It is iron and manganese.

Senator KING. To mine it would you have to remove the overburden, or would you do it by shafts or inclines?

Doctor LEITH. That varies with the different properties Some of the mines are mined by expensive underground methods and others by open-pit methods.

Senator KING. Is the iron content sufficient alone to justify mining for the ore, treating the other as waste or as a by-product?

Doctor LEITH. In some cases it is, but I would like to analyze this situation a little further, Senator, to make the situation clear.

The larger part of this reserve is what we call the brown ore, which is sufficiently low in silica and has such a combination of the iron and manganese that it can be used directly without beneficiation in the furnace to make manganiferous pig, and the only manganiferous ore that is now coming from that district is this ore which is not beneficiated, which is fed directly into the furnace for this purpose.

That ore accounts for something like 25,000,000 tons out of a total of 40,000,000, leaving only 15,000,000 tons for the application of any process of beneficiation for the purpose of making ferromanganese. I think it is reasonable to state that nobody would care to apply a process of beneficiation to an ore which is already finding very desirable commercial use without spending money on it, and, in fact, in all the discussion of beneficiation processes, the emphasis has been placed on the other ores not now used, which are not available for this purpose.

These other ores are not now used for the reason that they are too high in silica, and it is that class, amounting to 15,000,000 tons, to which the beneficiation processes must apply.

When we come to examine that situation, we find that we have 15,000,000 tons, including every scrap of ore scattered through the range, and in getting that estimate I have added together the aggregates of 38 properties, in which there are at least that many separate, distinct lenses of ore. Over three-fourths of that is so constituted that it will have to be mined by expensive underground methods. There is a possibility that 20 per cent of that material could be mined by open-pit methods, which would give cheaper mining costs.

Senator KING. It is not compact? It is scattered?

Doctor LEITH. Yes.

Senator KING. Over what area?

Doctor LEITH. These 38 properties are scattered over a territory of perhaps 4 miles or 5 miles by 2 miles; something of that general nature.

Senator KING. It could not be worked, then, by one system?

Doctor LEITH. To get such tonnage as I speak about, you would have a number of separate plants, running over a very large area.

I think it is a fair statement—and this, if necessary, I am prepared to back up with specific details—that not more than one-third of the 15,000,000 tons I talk about of that ore is really available for cheap and efficient mining processes and for beneficiation.

For that ore there has been devised the Bradley-Fitch process, to which I shall refer in a moment, which accomplishes the result beyond any question, which has been tested very thoroughly, very conscientiously, and which will have some application to the ores of that range.

I have followed the activities of this group more or less, and I share with many of the others in the range a wish for the success of the operation. I hope it will succeed. I think it is quite possible, or probable, that it will succeed. But what I am bringing before the committee is the limitation of the conditions which prevent the development of that process to a point where it can solve this country's problems on the question of manganese ore.

In other words, assuming the maximum success commercially of the process which we hope for, we still have a pretty slender basis upon which to hang a tariff against the manganese industry in the country as a whole.

Senator REED. How many tons of concentrates would that 5,000,000 tons produce?

Doctor LEITH. They estimate about five for one. It would make 1,000,000 tons of concentrates.

Senator REED. A year and a half's supply.

Doctor LEITH. A year and a half or a little more, assuming that you can bring together all the ore in that 5,000,000 tons.

Senator KING. What would it cost to mine that 5,000,000 tons?

Doctor LEITH. That depends on the nature of the ore, whether it is open pit or not.

Senator KING. I know that.

Doctor LEITH. If it is open-pit ore, it might be mined for one-half or a third of the price of the underground ore. I think that is one of the real difficulties at the very start, to find the one good place to start, where a sufficiently large open pit could be found to warrant the capital investment necessary to establish a process of that sort.

Senator REED. Doctor, have you studied the deposits in the Butte neighborhood?

Doctor LEITH. I am fairly familiar with the Butte camp as a whole. I have been there on mining litigation a number of times.

Senator REED. What is the situation there, briefly?

Doctor LEITH. The situation there, briefly, is this: There exists a carbonate ore which runs from 30 to 35 per cent manganese, and which, by roasting, could be brought to well above 50 per cent—perhaps 55 or 57 per cent. In roasting, the silica, which is fairly low in the raw material, is also brought up and concentrated. So it has developed a problem of the separation out of the silica. The silica, under those conditions, has been a little too high for the ordinary commercial practice, and the ore has been penalized on that basis. They are trying to get around that, in the first place, by selective mining, selecting the ore in the first place

with low silica, and, secondly, with a modification of the process. It can be done in the laboratory beyond any question. So far as I know, the process, in itself, has not been commercially established.

I do not mean to say that it has not been done physically, but it has not been demonstrated, through a series of years, that the addition of this expense of taking out the silica has been settled commercially, and that all the carbonate ores of Butte, therefore, would be made available.

Senator REED. Suppose it were. What would be the result?

Doctor LEITH. Assuming that it were solved—and there again we hope it will be solved—there comes the question as to the amount of carbonate ore available. Taking the estimates which have been furnished by the different groups, some of which have been presented in hearings before Congress, and some of which I have known from other sources, taking the ore down to the bottom levels of the properties in which this ore has been developed, and giving it very liberal extensions beyond, I think a figure of something like 3,000,000 tons is a pretty large figure for the available carbonate ore in that district, and there again I should hesitate very much to take any business man out there, or any professional colleague, and attempt to show him 3,000,000 tons. But I think it is there. And if the claim is made that more is there, I am willing to concede the possibility.

But this ore is in steep veins. It runs deep, and this estimate I give carries it down to a depth below 2,400 feet. Some of these veins are irregular in thickness. They branch and divide. This ore is mined more or less as a by-product, or afterproduct, if you please, of the mining of zinc and copper in that district—principally the zinc. If we give it——

Senator KING. Is it in fissure veins?

Doctor LEITH. Fissure veins; yes. I would not quibble about the tonnage to be assigned to a particular vein, or to the aggregate, but I think after you have gone the limit in that district, you come out with a tonnage that is even smaller than that of the Cuyuna Range, with the same kind of a problem as to whether the process has been brought to a definite commercial stage. Admitting that the process is working from a technical standpoint——

Senator KING. Is the Butte deposit in one fissure vein, and within a limited area?

Doctor LEITH. A large part of it is in one large vein, or a continuous series of veins, substantially, called the Emma group. Butte contains a plexus of veins which branch and divide and cross.

Senator KING. I am quite familiar with that.

Doctor LEITH. There has been a great deal of litigation, to answer the question you asked.

Senator KING. Are they mining at a depth of 2,400 feet?

Dr. LEITH. No.

Senator REED. The copper veins are lower than that.

Doctor LEITH. The copper veins are lower than that, but I am referring to this particular material.

We might go on to other illustrations of what might be available. We have heard a great deal about the low-grade manganiferous ore in the Dakotas. There can be no question that there is a very large tonnage of low-grade manganiferous material—I would not call it ore—in the Pierre shales of South Dakota, scattered over an area of

a great many square miles. Through one particular layer there are nodules of manganese iron carbonate in a shale. That has been pretty carefully sampled by test pits here and there, and claims have been made for a very large tonnage of manganese material, which I think can be probably substantiated.

Senator REED. Is it being worked commercially now?

Doctor LEITH. It is not being worked commercially. It is purely in the stage of discussion. Experiments have been made with the ore to see how it could be taken from the surrounding rock. For every ton of ore that could be gotten out of that district, probably 15 tons of rock will have to be moved. So, as the material lies in the ground, it is about a 1 per cent manganese material. After it is separated from the rock it is about a 15 per cent manganese material. There again, chemically that material can be taken out; mechanically it can be taken out. At least two chemical processes are being considered for that. But everybody that I know, who has considered the factors in this situation, because of the amount of material which had to be handled per ton of manganese recovered, the expense of beneficiation, the doubt as to what the costs of the beneficiation would be, and the transportation costs of the product, due to the long rail haul, has reached the conclusion that it was so far away from commercial possibility as to be eliminated from present consideration.

Here is the situation that we are perfectly ready to agree to—and I, in common with others, have made it my business for a great many years to work for the development of American mineral industry. At a cost, an immense amount of manganese is available here, but not, in our judgment, a cost that comes anywhere near the range of those now being discussed in connection with this tariff.

Senator KING. Have you made an examination of those deposits in Virginia?

Doctor LEITH. I have not.

Senator KING. The reason I ask is that a gentleman has been to see me, stating that there was a deposit there, and that considerable money was being expended—I am not sure whether it was available, or had been expended in the development. I am not sure whether it was Virginia or North Carolina. It was along the Atlantic coast, in one of the Southern States.

Doctor LEITH. There is a very large amount of low-grade ore through the southern Appalachians, extending through Georgia and Alabama, with little pockets of high-grade ore at various places. There has been a good deal of controversy as to the amount of high-grade ore, and personally I stand by the report of our committee on the high grade ore in that district. They have examined that very carefully.

There is also a very large amount of low-grade ore through that territory which comes in the category I am discussing. The problem is not as to the existence of that material. It is a question of the commercial situation to be worked out.

Senator EDGE. Do you know at all whether the Butte Co., or any of the other companies producing high-grade ore, have, since the imposition of the duty, been profitable enterprises in the production of the amount they have been able to produce? Have they made money, in other words?

Doctor LEITH. I can not answer that from personal knowledge. My impression is, from the——

Senator REED. We will be able to ask their representatives about that, Doctor. Is there anything else?

Senator KING. Do you know where the domestic production has come from?

Doctor LEITH. Yes, sir; a very large part of the domestic production has come from Montana, from the Philipsburg district, and from the Emma mine of the Butte camp, of the carbonate ore.

Senator KING. Any from Minnesota?

Doctor LEITH. None that has gone into ferromanganese, or, so far as I know, into spiegel; all the manganiferous ore there has gone into the manganiferous pig.

I could go on with other illustrations, but I will stop here. There are just one or two other points I wanted to make.

All this discussion as to the availability of the reserves of the type I have talked about is based upon the assumption that in some fashion or other beneficiation processes are going to be made successful. The brief of the American Manganese Producers Association says specifically that eight new processes have been discovered or brought to a stage of commercial development during the period of the tariff, and largely during the last three years. The eight are named.

So far as we know the situation, not one of these has been brought to a stage of continuous commercial operation. There might be an exception for a short period in the process at Butte. There might be one other minor exception, but for a period of years no process has been established. Nearly all these processes have been known before, and only one of the list of eight can be regarded as substantially new. That is the Bradley-Fitch process.

We admit that all these processes work in the laboratory, but we claim that there is a very wide gap between that and commercial demonstration, and we do not know of a ton of ore that has been produced commercially by the Bradley-Fitch process or by the flotation process, the two processes which have been brought forward most prominently as solving this situation.

I would not like to place any limits on the development of American technology or upon what might happen in the future. I merely wish to call your attention to the fact that we are dealing here with processes which, while accomplished physically, have not been commercially established, regardless of claims to the contrary.

There is one other general consideration. I am talking a little bit on my own hobby for just a moment. The mineral resources of the world now are pretty well known, and it is pretty well known that no one country has enough of all minerals. There is a certain degree of mutual international interdependence for ores of various kinds. Our mineral industry has left no stone unturned to make itself complete, and manganese has been searched for in good faith. From the standpoint of the world's distribution of ores, we are not the only ones that are short. Reciprocal relations are necessary. From a professional standpoint I would like to put forward the simple idea that the industry having established its skill and good faith in the development of American resources to all reasonable limits, effort beyond this point is wasteful and futile. What is needed now, perhaps, is a little more attention to the efforts of our

industry to round out its supplies abroad, and to protect the American situation against any particular emergency which might come up, either in the way of war or commercial rivalry.

Senator BARKLEY. Have you any interest in any steel company?

Doctor LEITH. I have not, except through stock ownership, as any investor would have.

Senator BARKLEY. Are you speaking purely as an expert, or have you any interest in the industry that would in any way color your expert opinion on the subject?

Doctor LEITH. My professional practice is pretty largely in iron ore and related products, and that brings me in contact with the iron-ore producers, and indirectly with the steel industry. I have been asked by the Iron and Steel Institute to present my views, which happen to coincide almost exactly with the views of the steel industry at this time. Otherwise I would not have presented them.

Senator REED. That is all, Doctor. Thank you.

(Doctor Leith submitted the following brief:)

BRIEF OF C. K. LEITH, REPRESENTING THE AMERICAN IRON AND STEEL INSTITUTE AND THE STEEL INDUSTRY

Mr. Chairman and gentlemen of the committee, I speak for the American Iron and Steel Institute and the American iron and steel industry generally, but I shall present a view which I have shared for some years with a large and responsible part of the geologic and engineering profession. My occupation is professor of geology at the University of Wisconsin and consulting geologist. My contact with the manganese question has been in consulting practice, as mineral adviser to the Shipping and War Industries Boards and to the American Commission to Negotiate Peace in Paris, in committee activities for the leading technical societies in the mineral field, and in consulting relations to departments of the Government.

The steel industry asks that the tariff on manganese ore be eliminated on the ground that it has failed in its primary purpose of developing a domestic industry capable of supplying more than an insignificant part of the domestic requirements; that the effort to do so under the tariff has confirmed the fact long before known, that the country does not have sufficient supplies of manganese ores of commercial grades; that the effort is futile and results in financial loss to manganese producers, to the steel industry, and to consumers; that it results in depletion of limited high-grade supplies which should be conserved for national emergency. The steel industry also asks that the present compensating duty on ferromanganese be placed on a 25 per cent ad valorem basis to bring it into line with the requested elimination of tariff on manganese ore. Supporting facts and figures are already a part of the Congressional Record for 1929 in two briefs filed in the hearings before the Committee on Ways and Means of the House of Representatives and will be presented also by others at this hearing. In the time at my disposal I shall confine myself to the question of geological fact, basic to the entire question of manganese tariff, whether there is or is not sufficient manganese in this country to warrant the present effort to develop it by aid of tariff.

In a country so prolific in minerals, with a well-established habit of national success in mineral development, it is natural to presume that with special effort the same success could be obtained in regard to manganese. But competent geologic and mining engineering advice has been almost unanimous to the contrary. For several decades before the war manganese had been systematically searched for in the normal progress of a growing and energetic mineral industry. The steel industry played a large part in this campaign, having every reason and incentive to secure domestic supplies of this essential mineral. Hundreds of manganese occurrences were found and many mining operations started, but the net result was an almost negligible production of manganese as compared with our needs and commercial failure for most producers. During this period reports were made in large numbers by mineral specialists on individual deposits and on the domestic manganese situation as a whole. With the opening of the war

professional and commercial opinion, as frequently expressed in print, had become almost unanimous that manganese in adequate quantities and qualities does not exist in the United States.

With the outbreak of the war the problem of supply became acute, because our steel industry was so vitally dependent upon foreign sources of manganese supply, and the subject was again intensively reviewed to see what manganese might be secured from domestic sources as an emergency measure, more or less regardless of cost. In 1918, the year of our maximum effort in the war, the schedule of the ferro-alloy committee of the War Industries Board called for large importation of ore from Brazil. This meant the use of much ship tonnage, which was badly needed for other war purposes. As chairman of the mineral import and export committee of the Shipping Board I made estimates of potential manganese supplies in the United States to see how much shipping, if any, could be taken away from the manganese trade. On the one side was the steel industry, with its long and discouraging experience with domestic deposits, fearful lest the cutting down of importations would essentially endanger the Government steel program; on the other side local enthusiasts who felt that domestic deposits could take care of the entire requirement. The situation called for the most critical weighing of all the facts without commercial or political bias. The resources of the Geological Survey and Bureau of Mines were mobilized, competent manganese specialists were called to Washington for consultation, geologists and engineers were sent into the field to check local claims. Under the stress of the moment there was probably more intensive study of manganese reserves than would have been possible in many years under normal conditions. On the basis of information so gained importation from Brazil was restricted by about 25 per cent, specifications for the grade of domestic ores were lowered, appeal was made to the country to come forward with all the manganese it could produce to make up the deficiency, and ships were released for other war purposes. What was the result? With manganese at about five times the price of 1913, and with commercial loss to most of the 410 producers, as shown by the records of the War Minerals Relief Commission, less than 20 per cent of our consumption of manganese of ferro grade was met from domestic sources and 15 per cent of our requirements for spiegel. This great effort to spring the limits of manganese production was proof to impartial observers that the long-existing adverse views of the possibilities of manganese production in this country were substantially correct.

After the war there were many investigations into the mineral lessons of the war by Government bureaus, technical societies, and individuals, to ascertain their bearing on questions of future national emergency, national prosperity in peace times, and international relations. In 1921 the Mining and Metallurgical Society of America organized a committee on foreign and domestic mining policy, of which I was chairman, which issued a series of topical reports. A subcommittee reviewed the manganese situation. A little later the War Department called upon the American Institute of Mining and Metallurgical Engineers for advice in regard to key minerals, and a committee of that institution was formed (committee on industrial preparedness), of which I was a member. In view of the close relations of these two organizations, the subcommittee on manganese referred to reported also to the American Institute of Mining and Metallurgical Engineers and through it to the War Department. This committee was chosen after most careful consideration and consultation to include the best professional talent available in this country. Its report is the most exhaustive and incisive manganese inquiry existing in print to-day and has been frequently quoted in Government and technical publications and in hearings before Congress. With a wider basis of information than ever before available, the report definitely confirmed earlier professional conclusions. The aggregate tonnage of the ore of grade suitable to make the principal alloy, ferromanganese, scattered through 13 States, is reported as constituting only a 3-year supply for the country, and this figure is reached only be assuming a price 50 per cent higher than the maximum war price and retaining the low war-time specifications for ferromanganese. May I read you one paragraph from this report:

"There are those who believe and maintain that the domestic manganese reserves of the United States are very large, many times the figures presented herewith by your committee. Actuated by this belief, it is the opinion of these people that a domestic manganese industry should be created and fostered by artificial means—by tariffs or bonuses—so that an emergency may find it actively functioning and prepared to meet any requirements. Your committee can not agree with this opinion, simply because it does not find the large reserves. Effec-

tive artificial stimulation of domestic manganese production would merely serve to deplete the already limited reserves, very possibly to the point where the next emergency would find the country practically bare."

One of the new features of this report was an estimate of the actual tonnage of ferro-grade ore which could and would be produced at different price levels. In the years which have followed there has been a remarkable demonstration of the accuracy of the committee's forecast of production.

Finally, we have had a costly seven years' attempt of domestic manganese producers to demonstrate adequate reserves under the stimulus of a tariff which has in later years nearly doubled world prices. The result has been failure. Less than 6 per cent of our requirements for metallurgical grade ores have been met, and no new conditions have been disclosed which promise large development.

Notwithstanding this disastrous record, claims are now brought forward on behalf of domestic manganese producers that large discoveries of both ferro and low grade ores have been made under conditions created by the tariff, that process of beneficiation have been discovered or commercially developed during this tariff period make available at least 150,000,000 tons of low-grade ore, and that a 50 per cent increase of tariff on high-grade and a new tariff on low-grade ores will in a very few years bring production up to about half our total requirements.

The claim for large discoveries of high-grade or ferro ore is not very strenuously urged or supported by detailed facts. In the arguments before the Ways and Means Committee it is practically abandoned in favor of low-grade ores. The truth is that the engineers of the steel companies, the specialists of the United States Geological Survey, and others scientifically and professionally interested in manganese have traveled many weary miles to check local reports of discoveries without finding any substantial tonnage of ferro grade with commercial promise. It is significant that the steel companies have for decades gone to the expense of looking into every occurrence which was reported to have promise in their effort to round out their supplies of needed raw materials and have not acquired ownership of the principal ore bodies of ferro grade or near ferro grade in this country.

Tariff advocates now shift the emphasis to the low-grade supplies which it is hoped may be made available by new processes of beneficiation now under experiment, if the tariff is raised 50 per cent. The nature and commercial availability of such resources are now really the crux of the manganese question.

The existence of immense quantities of manganese-bearing rock has long been recognized. Manganese is widely disseminated in the earth, like iron and aluminum. Laboratory processes are known which will recover it, no matter how minute the quantity; but it is a question of cost. Some manganese raw materials have such qualities and location that the cost of manganese recovery is not too far out of line with costs of ores already concentrated by nature. Others yield their manganese only at costs so excessive that they are obviously beyond commercial consideration. For this reason there is a fundamental distinction between total resources and commercially available resources, and there is much confusion and disparity of estimates when the two are not sharply separated.

It is our contention that only a small part of the total low grade resources can be made available for ferro manufacture at prices anywhere near commercial. The only commercially profitable operations now existing in this class of ores are possible because of their use for purposes other than the making of ferromanganese or as by-products to the mining of other minerals. If new processes now under experiment become perfected, limitations of their commercial application to the available ores promise at best, even with higher manganese prices than now exist, only a few small enterprises which in the aggregate will not materially lessen our requirement for foreign ore.

When the tariff was under consideration in 1922, domestic producers assured Congress that in a few years the domestic production would reach 50 per cent of our total requirements of metallurgical grade. It has averaged only 6 per cent. They now say that given more time and more tariff a 50 per cent basis will soon be reached. On a basis of prices which have ranged during the tariff period, since 1922 from 50 to nearly 100 per cent above world prices, the result has been substantial failure, both as to producers' profits and supplies yielded. With still higher prices, more product will be forthcoming and a still wider range of small marginal enterprises will be created, with corresponding widening of the area of political pressure for a still higher tariff. But we go on record with a prediction, based on commercial and geological analysis of the most promising districts, that the net result will again fall so far short of promise and cause so much financial loss to producers as to demonstrate the futility of attempting

to create, against the facts of nature, a self-sustaining industry of value to the country.

Time does not permit of the analysis of every low-grade manganese occurrence in this country, but I will briefly discuss a few of the outstanding ones to illustrate the kinds of practical difficulties involved in using them.

In all of the discussions of low-grade ore the manganiferous iron ores of the Cuyuna district of Minnesota are given first place, not only because of amount, but by virtue of location, which gives them advantage of lake shipment to the steel centers. The figures vary, but the Cuyuna ores are estimated by the manganese committee already quoted as constituting 75 per cent of the total low-grade reserves of the country and by the American Manganese Producers Association as constituting 10 years' supply for the country. One enthusiast estimates "several billion tons." I agree that this is one of the most promising reserves of low-grade ore in sight, but what are its commercial limitations?

As a specialist on Lake Superior ores I have followed the development of the Cuyuna district from the date of its discovery, formerly on behalf of the United States Geological Survey and later in consulting practice. At the present time I look after exploration and development of mines now accounting for 70 per cent of the Cuyuna production of manganiferous iron ores and have made repeated estimates and valuations of the ore reserves of the district on the basis of my own personal knowledge.

At the outset we may eliminate the entire class of Cuyuna brown ores running between 5 and 10 per cent in manganese and low in silica, which is the only class of manganiferous ore now in production. This has a reserve of proved and probable ore of 21,000,000 tons, and possible ore may bring this up to 25,000,000 tons, or about 60 per cent of the total low-grade ore of the district. It is fed into the furnace without beneficiation to make a manganiferous pig iron, with certain resulting metallurgical advantages in the way of slag fluidity, sulphur elimination, and others, which are entirely independent of the results obtained by putting in manganese later into the steel process in the form of ferro or spiegel. In some plants the use of manganiferous pig is said to save 15 to 20 per cent of the requirement for ferromanganese in the steel-making process, though as yet this has caused no measurable lessening of the total requirement of ferromanganese per ton of steel for the steel production as a whole. The manganese content is too low to make this ore commercially amenable to beneficiation processes designed to concentrate it to ferro grades. This ore does not come under the provisions of the tariff, being too low in manganese. Its use, started before the tariff was created, has not been accelerated by the higher manganese prices created by the tariff, nor will it be stopped if the tariff is repealed. The steel industry controls the bulk of the production and reserves, and yet it is the steel industry which is opposing the tariff.

With the brown ores eliminated from present consideration, there is left the group of so-called black ores containing too much silica to be used like the brown ores. A small tonnage was mined under war conditions, but for the most part the reserves are undeveloped and only partly explored. They can not be concentrated by the ordinary mechanical and magnetic processes because the iron, manganese, and gangue are so very finely disseminated. To meet this difficulty the Bradley-Fitch leaching process has been devised. The brief of the American Manganese Producers states that the Bradley-Fitch Co. has recently demonstrated that it is possible to commercially utilize manganese-bearing material that hitherto has not been classed as ore. With no commercial plant in operation, and with cost factors for mining, beneficiation, and marketing yet to be determined by experience, the status of the enterprise falls short far of "commercial demonstration" at the present time. But if the process meets all the expectations of its backers, and if the product proves to be available at possible prices to the steel industry, the question still remains how much manganese will it make available to the American steel industry.

I estimate for this class of ore an aggregate of 11,000,000 tons of proved and probable ore from all properties showing any exploration and development. If liberal allowance were to be made for unknown extensions through unexplored ground, the total might run as much as 15,000,000 tons, running between 13 and 15 per cent of manganese. As it takes at least 5 tons of ore to make 1 ton of concentrate, this ore, if it could all be used, would yield a maximum of 3,000,000 tons of concentrate, or roughly a 4-year supply for the country. But it is highly improbable that all or even a large part of this ore can be commercially used. The tonnage given is the aggregate of 38 properties, containing at least that many separate lenses of ore over 80 per cent of which will have to be mined by expensive

underground methods, with many separate plants. The possibility of really cheap open methods necessary for a profitable operation applies to only a small percentage of this ore. Competent engineering opinion is skeptical of the possibility of using open-pit methods even on the particular properties under option for the first commercial trial of the process and believes that the costs will be materially larger than predicated. Even the average manganese content of the ore remains to be established. I think it a fair and conservative statement that even with much higher manganese prices than are now current the commercial application of the Bradley process will be restricted to less than a third of the 15,000,000 tons of high silica crude ore possibly existing. While wishing all success to this earnest effort, it can not be expected that at best it will carry the burden of supplying any substantial fraction of the total manganese requirements of the steel industry.

Further Cuyuna exploration might show more of the high silica ore in the future, and insurance of further exploration is put forward as a reason for retaining the tariff. The answer is that the main product of the Cuyuna range is iron ore and low silica manganiferous iron ore not affected by the tariff. All the manganiferous ores yet known have been found during the search for iron ore. Exploration for iron ore, as well as for the low silica manganiferous iron ores, will continue regardless of tariff, and if there are much larger quantities of the high silica ores than now suspected they will become known.

The Cuyuna district constitutes, therefore, a slender basis for a costly manganese tariff.

The manganese carbonate ores of Butte, Mont., exist in quantities far short of the Cuyuna ores; a liberal estimate would be 3,000,000 tons, about a fifth of the Cuyuna tonnage of black ores. Only a part of this tonnage has been developed, mainly in connection with the mining of zinc ores. Much of it must be won from great depths, from many scattered veins, and will have to be separated from undesirable grades. The bulk of the ore has been shipped as raw carbonate for mixture with other ores, a small part has been electrolytically smelted as a war measure, and another minor part has been roasted. The future use of these ores is regarded as dependent mainly on roasting. The silica in the ore is high and extra cost is required both in beneficiation and in selective mining to keep it down in the roasted product. Transportation cost is high. Here, then, is a limited quantity of low-grade ore made available by the zinc and copper mining operations which would be benefited by the tariff, but assuming the most favorable outcome as to mining and beneficiation costs, and high manganese prices, the contribution from this district will meet only a small portion of the demand and that for a very limited time.

There is manganese iron carbonate ore over a large area of South Dakota. When separated from the rock in which it is scattered it contains 16 per cent of manganese and 8 per cent of iron. The recovery of this manganese would involve: (1) Operations scattered over 80 square miles of territory; (2) the movement of 15 tons of rock for every ton of manganese-bearing material recovered; (3) the development of a beneficiation process, mechanical, chemical, or both, for the separation of the manganese; (4) long rail shipment of the product. There have been preliminary leaching experiments and some consideration of the possibility of applying the Bradley process, but in both cases it is costly to separate the manganese from the iron because of the chemical state of the iron. Very large capital expenditures will be necessary. It is fair to assume that at a cost this district could be made to yield large quantities of manganese. but competent judges of cost factors see insufficient profit in this district to warrant the capital investment for plant at prices even twice as high as those now current.

Arkansas has large quantities of low-grade ores, handicapped by high phosphorus. Nearly every known process of mining and beneficiation has been tried without commercial success. Large sums have been lost. Higher prices would result in larger output, but the industry has been unable to find any specific method of mining and beneficiation which promises to bridge the wide gap between costs and selling prices.

Others, if necessary, can give you further details and illustrations, but I wish to touch briefly on other phases of the subject.

The question of commercial availability of low-grade ores hinges largely on the question of beneficiation processes. The American Manganese Producers Association in its brief names eight processes of beneficiation which have been "discovered or developed to a commercial stage during the past few years, largely during the last three years of tariff protection." Manganese beneficiation has been the subject of experiment for many years in many parts of the world and has proved peculiarly baffling. We do not know of a single process which

has yet operated at a continuous commercial profit in this country, and only one, the Bradley-Fitch process, can be called a discovery. Neither this nor the flotation process, the two processes which have been said to show the most promise have as yet come out of the laboratory into actual manganese practice. No one would venture to set any limit to technological advances in the future, but the present stage of manganese beneficiation is certainly far from commercial. Granting the possibility of commercial success of small units, our contention is that the raw material conditions of one kind or another will not permit of the growth of these units to a sufficient size to accomplish the primary purpose of the tariff—that is, to build up a substantial domestic industry which will materially lessen our dependence on foreign ore, except at several times the world prices.

Finally may I call your attention to a more general consideration—that the world's mineral resources are now becoming pretty well known, and that it is becoming increasingly evident that nature has not distributed her mineral favors equally among nations. No single nation has adequate supplies of all essential minerals. The United States, while better off than any of its rivals, has essential deficiencies which must be supplied abroad, just as other nations have to depend on certain of our surplus minerals. Reciprocal relations in regard to mineral raw materials are inevitable under present conditions of huge demand which can be met only in a few places around the world where nature has planted the really large reserves which are alone capable of meeting the demand. When earnest, systematic, and long continued search has demonstrated to local geologic limitations, as it has in this country for manganese as well as certain other important minerals, there comes a time when further public aid to this effort becomes wasteful and futile. What is then needed is intelligent and sympathetic support of the efforts of our mineral industry to supply our necessary deficiencies abroad and to insure these supplies against emergencies. The industry has already demonstrated its skill and good faith in the development of American resources to all reasonable limits. Geographic conditions alone, as well as concern for future national and commercial emergencies, will insure the continued search in this country for supplies of manganese to supplant those now secured abroad, regardless of tariff.

FURTHER STATEMENT OF DR. C. K. LEITH, MADISON, WIS., REPRESENTING THE AMERICAN IRON AND STEEL INSTITUTE

Senator KING. Doctor Leith, I was interested in what you stated yesterday with respect to the importance of manganese as an alloy in the manufacturing of steel. I note in the existing law, and of course in the bill as reported by the House, a number of other alloys, such as molybdenum, tungsten, ferrochromium, chromium tungsten, chromium cobalt tungsten, tungsten nickel, silicon aluminum, aluminum silicon—which are the same thing, under the proper name or trade name of alsimin—boron carbide, vanadium, and a large number of those alloys which have a very heavy duty, and yet are indispensable in the production of steel and perhaps other important commodities used in almost every branch of industry.

Why the necessity—and I ask for information—of these high tariffs upon those minerals?

Doctor LEITH. The group of minerals you refer to are sometimes referred to as the sweeteners in steel production. They are the alloys which are lacking in this country in adequate amounts for the size of our steel production and for the size of our iron-ore reserves. Like our other principal competitors in steel production, we lack essentially most of the alloys which go into steel, and we have to go abroad for them.

The amounts and grades which have been found so far in this country have been entirely inadequate to meet the situation; and most of these minerals are in the same position as manganese. It has been necessary to go to outlying parts of the world where nature has hap-

pened to concentrate them. That has led, naturally, to a desire to develop them as much as possible within our own country by any possible means, and the tariff has been used as a means to insure thorough and vigorous search; and such search has been and is being made.

Senator KING. Then it is really protection for the purpose of trying to induce American miners and persons engaged in the mining business to find out and mine those minerals? Is that it?

Doctor LEITH. It is supposed to be an inducement for the miners to mine and also to explore and to develop in the hope that something new may be found, or some new way may be found to use some of the small and low-grade supplies which we now have.

Senator REED. Why does not that apply to manganese?

Doctor LEITH. It does.

Senator KING. What has been the result of these relatively high tariffs upon the minerals or metals to which I have just referred?

Doctor LEITH. Those are controverted questions; but, in my judgment, the result has been very much the same on the entire list—in other words, substantial failure.

Senator KING. May I say that if we have protection at all—and we are bound to have it, of course—coming from a mining section, my predilection would be to give a reasonable protection where it was of benefit; and I was interested in the discussion yesterday to ascertain whether or not there had been any benefits derived by the mining industry by reason of these relatively high tariffs, and whether those benefits, if there were any, were commensurate with the additional cost to the products into which those alloys went.

Doctor LEITH. My position in that matter is——

Senator KING. I am asking you because you are a scientist, and I had paid you the compliment to believe that you were disinterested.

Doctor LEITH. Thank you.

In the normal development of a prosperous mineral industry in this country, all of these things have been vigorously searched for, regardless of tariff. There are thousands of people looking for anything out of which they can make a dollar in the way of a mineral. They know particularly the need of certain minerals of the ferro-alloy type; and the search has been continuous and vigorous.

Senator KING. I know I searched to the extent of $20,000 to get some tungsten.

Doctor LEITH. The facts shown up by that search were not at all encouraging. Then it was thought that perhaps with a little additional inducement it was worth while trying to go further. A great effort was made during the war, with substantial failure; and then after the war it was thought that it was worth while to go further; and I think in several of these cases the situation is not far different from the situation in regard to manganese, in that thus far it has tended to confirm what we thought we knew before—that these things are not here, and that beyond a certain point, which is a commercial point which I do not care to discuss, the attempt becomes futile and wasteful.

Senator KING. I am going to ask you, for my own information—not for the benefit of the committee and the Senate—to give us a memorandum upon these products to which I have just referred; and I shall ask any of the mining men who are here and who are interested in that matter to give us a memorandum, because I want to do what-

ever is right in the matter; but I am quite interested in ascertaining whether or not these rates ought to be maintained.

Doctor LEITH. I shall be glad to do that. I may say that the technicial committees which I referred to yesterday as working on manganese have also been working on other key commodities, and similar reports have been issued which are designed mainly to present the facts of the situation rather than to discuss the economics or the politics of the matter; but I shall be glad to summarize the facts pertinent to your question.

Senator KING. On page 66, vanadium is given a duty of 25 per cent ad valorem. On page 63, under the head of scrap iron or steel, in addition to the duty of 75 cents a ton, there is a further duty of $1 per pound for any vanadium in excess of one-tenth of 1 per cent.

If vanadium as a separate entity is given 25 per cent ad valorem, why should there be a duty of $1 per pound for any scrap which is imported which contains slightly in excess, an infinitesimal amount in excess, of one-tenth of 1 per cent?

Doctor LEITH. I am not prepared to answer that question, Senator. It involves certain trade considerations with which I am not familiar.

Senator KING. This bill, these paragraphs before us now, are full of just such, to me, inconsistencies. Before I vote for any of these schedules, or vote against them for that matter, I want somebody to explain them. I should like to know why there is a 25 per cent tariff permitted on the product itself, and then, when there is just one-tenth of 1 per cent, or slightly in excess of that, when it comes in with steel or scrap, it is given, in addition, a higher rate. You can not explain that or many other such provisions which I hastily read through last evening?

Doctor LEITH. I shall be glad to talk about the situation with regard to the raw materials. When it gets over into the manufactured form there are trade factors coming in which I can not speak of from personal knowledge.

Senator KING. Why should scrap steel which carries just slightly in excess of one-tenth of 1 per cent of a given mineral bear so much heavier duty than the mineral itself?

Doctor LEITH. That is the same answer.

Senator KING. All right.

Senator REED. Senator King, the duty is not $1 per pound on the scrap metal but on the vanadium content.

Senator KING. If I said "scrap metal," I meant the vanadium content.

Are the words "wrought and cast scrap" on line 21, page 62, meant to limit the words "scrap iron or scrap steel" in line 1, page 63?

Doctor LEITH. I would not care to express an opinion on that.

STATEMENT OF L. E. BLOCK, REPRESENTING THE INLAND STEEL CO., CHICAGO, ILL., AND THE AMERICAN IRON AND STEEL INSTITUTE

Senator REED. You are president of the Inland Steel Co.?

Mr. BLOCK. Chairman of the board of directors.

Senator REED. Did you appear before the House Ways and Means Committee?

Mr. BLOCK. I did not.

Senator REED. Did you file a brief with them?

Mr. BLOCK. No.

Senator REED. This is the first chance you have had to express your ideas on the subject, is it?

Mr. BLOCK. Yes, sir.

Senator REED. You want to speak to us about paragraph 302 (a) which, as I recall it, relates to the tariff on manganese ore and its concentrates?

Mr. BLOCK. Yes, sir.

Senator REED. Proceed, sir. We will be glad to hear you.

Mr. BLOCK. Mr. Chairman and gentlemen of the committee, I would like to point out some of the salient facts in a brief which I ask permission to file on behalf of the Inland Steel Co. and at the request of the American Iron & Steel Co. for all the American steel producers as well as the steel consumers.

Senator REED. You mean American Iron and Steel Institute, do you not?

Mr. BLOCK. Yes, sir.

Senator REED. You said American Iron & Steel Co.

Mr. BLOCK. Thank you for correcting me, sir.

On the assurances of the domestic producers of manganese ore the Fordney-McCumber Act of 1922 imposed a duty of 1 cent per pound on manganese content, or equivalent to $11.20 per ton on 50 per cent grade of commercial ore.

It was claimed that this duty of 1 cent per pound on the metallic content would enable the domestic mines to supply 50 to 75 per cent of the annual requirements during the first few years and that eventually the domestic mines would be able to supply the entire yearly requirement.

The results, however, under the tariff during the six years ending in 1928 show the domestic production amounted to 322,328 tons, while during the corresponding period 3,572,482 tons of manganese ore were imported.

It is interesting to note that with the unreasonably high protection the domestic production in the years 1926, 1927, and 1928 were 50,340 tons less than the production of 1923, 1924, and 1925. On the other hand, the domestic requirements during the last three years were 450,490 tons greater than the first three years of the tariff.

Senator REED. In other words, while the demand has been increasing the domestic supply has been diminishing.

Mr. BLOCK. Diminishing during the last three years.

Senator BARKLEY. Are you speaking now of the high-grade ores or the low-grade ores, or all of them?

Mr. BLOCK. I am speaking now of the commercial-grade ores.

Senator BARKLEY. That is ore containing above 35 per cent?

Mr. BLOCK. Yes, sir.

Senator REED. What is manganese used for?

Mr. BLOCK. Manganese is used as a bath for steel, in deoxidizing, and used also in desulphurizing; and then it adds a certain strength to the steel.

Senator REED. And you can not get along without it?

Mr. BLOCK. No. You can not get a cleansing bath for steel without it, and there has been no substitute located.

Senator KING. What did the ancients use? They had this fine Damascus steel.

Mr. BLOCK. They made iron at that time; they were not making steel.

Senator KING. They had the Damascus blade. Was that comparable to our steel?

Mr. BLOCK. I should not wonder, Senator, if it were better.

Senator KING. Did they have manganese ore at that time?

Mr. BLOCK. They had pretty nearly 100 per cent ore.

Senator KING. You mean iron ore or manganese?

Mr. BLOCK. Iron ore that was pure.

Senator KING. Free from sulphur and free from baser elements?

Mr. BLOCK. Free from baser elements.

Senator KING. More like the Swedish iron, only a great deal better, is that it?

Mr. BLOCK. Higher class; yes. One point that I would like to stress with reference to the manganese ore produced in this country during the past six years for the use of manufacturers of steel is that it had a total value, according to the Bureau of Mines, of $2,972,000, whereas the duties paid on ore by the steel industry during the corresponding period amounted to $45,771,000, or some fifteen times the total value of the domestic manganese produced for the steel manufacturers in this country.

Senator KING. I do not quite follow you, if you will pardon me. You said the duties paid on steel——

Mr. BLOCK. The duties paid on ore imported——

Senator KING. Yes.

Mr. BLOCK. Amounted to $45,000,000. Now, corresponded with the value of the ore produced in this country in six years, Senator——

Senator KING. I am amazed at that statement. See if I understand it.

Senator REED. The duty paid in 1928 was over $6,000,000, just in that one year.

Mr. BLOCK. I think, Senator, that would not represent it all, probably, because that is the duty on ore; and then there is a certain amount of duty on ferromanganese which was imported and I think the two combined involved some $8,000,000.

Senator KING. During that year?

Mr. BLOCK. During that year. So that while the value of the ore produced during the six years ending 1928 was a shade less than $3,000,000, the duties paid on imported ore during the same period amounted to $45,000,000. In other words, there was that bonus paid to protect the interests that were producing $3,000,000 worth of value in ore during the 6-year period.

Senator KING. Would the amount which you have just indicated, $45,000,000 plus, include any duty paid upon ferromanganese?

Mr. BLOCK. I think it does. Yes; I think that includes that, Senator. The total is about $50,000,000 for the six years on both the manganese ore and on ferromanganese. This enormous tax paid during the past six years may have been warranted if the experience during the war and particularly under the high-tariff legislation since 1922 had proven the feasibility of establishing an industry of manganese mining in this country, but there seems to be no question regard-

ing the total inadequacy of the domestic resources of the commercial grade.

Quoting from a report of the Mining and Matellurgical Society, published in 1924, the maximum available supply was placed at less than 3,000,000 tons. This is rather startling when it is considered that the total requirements of the American steel industry in the last six years amounted to 3,894,000 tons.

Senator KING. Make that last statement over again.

Mr. BLOCK. The 1924 report of the Mining and Metallurgical Society, from which I am quoting, placed the maximum supply of commercial grade ore in this country at 3,000,000 tons. They quoted it as 1,399,000 minimum and 2,995,000 maximum. So I am stating that, according to their report, the maximum supply available was 3,000,000 tons in this country.

Senator BARKLEY. That is per annum?

Mr. BLOCK. No; 3,000,000 tons——

Senator BARKLEY. Altogether?

Mr. BLOCK. Altogether—of the commercial grade ore.

Senator REED. Who makes that report?

Mr. BLOCK. The Mining and Metallurgical Society.

Senator BARKLEY. How can anybody, however expert he may be, make an estimate of the total amount of any given ore, the development of which is in its infancy, in a country of the area of the United States?

Mr. BLOCK. Senator, the commercial grades of manganese ore could hardly be called in its infancy. For years and years there has been a search and effort to locate deposits; and of all the known deposits many have been examined. A great deal of money has been spent to definitely locate areas that would supply this country. So that based on all the known deposits a very accurate estimate could be made of this ore.

Senator BARKLEY. Has there been any progress made in the application of new processes to commercialize the lower grades?

Mr. BLOCK. None that I know of at all. It was hoped at least during all this time the high protection existed here that with that aid there would have been developed a process, or some processes, of utilizing low-grade ore that would have promoted production on a fairly economic scale, but so far as is generally known, and as far as I know, Senator, there has been no process perfected other than those that would create a very fantastic-priced resulting product.

Senator BARKLEY. To what extent does the domestic manganese production depend upon the discovery of some process that will make these low-grade ores available?

Mr. BLOCK. Let me understand your question. To what extent——

Senator BARKLEY. To what extent does the success of domestic production of manganese depend upon the discovery of some process that will make these low-grade ores available at reasonable prices?

Mr. BLOCK. It depends entirely upon it, if they have to use them. But all the steel-producing nations of the world draw their supplies from practically the same sources—Russia, India, Brazil, and the west coast of South Africa—where, from all reports, the supply is adequate for hundreds of years, and the various nations, England,

Germany, France, and Italy, as well as the United States, have always gotten their supplies from those deposits abroad. So that we are not dependent upon necessarily developing a process of utilizing these low-grade ores. Of course, if science does develop a process or method that permits the use of low-grade ore at a reasonable price, so much the better, but so far as we now know that is a matter that may be years in materializing.

For the past six years the steel industry has endured a tax that was, as I understand it, based solely on the supposition that we would be able to develop an industry in this country that would, in a large measure, supply the requirements of ferromanganese.

Senator BARKLEY. Has this duty been passed on to the trade?

Mr. BLOCK. I think the best way I could answer that, Senator, is that as a duty is imposed, whatever it might amount to in the additional cost may not be immediately passed on to the trade; but, after all, in due time costs bear a definite relation to what the selling price becomes, and any addition to your cost would necessarily in the end be reflected in the selling price.

Senator BARKLEY. So after six years I suppose it is fair to say that the cost is added into the total cost of producing steel, and is passed on to the public?

Mr. BLOCK. I do not know whether that would be a fair statement or not. It may be. I mean——

Senator BARKLEY. What I am interested in is, if it is being passed on, and it is taken off, what is going to happen to it?

Mr. BLOCK. Just what happens to the condition in business generally when, no matter what the cause is, it reduces cost of production. In the steel business, many have to pay large sums of money in the refinements that have reduced costs; and in due time competition has that reflected back in a price that becomes the general price. That has been particularly true in these last few years, when great strides have been made in reduction of costs by expenditures of large sums of money for the additional refinements in the business.

Senator BARKLEY. But in fixing the wholesale price of any product a prudent manufacturer or producer combines all the elements of cost that go to make it, and then fixes his price accordingly.

Mr. BLOCK. So that in the end an addition like this would be reflected to the consumer.

Senator BARKLEY. Yes; it would be reflected to the consumer, and it is fair to assume that you would not wait more than six years to add that duty to the total cost of production, and that it is now being added. Therefore, if that is true, and the Congress should remove this tariff on manganese, will that reduction be reflected in a reduction in the price of steel to the public?

Mr. BLOCK. I have no doubt that it will be.

Senator REED. It adds about 16 cents a ton now; does it not?

Mr. BLOCK. No; it is something more than that. I think the 16 cents a ton, Senator, would figure in a general way—the addition of manganese that is involved in making a ton of ingots—but the steel people do not sell ingots, and the resulting product from an ingot might be averaged at about 70 or 75 per cent, so that the actual cost involves perhaps 25 to 30 cents per ton.

Senator REED. Based on billets, or whatever the finished article is?

Mr. BLOCK. Based on the finished article that you are trying to sell.

Senator BARKLEY. In other words, it is pyramided as it goes along toward the finished product?

Mr. BLOCK. That is true, because the costs eventually have to be applied to the resulting product that you ship.

Senator BARKLEY. Go ahead.

Senator KING. While you have been diverted for a moment, may I ask a question?

Mr. BLOCK. Surely.

Senator KING. Have experiments demonstrated how much the manganese content must be in an ore to justify any attempt to reduce it commercially?

Mr. BLOCK. The commercial grades of ore that permit of a reasonable price in its conversion should involve an ore around 45 per cent of metallic substance, and as you smelt ores that are lower, of course you increase the cost and create a correspondingly higher price.

Senator KING. In working up your iron ores, do you find any maganese?

Mr. BLOCK. We have iron ores with 3 and 4 per cent of manganese.

Senator KING. Do you save it?

Mr. BLOCK. No; it is used for making manganiferous pig iron.

Senator KING. You could not save it for the purpose for which you get the higher grade of manganese?

Mr. BLOCK. No; we can not. We can not extract it. It is reflected in the product finally.

Senator KING. Assume an ore, say, of 15 to 20 per cent manganese, with no other valuable content, such as zinc or lead or silver, or any iron content. Could that be reduced at a profit?

Mr. BLOCK. No; it could not be. As a general thing, while I am not highly technical, Senator, giving you the business man's view of ore that has a manganese content of 15 or 20 per cent, that ore would also be high in iron and high in silicon, two elements that would have to be removed, and which would be very expensive.

Senator KING. Could you not treat the ore, and take a large number of tons and make concentrate, thus increasing the manganese content?

Mr. BLOCK. Senator, you see, that is what all these beneficiation processes are aiming at, but they have not been developed, and, so far as I know, the reduction of these low-grade ores by any known process involves such a high cost that it is entirely out of proportion.

Senator KING. All right; excuse me for interrupting you. Proceed.

Mr. BLOCK. The world's supply of a proper grade of manganese ore is very large, and is relied upon by all the steel-making countries. The concentration of low-grade manganese ore, from all that is known at present, is very uneconomical, and from a practical standpoint quite impossible excepting at a tremendous cost.

It would appear that nature did not provide this country with an adequate supply of manganese ore, and that fact must be faced.

In view of the situation, I strongly urge that manganese ore be restored to the free list, where it was prior to the enactment of the tariff act of 1922, and that the present compensating duty on ferromanganese be placed on a 25 per cent ad valorem basis to bring it in line with the requested repeal of the tariff on manganese ore.

Senator REED. What change would result, then, in paragraph 302 (e), at the top of page 64? That is the duty on ferromanganese and spiegeleisen?

Senator EDGE. That is, if manganese were put on the free list.

Mr. BLOCK. Ferromanganese would go into that general paragraph at 25 per cent ad valorem.

Senator REED. It is 15 per cent ad valorem now, plus 1⅞ cents per pound on the manganese content.

Mr. BLOCK. Yes; well, you see, that is the present duty. The 1⅞ cents per pound was the compensating duty, based on the duty of 1 cent per pound on the ore.

Senator EDGE. Why would it not return to a straight 15 per cent instead of 25 per cent—that is, paragraph (e)? If the manganese ore itself is placed on the free list, would not paragraph (e) of the same section, to be relatively the same, just strike out the 1⅞ cents per pound, and retain the 15 per cent ad valorem?

Mr. BLOCK. In reducing the duty of 1 cent per pound, the compensating duty on ferromanganese figures about $12.50 per ton, which, therefore, would be about 25 per cent ad valorem.

Senator REED. All right, Mr. Block. We are very much obliged to you. There is nothing else you want to say?

Mr. BLOCK. Yes; I should like to ask you to place in the record a letter from Mr. James W. Good, Secretary of War.

Senator BARKLEY. Did I understand you to say that even if the 1 cent per pound on manganese ore is reduced, you still want to retain the 1⅞ cents?

Mr. BLOCK. No, sir.

Senator BARKLEY. I misunderstood you, then.

Mr. BLOCK. What I said, Senator, was that in repealing the tariff on the manganese ore I was suggesting a compensating duty on ferromanganese.

Senator BARKLEY. That is, a corresponding reduction?

Mr. BLOCK. A corresponding reduction to 25 per cent ad valorem, which amounts to $12.50 per ton.

Senator REED. The letter from Secretary Good will be placed in the record at this point. It neither indorses nor opposes any change in the duty.

Senator BARKLEY. Therefore it is very helpful?

Senator REED. Very helpful.

(The letter referred to is as follows:)

WAR DEPARTMENT,
Washington, April 9, 1929.

AMERICAN IRON AND STEEL INSTITUTE,
75 West Street, New York.

GENTLEMEN: Your letter of March 29, requesting a statement of the position of the War Department with regard to the tariff on manganese, has been received.

Manganese is essential to the production of steel, and without steel national defense is, of course, impossible. It is therefore clear that, for the successful conduct of war, we must have adequate supplies of this material. At the present time only a small percentage of the manganese consumed by our steel industry is derived from domestic production. In case of a war, in which our enemies could restrict our access to foreign sources of supply, it is of vital importance that we shall be able to increase our domestic production to its fullest capacity in order to minimize the damage resulting from a cessation or diminution of our foreign supplies.

Whether our ability to produce a large proportion of our war-time needs from domestic sources would be best assured by imposing a duty on manganese ore admitting it free is a question which is so complicated in character and which requires so careful a study of geological factors and economic interests that the War Department does not feel justified in taking any definite position with regard

to it. It therefore neither indorses nor opposes any policy relating to import tariffs on manganese ores.

Sincerely yours,

JAMES W. GOOD, *Secretary of War.*

Senator KING. I can not understand the relation of carbon—why they mention carbon in connection with this manganese metal, and the rate of duty is to be determined on the products mentioned in paragraph (e), dependent upon the per cent of carbon content.

Mr. BLOCK. On the per cent of carbon?

Senator KING. Carbon. It says:

Manganese metal, manganese silicon, manganese boron, and ferromanganese and spiegeleisen containing not more than 1 per centum of carbon, 1½ cents per pound on the manganese contained therein and 15 per centum ad valorem.

Mr. BLOCK. The carbon is another element that has to be under a certain amount to make this a merchantable grade.

Senator KING. I confess that I do not see the relation.

Senator REED. If they had a very high-carbon ferromanganese in these open-hearth steel furnaces, it means that they have got just that much more of impurity to remove, and therefore it has no merchantable value.

Senator KING. I was wondering why there was 1 per cent in maximum of carbon content. All right.

Can you tell the committee whether the words "wrought and cast scrap" in line 21, page 62, are meant to limit the words "scrap iron or scrap steel," in line 1, page 63?

Senator REED. How can you expect this witness to construe the bill, Senator?

Senator KING. I can not, but I want him to help us.

Senator REED. If you ask him whether there is any other kind of scrap than wrought or cast, I think perhaps he can tell.

Mr. BLOCK. Wrought and cast are scrap, but as distinguished from steel scrap they are just in a different class, although the entire category is scrap.

Senator REED. Is there any kind of scrap that is not either wrought or cast?

Mr. BLOCK. Steel scrap is not wrought or cast. Cast scrap, I might explain——

Senator REED. You could have cast-steel scrap, could you not?

Mr. BLOCK. Cast-steel scrap—yes.

Senator REED. And if it was rolled steel scrap, then that would be wrought?

Mr. BLOCK. But then there is cast-iron scrap, which is something that is made in a cupola, as distinguished from the scrap of something that has been rolled.

Senator KING. What I am trying to get at is whether or not what is denominated scrap iron or scrap steel is to be subdivided, and some of it subjected to a certain duty, and other scrap subjected to a different duty.

Mr. BLOCK. I should think they should be all in the same category.

Senator KING. That is your understanding, then, of the provisions of this bill with respect to the duty upon all forms of scrap steel or iron brought into the United States, imported?

Mr. BLOCK. I should say, Senator, that that is not my understanding of the provisions, because I am not particularly familiar with the

provisions as they relate to scrap, but I see no distinction in the value in use of wrought scrap, steel scrap, or cast scrap. They are all of a value so similar that they appeal to me as being in the same class.

Senator KING. Mr. Block, I shall be glad if you will read carefully the provisions dealing with all forms of scrap iron or scrap steel, whether you call it wrought or anything else, as found in this bill, and then let the committee know at an appropriate time whether all forms of scrap are embraced within the provisions of the bill, and, if they are embraced, whether there is any distinction in the duties levied upon any form or either form of the scrap.

Mr. BLOCK. I shall be very glad to do that.

Senator KING. Because it seemed to me—I may be wrong—that all scrap iron, whether it is wrought or cast or scrap steel, of whatever form, ought to come in under the same duty, whether high or low. I am making no comment now upon the extent of the tariff, and if it should not come in under the same duty I should like to know the reason why, and then let us make provision so that there will be a proper differentiation.

Senator EDGE. May I ask a question there? I did not come in until the interrogatories had been opened. Is there any question as to lines 21, 22, and 23 not covering the entire treatment of scrap, so far as duty is concerned, where it reads, "wrought and cast scrap iron, and scrap steel, 75 cents per ton"—paragraph 301? Do you have the idea, Senator, that in some other sections of the bill there is another treatment of the scrap iron?

Senator KING. I was not sure, Senator, to be quite candid about it, whether the words "wrought and cast scrap," in line 21, page 62, were different from "scrap iron or scrap steel," in line 1, page 63.

Senator EDGE. I see.

Senator KING. I did not know whether they were to be comprehended in the same category.

Senator REED. Mr. Block, let me see if I can not straighten this out. We want to tax all scrap 75 cents a ton. Can you think of any kind of scrap iron or scrap steel which is neither cast nor wrought? If you can, what is it?

Mr. BLOCK. No; I think it would all come into that category.

Senator REED. Every kind of scrap known to man would be covered by the terms "wrought or cast iron and wrought or cast steel," would it not?

Senator EDGE. What have the appraisers been doing in the past?

Senator REED. Answer my question first, and then Senator Edge's.

Senator EDGE. I beg your pardon.

Mr. BLOCK. I really do not know, but my own notion is that when you cover scrap by "wrought scrap, steel scrap, and cast scrap," you are embodying all the different kinds of scrap.

Senator EDGE. Then I will ask my question a little differently. Do you know of any different interpretation that has been made by the Treasury Department through the customhouse or the appraisers?

Mr. BLOCK. No; I do not, of personal knowledge.

Senator, on the question that you asked Doctor Leith with regard to the alloys as distinguished from ferromanganese, may I just make this comment that occurs to me?

Senator REED. Surely.

Mr. BLOCK. Whereas ferromanganese is used in every kind of steel that is made, there are millions of tons of steel made where these other higher-priced alloys are not employed.

Senator KING. I understand that, but my understanding of the steel business—and it is negligible, I will say; I know very little, if anything, about it—is that some of the scrap iron and scrap steel that comes into the United States, and some that may be produced in the United States, as an illustration, may contain an excess over one-tenth or one-half of 1 per cent of chrome or tungsten or something of that kind, and it is really an injury rather than a benefit. You do not want it in?

Mr. BLOCK. Not for ordinary steel scrap.

Senator KING. Yes; exactly. I was wondering, then, why this high tariff should be put upon scrap iron that happened to contain just slightly in excess of one-tenth of 1 per cent, when you do not want it.

Mr. BLOCK. On the other hand, it has a value to those people who are seeking tungsten, as distinguished from the steel producer making commercial grades, and tungsten might prove injurious to what he is aiming to make.

Senator KING. All right.

(Mr. Block submitted the following brief:)

BRIEF OF THE INLAND STEEL CO.

COMMITTEE ON FINANCE,
United States Senate.

GENTLEMEN: As American manufacturers of steel, as well as in behalf of the consumers of steel and steel products, we wish to urge upon your committee that economy of production and, to a substantial degree, the prosperity of the United States would be promoted by restoring manganese ore to the free list, where it was prior to the enactment of the tariff act of 1922, and by adjusting accordingly the compensatory duty that that act placed upon ferromanganese as more specifically recommended in the brief of the American Iron and Steel Institute filed with your committee.

On the assurances of certain domestic producers of manganese ore, the Fordney-McCumber Act imposed thereon a duty of 1 cent per pound on the manganese content, equivalent to $11.20 a ton on 50 per cent grade commercial ore. It was claimed in 1922 that "if this duty of 1 cent per pound on the metallic content is retained in the bill the domestic mines will be able to supply from 50 per cent to 75 per cent of the annual requirements during the first few years and eventually the domestic mines would be able to supply the entire yearly requirements" (testimony of Charles W. Potts, Deerwood, Minn., before your committee in 1922, vol. 3 of the hearings, p. 1862). What have been the results under that tariff? It has proved to be a tax paid by the consumer and not a protective tariff. It can not be otherwise. The past six years under the tariff have demonstrated this, as will be shown hereinafter.

The following table shows the gross tons of manganese ore of domestic production and of the importations for the six calendar years 1923 to 1928 under the tariff. These figures are compiled from the reports of the Bureau of Mines, the Department of Commerce, and the Tariff Commission:

Year	Domestic	Imported	Per cent of imports
	Tons	*Tons*	
1923	31,500	339,536	91.6
1924	56,515	540,065	90.6
1925	98,324	681,395	87.4
1926	16,278	692,108	93.8
1927	44,741	682,120	93.9
1928	45,000	637,258	93.5
Total	322,378	3,572,182	

Domestic production has averaged only 8 per cent of the requirements.

What has been the cost to the steel industry during these six years just to pay the tariff on manganese that of necessity had to be imported by reason of no adequate supply being available in this country?

The huge sum of $45,771,328.

Instead of protecting, this tariff penalized the steel consumer $45,771,328 in six years, and yet in 1929, with this enormous subsidy, we find only a few individuals in the whole country producing manganese. If the production of steel maintains the same rate of increase for the next six years that it has for the past six years the present tariff on manganese ore will cost the domestic consumers of steel products about $1,000,000 per month. A few individuals who are now experimenting in the domestic production of manganese ore are asking the Congress to increase by 50 per cent this excessive tariff so that the American steel consumers would be penalized $108,000,000 in the next six years.

The manganese ore produced in this country during the past six years for the use of the manufacturers of steel had a total value, according to the Bureau of Mines, of only $2,972,235. The duties paid on manganese by the steel industry during the same period were $45,771,328 or over fifteen times the total value of the domestic manganese produced for the steel manufacturers. This would certainly constitute an embargo if there were domestic deposits of manganese capable of supplying the manganese requirements of the steel industry.

The following figures are taken from the Bureau of Mines reports showing the percentage of domestic production to domestic consumption of managnese over the past 25 years:

	Per cent		Per cent
1904	2.8	1917	17.0
1905	1.5	1918	39.4
1906	3.0	1919	14.2
1907	2.6	1920	13.3
1908	3.3	1921	3.3
1909	.7	1922	3.7
1910	.9	1923	8.4
1911	1.4	1924	9.4
1912	.5	1925	12.6
1913	1.1	1926	6.2
1914	.9	1927	6.1
1915	2.9	1928	6.5
1916	5.1		

This small domestic production of manganese in this country is due to the lack of an adequate domestic supply. Geologically the quantity of manganese ore in this country which can be used in steel production is insignificant.

An examination of the above table will show that in spite of this unreasonably high protection the domestic production has declined in the last three years over the first three years of the tariff. Translated into tonnage, the domestic production in 1926, 1927, and 1928 was 50,340 tons less than the domestic production in 1923, 1924, and 1925, while the domestic requirements in the last three years were 450,490 tons greater than in the first three years of the tariff.

The results of the last six years' production of manganese clearly show that domestic production will never approach domestic requirements, let alone satisfy them.

What is the available domestic supply of manganese ore? Quoting a report of the Mining and Metallurgical Society of America, published in 1924:

	Tons
Minimum	1,399,500
Maximum	2,995,400

Out of that the recoverable manganese is:

	Tons
Minimum	578,510
Maximum	1,223,650

Those figures are startling when it is considered that the total requirements for the American steel industry in the last six years were 3,894,820 tons or more than the total available domestic deposits. Stated another way, if Congress would prohibit the importation of manganese ore for three or four years the entire available manganese deposits in the United States would be exhausted.

Manganese ore is an absolute essential in making munitions. If we were to use up our entire supply of manganese ore in the United States for commercial

purposes, we would, in the event of another war, be wholly dependent for munitions on our ability to import manganese from India, Russia, Africa, and South America. The longer we can postpone the exhaustion of our limited supply of manganese the stronger position we will be in for national defense.

In concluding this brief we wish to quote the recommendations of the joint committee of the Mining and Metallurgical Society of America and the American Institue of Mining and Metallurgical Engineers (1924):

"Artificial stimuli in times of peace, which, if effective, will simply tend to deplete an already extremely limited reserve of ferro-grade and chemical ore, should be strongly discouraged."

The conclusions of the above committee are summarized by the United States Geological Survey as follows:

"The domestic resources of ferro-grade and chemical ores of the United States are so out of balance with the major foreign resources that under natural conditions of international exchange imports of such ores into the United States can be efficiently stopped only at great cost.

"Should, nevertheless, legislation be enacted which should effect a measurable substitution of domestic for foreign ferro ores, the chief results, aside from the cost, would be the dangerous depletion of reserves, which as it is are totally inadequate for the country's needs.

"Domestic resources of low-grade reserves, on the other hand, are comparatively adequate. Any effective attempt, however, to force their adaption to the country's needs beyond the normal development which may be looked for through increase in skill and vigorous educational campaign would result in a cost so enormous as to be quite disproportionate to the purpose to be served." (United States Geological Survey, Mineral Resources, 1923, pt. 1, p. 147.)

Statement of Dr. George Otis Smith, Director of United States Geological Survey, January 7, 1928:

"For many years—before, during, and since the war—the United States Geological Survey has been studying the manganese situation, including manganese reserves in the United States, as it has been studying other mineral resources and reserves. Its conclusions and the basis therefor are available in numerous publications to you and to any others who may desire to get at the facts of the situation.

"These conclusions are, in brief, that there are not reasonably in sight sufficient supplies of manganese ore of acceptable grade in the United States to supply more than a small part of our current domestic needs. Our experience during the war proved clearly enough that, even though our domestic producers, under the stimulus of war prices five times those normally prevailing, practically stripped many of the known deposits of their high-grade ores, they were unable to meet the national emergency, and much needed shipping had to be diverted to bring in Brazilian ores in order that the supply of ordnance and munitions, essential to the saving of the lives of American soldiers in Europe, might be maintained. Unfortunately, the situation that existed in 1917–18 has not been materially altered in the last decade. Indeed, many deposits on which development was then attempted have since been practically forgotten. As I had occasion recently to remark in my annual administrative report, some of the survey's investigations yield negative or unfavorable results and 'such findings of fact are not popular, but they may prevent large waste of capital and labor.'"

The above recommendations are submitted to your committee in behalf of my company and, at the request of the American Iron and Steel Institute, for all American steel producers, as well as in the interests of steel consumers who must of necessity finally pay the cost of any tariff imposed on manganese ore in the price of steel products.

L. E. BLOCK,
Chairman of the Board of Directors, Inland Steel Co., Chicago, Ill.

STATEMENT OF R. T. CALDWELL, REPRESENTING THE AMERICAN ROLLING MILL CO., ASHLAND, KY., AND THE AMERICAN IRON AND STEEL INSTITUTE

(The witness was duly sworn by the chairman of the subcommittee.)

Mr. CALDWELL. I am representing the medium-sized steel companies, Senator—one of the immediate consumers of manganese.

Senator REED. Did you testify before the House committee, Mr. Caldwell?

Mr. CALDWELL. I did not, sir.

Senator REED. Did you file a brief?

Mr. CALDWELL. No, sir. My understanding is that our company was not represented.

Senator KING. Whom do you represent?

Mr. CALDWELL. The American Rolling Mill Co. That is a medium-sized independent steel company, with complete steel plants at Middletown and Ashland, and subsidiary plants elsewhere.

Sentor EDGE. In Kentucky?

Mr. CALDWELL. Yes, sir. That is, one of the two complete steel steel plants is at Ashland, Ky.

We make a specialized product—finished sheets. Our company's requirements during the past year of ferromanganese were 6,000 tons, on which we paid in this tariff slightly over $200,000. That was obtained from imported ores or imported ferro.

Senator REED. Why do you buy the imported ores or imported ferromanganese?

Mr. CALDWELL. If the Senator will permit me, I will explain that. We also used 7,500 tons of spiegeleisen, all of which was made from the domestic ores—I think principally the Minnesota ores. The manganese content in that spiegel which we used was 20 per cent of $280,000. I have not figured the result.

Senator KING. That is to say, from the 7,500 tons of spiegeleisen you got how many pounds of manganese?

Mr. CALDWELL. That contains 20 per cent of manganese.

Senator KING. Twenty per cent?

Mr. CALDWELL. Yes, sir. The ferro contains 80 per cent, and on the ferro we paid a duty of slightly over $201,000.

Senator KING. Yes; I got that.

Mr. CALDWELL. On the spiegeleisen, which was obtained from domestic ores—I think Minnesota ores—we paid no duty, but the price of the spiegel was affected by the presence of the duty.

Senator EDGE. Referring to the question Senator Reed asked you, if it will not divert you, do I understand that you could not use that same domestic for the other product?

Mr. CALDWELL. The domestic ore which can be used for ferro was stated in the House hearing, I find in the proceedings, by the steel people and conceded by the manganese people to be approximately a million and a half tons of available demonstrated local reserves, so that the source of ferro in this country, if the foreign ferro is excluded by a higher tariff, is a question of beneficiation of lower-grade ores running below 35 per cent of manganese.

Senator KING. You use the word "ferro" there, meaning ferromanganese ore?

Mr. CALDWELL. Yes, sir.

Senator REED. No; ferromanganese metal.

Mr. CALDWELL. Ferromanganese. In speaking of ferro-grade ores, we refer to an ore which contains more than 35 per cent of manganese, and in this country I understand that it was developed in the House hearings—and it will be unnecessary for me to go into that in detail—that the reserves of that high-grade ore demonstrated in this country are very small. It is claimed by the steel people to be as low as a

million and a half tons, which is slightly over a year's requirements. The deposits of lower-grade ores, running between 5 and 35 per cent, in which I understand the manganese people are interested, are larger, and the problem there appears to be that of beneficiation—in other words, to treat those ores so that ferromanganese can be produced in this country from them and sold to the steel people.

From the standpoint of my company, the consumer—which is the only viewpoint that I think I should take the committee's time to discuss, because technical men on both sides are coming—we are in this position:

We have to buy this ferromanganese and spiegel to make steel, and we have to pay whatever the market is, and the market, of course, is directly affected by the tariff. During war conditions the domestic supply of manganese was developed because the imports were cut off, but the cost of producing it at that time was utterly prohibitive in peace times, so that unless a practicable method of peace-time beneficiation of low-grade ores can be demonstrated, it is impossible to develop a domestic supply which will carry the steel companies.

Senator KING. What was the price of this domestic product during the war?

Mr. CALDWELL. I think some of these technical men can tell you, but the brief which is filed here by the American Iron and Steel Institute—Mr. Verity, of my company, is a member of the tariff committee signing the report—says that it went to four or five times the pre-war price. I judge some of the technical witnesses can give you the exact facts on that, but I think it is conceded that the cost of producing ferro during the war would be prohibitive in peace times, and can not be relied on as a peace-time supply at prices that the public of this country should pay for steel.

At the time the tariff was put on in 1922 there were known certain processes of beneficiating the local ores, and at that time the local ores had been supplying the following percentages of the steel requirements of manganese:

For the year 1919 the imported manganese was 85.8 per cent of the requirements of the country, leaving 14.2 per cent to be supplied by domestic sources.

In 1921 the imported manganese was 86.6 per cent, leaving 13.4 to be supplied by domestic sources.

In 1922, the year that the tariff was put on—but I presume these figures do not reflect the tariff-protected product—the imported part was 96.3, and the domestic producers were able to supply only 3.7 per cent of the requirements of our steel industry.

The tariff was put on that year, and at that time the Congress was assured by the domestic manganese producers that if this tariff was put on they would be able to supply our demands. Quoting from the record of the hearing of January 12, 1921, when this was apparently first before you, Mr. Dennison, of Cushman, Ark.—Arkansas being one of the districts where domestic manganese is produced—appeared before the Ways and Means Committee and made the following statement, which you will find in the General Tariff Revision Hearings, part 2, page 756:

Somebody in the metallurgical house might dispute this, but reducing the ferromanganese to equivalents of tons, our average consumption for the five years beginning with 1913—I have not got 1919 and 1920 statistics—was 720,888

tons of manganese ore. Now, on the assumption that next year we will only use about 700,000 (cut it down a little bit) this tariff—

That is, the present tariff—

will enable us to get up to 100,000 tons of ore and import 600,000 tons, which would produce $9,000,000 revenue approixmately.

That authority estimated that the present tariff would permit them, the first year of its operation—which was 1923—with the then known means of beneficiation, to supply the manufacturers of steel with 100,000 tons of domestic product, and require them to import 600,000 tons.

At the hearing before the Senate Finance Committee, which is found on page 1672, volume 3, hearings of 1921 and 1922, Mr. George H. Crosby, of the Minnesota manganese producers, appeared and made the following statement:

I say this with all candor: I believe that if this industry was protected so that there would be a sale for the ore, that this country is capable of producing 75 per cent of the manganese that is consumed in the steel-making trade of this country, and would be able to do so for a great many years. There is no question in my mind about it.

He estimates 75 per cent, but does not say how soon he can get to that, but the presumption, of course, is within a reasonable time after the tariff goes on.

The third authority speaking for the domestic manganese producers at this hearing was Mr. Charles W. Potts, of Deerwood, Minn., whose testimony appears at page 1682 of the same volume. His statement to your committee was:

If this duty of 1 per cent per pound on the metallic content is retained in the bill, the domestic mines will be able to supply from 50 to 75 per cent of the annual requirements during the first few years; eventually the domestic mines would be able to supply the entire yearly requirements.

I assume that all of those gentlemen spoke in entire good faith, and that they were competent, else they would not have represented as substantial an industry as the manganese people represent the industry to be, but the unqualified statement of one of them to your predecessors was that if you had granted this tariff six years ago, in a few years they would supply from 50 to 75 per cent of all the manganese needed in the steel business. Another one said they would shortly be able to supply all of it.

Comparing those statements by which you were induced to grant this tariff, which is costing the consumers of steel the sums of money that have been stated to you, instead of raising their percentage of our requirements to 50 or 75 per cent within a few years, the records of the United States Department of Commerce show that in 1923, the year after the tariff went on, they were able to produce 8.4 per cent of our requirements, leaving us to import 91.6 per cent.

In 1924, two years after the tariff went on, they were able to produce 9.4 per cent of our requirements, we importing 90.6 per cent.

In the year 1925, which was the high-water mark, they produced 12.6 per cent of our requirements, and we imported 87.4 per cent. The occasion for that very high percentage as compared with previous years and subsequent years was a large production from the mines at Butte which will be specially discussed.

In 1926 they dropped from 12 per cent to 6.2 per cent.

So that instead of realizing their hope that in a few years their increasing ability to supply us would reach 75 per cent, we find them in the fourth year dropping from 12 per cent back to 6 per cent.

In the year 1927 they dropped further, to 6.1 per cent, leaving us to import 93.9 per cent.

In the year 1928 they supplied 6.5 per cent, leaving us to import 93.5 per cent.

Those figures are utterly irreconcilable with the estimates of the manganese authorities by which this tariff was obtained, and, whatever may have been their reason for making those representations six years ago, it is perfectly evident that they did not know what they were talking about.

Senator EDGE. Was there any suggestion during those years that the 1-cent duty was not sufficient protection?

Mr. CALDWELL. I have no record, sir, of what has been presented to Congress between the tariff of 1922 and the present hearing. I am not prepared to answer that question.

Senator KING. Has any application been made to the President to increase the duty?

Mr. CALDWELL. In those six years?

Senator KING. Yes; under the flexible-tariff provision?

Mr. CALDWELL. I am not prepared to say.

Senator BARKLEY. Is the 1 cent per pound what they asked for in the present law?

Mr. CALDWELL. The present law has been in effect six years, and is 1 cent per pound on the ore bearing 30 per cent or more of manganese.

Senator BARKLEY. I realize that; but is that the tariff they asked for?

Mr. CALDWELL. The tariff that is now being asked for, I understand, is a 50 per cent increase on the present tariff. Where you pay 1 cent now, you would pay a cent and a half.

Senator BARKLEY. I am talking about what was asked for in 1922 What did they ask for in 1922?

Mr. CALDWELL. I judge, from the statement of this gentleman whom I quoted, that they asked for 1 cent. His language was:

> If this duty of 1 cent per pound on the metallic content is retained in the bill—

And so forth.

Senator BARKLEY. I just wanted to find out whether the committee gave him what he asked at that time.

Mr. CALDWELL. His statement here is based on the 1 cent.

Senator KING. I am told by the representative of the Tariff Commission who sits with the committee that an application was made under the flexible tariff provision, but was withdrawn by those who filed it—an application for an increase.

Mr. CALDWELL. Yes, sir; so that there has been no application acted upon?

Senator KING. No; and none pending.

Mr. CALDWELL. Yes, sir.

I think those figures sufficiently demonstrate that under the known and applied processes of beneficiation it is impossible substantially to meet the requirements of the domestic consumers. A falling off down to 6½ per cent after six years can mean nothing else.

So I take it that the only new matter which could fairly be brought here to sustain this tariff, even the retention of it, is the claim that there are some new methods which will succeed where others have failed, and that while these representatives six years ago did not know what they were talking about, and the methods they relied on failed, the present representatives do know, and have methods which will not fail. That is the only logical conclusion.

That will all be discussed by technical witnesses, but I have read the testimony of the manganese representatives before the House Ways and Means Committee, and I have been impressed with two things which, from the standpoint of any consumer, particularly a manufacturing consumer, are very significant.

The first is, Senator, that the two processes which appear to be argued as the new developments which will succeed where the six years have failed are the flotation and the so-called Bradley process. The manganese advocates, of course, are unable to answer the showing which I have read of their failure during six years to meet the requirements by present means, but in avoidance of that situation they say that they now have these new methods which will work, and you should therefore impose a tariff so that they may proceed.

I was impressed a few minutes ago by the remark of the chairman, that you can not impose tariffs on apprehension, which of course is sound, but that is what you are being asked to do here, for this reason:

These methods, which will be discussed by the technical witnesses for both sides, were disclosed in the House hearings to be in the scientific or laboratory stage. The House hearings did not disclose the kind of cost accounting which any manufacturer of the product would have to do to determine whether that product is commercially practicable. It was testified that these methods applied to domestic ores will produce high-grade ores capable of making ferromanganese, which I assume is scientifically true. It was not shown how much it would cost in the commercial application of those processes under average conditions by the number of manufacturers who would have to apply them to supply the manganese required by the steel companies, and how much those costs would increase the necessary sale price of the product in order to permit the manganese operator to proceed.

In the absence of any dependable total costs, you are simply guessing whether they now have a method which will enable them to supply the demand that they admittedly can not supply by their present methods.

One of the most significant circumstances indicating their faith in their own discovery is the reference to the Butte mine. One of the two processes which will be presented to you as a solution of the problem is the flotation process applied to rhodocrosite.

Senator KING. Is that similar to the flotation process employed in copper recovery?

Mr. CALDWELL. I could not say as to copper.

Senator KING. I am familiar with the flotation process in copper and some other metals.

Mr. CALDWELL. I think it is where they put oil——

Senator KING. They put oil on the bubbles, and gather up the little particles.

Mr. CALDWELL. That is my understanding.

Senator EDGE. Can you explain to me why the value per unit of quantity decreased in 1928 over 1927? The total value of the 268,000 tons was something over $6,000,000, and the duty collected was something over $6,000,000, where the year before the imports were over 300,000 tons, and the duty collected was only $5,628,319. It must be a misprint.

Senator REED. It is a misprint.

Senator EDGE. I thought it was very difficult to understand.

Mr. CALDWELL. To go back to this process, gentlemen, one of the two processes which are brought forward here as a solution of the six years' inability to supply in any substantial quantities is flotation, and it is stated that this rhodocrosite—which is manganese carbonate produced in the Butte district of Montana—can be commercially reduced by this flotation, and, inferentially, that that will enable them largely to supply the demand.

Senator KING. Is the ore in Butte a higher-grade ore than that which has been worked in other parts of the United States?

Mr. CALDWELL. Not so much a higher grade, but, being a carbonate, it is adapted to this flotation process.

In the discussions it was stated that this flotation applied to rhodocrosite was a solution of the problem. In the meantime, this Butte mine producing this rhodocrosite has recently resumed operations in beneficiating this ore making manganese, but instead of applying the flotation process that is being advocated to you they are actually proceeding by the centering process, which is the one they had six years ago, and the one they failed with for six years. So that to a layman it would appear that the flotation process is available for argument before a committee, but it is not practically developed to the point where they have enough faith in it to pursue it in their own manufacture. If the people who have this rhodocrosite have not enough confidence in the flotation method to use it on their own material, I take it that the Senate should not have enough faith in it to impose a tariff based on its applicability.

Senator EDGE. You think that six years' experiment in trying to help encourage a more or less infant industry, as we term it, is a fair period of time to give them, do you?

Mr. CALDWELL. I think it is, as to the known methods, in view of the percentages from year to year. If they had increased from year to year even a small amount, there would be hope, but if, as the figures show, they are actually decreasing as compared with the imports, my reaction to that would be that those methods are not adequate.

Senator EDGE. Referring to the duty paid of something over $6,000,000, how do you figure that out, reflected in the cost of the material?

Mr. CALDWELL. I can speak only for my own company. The cost in the product of the company would depend on the kind of steel that they made. Some make higher manganese steels than others. In the case of my own company, the figures which have been given me show that the ferro in the steel costs between 25 and 26 cents a ton. I believe the gentleman who preceded me estimated that, did he not, as a reasonable ratio?

Senator REED. Twenty-five.

Mr. CALDWELL. Ours cost between 25 and 26; but you must add to that the manganese in the spiegel which also went into the same steel, and which would raise it to over 30 cents. I have not stopped to make the exact calculation.

Senator REED. You make a product known as ingot iron, do you not?

Mr. CALDWELL. Yes, sir. The trade name is Armco iron.

Senator REED. And that is very extensively used in corrugated galvanized sheets?

Mr. CALDWELL. That and automobile sheets.

Senator REED. And it is bought very extensively by road commissioners for use as road culverts, is it not?

Mr. CALDWELL. Yes, sir.

Senator REED. You think that this tariff on manganese adds about 30 cents to the cost of that product per ton?

Mr. CALDWELL. I did not state that it added 30 cents a ton to the cost of that particular part of our product, because all our products are not of the same manganese content. My figures were for our total company output.

Senator REED. I see.

Mr. CALDWELL. I think our output was approximately a million tons.

Senator REED. That ingot iron is made in open-hearth furnaces, is it not?

Mr. CALDWELL. Yes, sir.

Senator REED. In somewhat the same way that ordinary steel is made?

Mr. CALDWELL. Yes, sir.

Senator REED. And you have to use manganese in one form or another in those open-hearth furnaces?

Mr. CALDWELL. Yes, sir. That is true of all steels.

Senator BARKLEY. If we may assume that this 30 cents cost on account of the tariff is added to the price of the product and paid for by the public, may we also assume that if the tariff is removed it will be reduced to that extent to the public, or approximately?

Mr. CALDWELL. Of course I am not prepared to speak for the steel industry in response to that question, but I do know, from our own company's experience, we being one of the independents, that the steel business is highly competitive, and everything that affects costs is kept down to the lowest possible notch for competitive sale purposes, so that there is no reason to assume that a saving in this item would be treated any differently from a saving in any other item. It is purely a question of competition in sales.

Senator REED. Do you export some of your product?

Mr. CALDWELL. Yes, sir.

Senator REED. Of course, this is just an additional handicap in your competition for export business against the producers of other countries?

Mr. CALDWELL. I presume so.

I desire to file a printed brief prepared by the committee on tariff of the American Iron and Steel Institute, of which committee Mr. T. M. Verity, the president of our company, is a member, and which contains the figures which I have quoted.

Senator REED. That will appear in the record at the conclusion of Mr. Caldwell's testimony. Is there anything else?

Mr. CALDWELL. Just this in conclusion, gentlemen: We feel that the burden of proof is on the manganese people, particularly in view of their representations made six years ago and the showing made under them, to show conclusively not only that they hope they have some new processes which they hope will meet the situation but that those processes have been demonstrated, not only from the scientific laboratory standpoint but from a commercial standpoint, with adequate production costs in commercial operation, which I have never seen and do not believe are to be presented, from which you could definitely determine that the processes are not only theoretically correct but commercially and economically possible—because, if they are not, even though you raise the tariff and thereby penalize the consuming public, you will have the same condition that you have had for six years.

Senator KING. There is just one question that I should like to ask you: Assume that you could get your manganese cheaper than you are getting it now, and therefore could make your finished product cheaper than you are producing it; would you sell it at a lower price?

Mr. CALDWELL. That is the question that was asked me a moment ago by Senator Barkley.

Senator KING. I beg your pardon; I was out for a moment. If you answered it, I shall not repeat it.

Let me ask you whether or not, when you have developed metallurgical processes which have cheapened the production, you have carried the benefit on to the consuming public?

Mr. CALDWELL. We have been forced to do it by competition with our competitors.

Senator REED. It has not been charity on your part, but necessity?

Mr. CALDWELL. No, sir.

Senator EDGE. Whether you wanted to or not?

Mr. CALDWELL. I am perfectly frank to admit that, and I believe any other large industry has the same situation. It is a matter of supply and demand.

Senator BARKLEY. These new processes by which the production of a given metal are cheapened are not, as a rule, monopolized by any one concern? Unless they are patented, they become available for use by all manufacturers, so that a competitive condition exists in the whole trade?

Mr. CALDWELL. Yes, sir.

Senator KING. Is there real, honest-to-goodness competition in the steel trade to-day? [Laughter.]

Mr. CALDWELL. Well, there is as affecting a small-sized independent. I can say that.

Senator KING. Do not the United States Steel Corporation and the Bethlehem and one or two others, the Jones & Laughlin Co., fix their prices, and you so-called independents trail along in their footsteps?

Mr. CALDWELL. Those companies, sir, are all represented in the room, and I would rather that they would answer a question affecting their business.

Senator KING. Do you trail in their footsteps?

Mr. CALDWELL. I do not say that we trail in their footsteps by agreement, but by force of competition.

Senator KING. Do you cut prices lower than they?

Mr. CALDWELL. I do not think our prices are uniform at all times on all products, but products differ, so that they might be explained by difference in product.

Senator REED. As a matter of fact, you very frequently get more for your galvanized sheets than they do, do you not?

Mr. CALDWELL. We are doing that right now on a certain class of sheet.

Senator REED. On the representation that it is better in quality?

Mr. CALDWELL. Yes, sir.

Senator EDGE. Of course you understand this witness is from Kentucky, and not Pittsburgh.

Senator BARKLEY. That is not simply a representation of superiority; it is an actual fact, is it not? [Laughter.]

Mr. CALDWELL. I hesitate to pass on the merits of my company's product compared with that of our competitors. I will say that I think ours are superior.

Senator KING. I am not at all facetious in this matter. I have been very apprehensive, looking at the mergers and the consolidations not only in industry but in credits and in banks, that we were tending toward a monopolistic control of all industries and manufacturing plants in the United States, and I was wondering if you so-called independents are really independent, or whether you are taking refuge under the powerful wings of the larger organizations.

Mr. CALDWELL. Well, speaking again only for my own company, Senator, we consider that we are independent.

Senator KING. And you do say that there is competition in the steel business to-day in the finished and semifinished products?

Mr. CALDWELL. There is in the products that we sell. That is the only production I can speak of.

Senator KING. I would not want you, of course, to go beyond what your knowledge permitted you to speak of.

Mr. CALDWELL. In addition to the discussion of the steel business interest in manganese, I understand that there has been brought into the record, possibly in the House discussion, the agricultural end of it, based on the use of manganese in fertilizer, or for fertilizer. I desire to file, in that connection, a paper prepared by Dr. J. J. Skinner, senior biochemist, Bureau of Chemistry and Soils, Department of Agriculture, Washington, D. C., in which he gives the facts relating to manganese as a fertilizer.

(The paper above referred is as follows:)

INFLUENCE OF MANGANESE ON THE AGRICULTURE OF SOUTH FLORIDA

[Address delivered before the Florida State Horticultural Society, Clearwater, Fla., April 9, 1929]

Several years ago the Department of Agriculture, in cooperation with the Florida Experiment Station, undertook an investigation of nailhead rust of tomatoes, which had become very serious, and threatened the tomato-growing industry of Dade County. My special interest in this work was to study the relation of fertilizers or nutrition to the disease and in this I have had the hearty cooperation of Dr. R. W. Ruprecht, of the Florida Experiment Station.

These studies were begun in 1924. From the first year's results it appeared that there was no relation between the fertilizers used and the disease, nor did it appear to be a soil-fertility problem. Later work substantiated this; however,

the nailhead rust has been controlled by the development and selection of disease-resistant varieties, and it is no longer a serious problem in tomato growing in south Florida.

The soils in Dade County in which tomatoes are grown in the region south of Miami and in the Homestead section are highly calcareous; they contain from 85 to 90 per cent calcium carbonates, a small amount of siliceous material, and some organic matter of a peaty nature, but they are deficient in most of the elements which are required for plant growth. We tried in our experiments a number of fertilizer ratios, various sources of nitrogen and of potash, and some of the rare elements, such as zinc, magnesium, copper, tin, iron, nickel, boron, barium, antimony, and manganese. In the first year's work the results secured with manganese sulfate were very striking.

It has been the custom in growing tomatoes on these glade soils for many years to use stable manure when the plants are set. A large handful is put around each plant, which is equivalent to adding about 1 ton per acre. Tomato growing on this soil has not been successful without the use of manure. Commercial fertilizers are used at the rate of 3,000 to 4,000 pounds per acre.

Manganese sulphate was used in the experiments as follows: (1) Mixed in stable manure, (2) mixed in peat, (3) mixed in commercial fertilizers and used without and in conjunction with stable manure, and (4) applied as a separate application without using compost of any kind.

Some of the results are as follows: On one field where stable manure and commercial fertilizers were used, there was a production of 353 crates of tomatoes per acre, and where 50 pounds of manganese sulphate was used in addition, a production of 465 crates. On another field, where the soil was very unproductive, there was a yield of 144 crates with stable manure and fertilizers, and when manganese was used a production of 224 crates. On still another field there was a yield of 418 crates with stable manure and fertilizer, and 520 crates when manganese was used.

The results when mixed with peat were as follows: With commercial fertilizers and peat, without manganese, there was a production of 76 crates per acre, and where manganese was mixed with peat, 237 crates. On a second field and a much more productive soil, there was a yield of 270 crates with fertilizers and peat, and 496 crates when manganese was mixed with peat. On a third field fertilizers and peat gave a yield of only 80 crates and where manganese was mixed with the peat 260 crates per acre.

When manganese sulphate was used with commercial fertilizer but without compost of any kind some of the results were as follows: Where manganese sulphate was used at the rate of 50 pounds per acre and applied at the time the plants were set, there was a yield of 456 crates per acre, but where the magnanese was omitted the crop was a total failure and produced no tomatoes. On another field there was a yield of 12 crates, without manganese, while with 50 pounds of manganese sulphate there was a yield of 177 crates per acre. On a third field there was a yield of 94 crates where no manganese was used and 234 with manganese. In all of these tests the commercial fertilizers were used at the rate of 2 tons per acre on all the plots.

Manganese occurs in nature in very impure ores and is mined in many of the States. In nature it occurs as the dioxide or carbonate. These chemical forms are insoluble and ineffective. When purified by chemical processes and concentrated it is converted into sulphates or chlorides, and is a pink to whitish powder. Manganese is used in many of the industries; in the manufacture of steel, in paints, in glass, etc. Its use in south Florida to increase crop production is probably its first commercial use as a fertilizer; however, it has been used experimentally for a number of years. High-grade manganese sulphate has been supplied south Florida growers during the past two years at from 7 to 10 cents per pound.

Investigations on these calcareous soils disclosed to us that the difficulty in tomato growing was a lack or deficiency of manganese, and it appeared that the manure which was used annually supplied the manganese. We therefore attempted to determine whether manganese would replace the manure, and this has been on the whole successful. Tomatoes and truck crops can now be grown with manganese and fertilizer salts alone, without having the manure present, or we can substitute peat for the manure by treating the peat with manganese, but manganese is the keynote to the successful cultivation of tomatoes and trucks in the glades in southeast Florida.

I want to show you some slides which I think will give the results of our work briefly. Slide I (fig. 1) shows tomatoes growing on two plots in the Homestead

section. On both plots a 4—8—8 commercial fertilizer was used at the rate of 4,000 pounds per acre and no manure or compost was used on either. Fifty pounds per acre of manganese sulfate was used on the section where the tomatoes are vigorous, and no manganese was used on the left, where many of the plants have died and those remaining have made but scant growth and produced but little fruit.

Slide 2 (fig. 2) shows plants grown in the glade soil in pots in the greenhouse. Pot 1 received nothing; pot 2 a well-balanced fertilizer, and it is noted that the plants are small and yellow in both pots. Pot 3 received fertilizers and manganese sulphate, and here the plants are large and vigorous. Slide 3 shows a typical leaf from the no-manganese pot. The chlorotic mottled leaf is typical of manganese deficiency, and resembles somewhat the chlorosis of the orange leaf.

Slide 4 shows the results of manganese on wheat on a silty clay soil on the experimental farm of the Department of Agriculture at Washington, D. C., and this is shown to bring to your attention the action of manganese under acid and alkaline soil conditions. This work was done about 15 years ago. An experiment was started in 1907 using a great many soil amendments, in which manganese was used. The experiments were made for five years on the acid soil and no beneficial results were secured from manganese sulphate. At the end of five years the soil was limed so as to render it slightly alkaline and the experiment continued and the results were published in 1914 and 1916. On the alkaline soil there was a marked increase from the use of manganese. The small pile of grain and straw on the left was grown on a 1-rod plot without manganese, while the large pile on the right is from the plot which received manganese. There was an increase of 11 bushels of grain per acre from the use of 50 pounds of manganese sulphate per acre. A similar result was secured in this experiment with potatoes, hay, cowpeas, beans, and corn. This work was the beginning of my interest in manganese as a fertilizer. At that time it was not considered in any way essential to plant growth; merely to act as a catalyzer or stimulant or oxidizer in the soil. Since that time a number of investigators have found that manganese is not effective in acid soils, and the evidence I have from work in Florida is that it is effective only on the neutral or alkaline soils.

The remainder of the slides take us back to the Florida fields. Slide 5 shows a tomato field where manganese was used on the left, no manganese or manure in the center rows, and stable manure on the right of the field. In the center rows almost all the plants have died; those that lived produced no tomatoes. On the left, where manganese was used, a good vine growth and yield of tomatoes was secured, which was about as great as from the field on the right, where stable manure was used. This is a striking illustration of the effect of manganese on tomatoes on the calcareous soils of south Florida. Within the last two years tomato growers of Dade County have begun to use manganese, which has replaced stable manure to a large extent. Formerly train loads of compost were carried to the southeast coast, where today a few car loads of manganese sulphate have given the same results, and growers who till the calcareous glade soils haul out a few bags of manganese instead of truck loads of manure. Slide 6 shows a 30-acre tomato field where commercial fertilizers and manganese were used, without the use of stable manure. The plants are large and thrifty, and gave a yield of approximately 400 crates per acre.

Manganese sulphate is used generally in the area south of Miami in the growing of beets, carrots, lettuce, cabbages, corn, potatoes, beans, ornamentals, and forage crops. This has given us an opportunity to make a thorough study of its influence on the agriculture of this section of the State. Slide 7 shows a beet field, grown without and with manganese, and slide 8, a close view of beets dug from each section of the field. Slide 9 shows two cabbage plants from a field which received no manganese and an adjoining field that received manganese. Slide 10 shows the effect of manganese on string beans, and slide 11 on Kentucky Wonder beans. Slide 12 shows potatoes from a manganese and no-manganese plot. With each of these crops commercial fertilizers were used in abundance, but manganese was omitted on a section of the field. All the crops grown without manganese are chlorotic and mottled, made a poor growth, and produced but little or no marketable vegetables. The growth was very good, as shown by the slides, when manganese was used, and only 50 pounds per acre was required to produce this remarkable difference and an economic yield. Results of some of the experiments are given in Table I.

TABLE I.—*Effect of manganese sulphate on truck crops—Commercial fertilizers were used on all plots; manganese sulphate added at rate of 50 pounds per acre.*

Crop	Manganese—	
	Without	With
Snap beans (pounds per acre)	230	6,720
Pole beans (pounds per acre)	329	2,059
Cabbages (pounds per acre)	16,236	42,107
Potatoes (bushels per acre)	65	180
Carrots (number required for 1 pound)	40	13
Beets (number required for 1 pound)	16	4
Lettuce (average weight per head, pounds)	0.5	2.7
Cauliflower (average weight per plant, pounds)	1.7	2.5
Peppers (number per 10-foot row)	41	74
Corn (height at tasseling, inches)	18	38

An interesting point in connection with the use of manganese on calcareous soils is its stability or lasting effects; that is, can we apply a few applications of manganese and supply the crop's needs for the coming years. Slide 13 and 14 bear on this question. The corn shown in slide 15 followed potatoes. The center row, where the corn is about a foot high, had no manganese applied to potatoes. The rows on the left, where it is seen the corn is 4 to 5 feet high, had 75 pounds of manganese applied to potatoes, and the corn on the right, which appears about 6 feet high, had 75 pounds of manganese applied to potatoes, and an additional 50 pounds applied when the corn was planted. Slide 16 shows corn following a crop of tomatoes. The small row of corn to the left had manganese applied to the preceding crop. The stalks appear to be 6 to 8 inches high, while the corn to the right, which is 4 to 5 feet high, had manganese applied to the preceding crop, and a second application of 100 pounds per acre when the corn was planted. There appeared to be some slight residual effects of the manganese in these two experiments, but in both cases only about 3 months elapsed between the planting of the first and second crop, and it is doubtful if there would have been any residual effect if a year had elapsed.

An interesting case of manganese deficiency has occurred in the section on the east coast, north of Fort Lauderdale, in Broward County. This section produces beans and peppers. The soil is sandy in nature, and the surface is slightly acid. At intervals in the section small areas occur which contain the deposits. These shell areas appear as pockets and lie slightly lower and are alkaline. Both beans and peppers were found to fail in the pocket areas. The plants become yellow, are very chlorotic, dwarfed, and fail to grow and produce no vegetables. A small amount of manganese overcame the trouble, and when used the crops grew normally and produced as much as the surrounding section which showed no chlorosis.

There are undoubtedly many fertility problems with Florida soils where the rare and unusual chemicals would be effective. Many interesting phases of this question have been pointed out by Doctor Allison in his work on the Everglade soils, where he found that copper sulphate was very effective and got results with other rare chemicals including manganese.

The problems of citrus chlorosis, short length of life of citrus on calcareous soils, and quality of fruit are interesting soil-fertility problems, which are deserving of thorough investigation, for sandy soils, subject to much leaching, are undoubtedly deficient in many of the rare elements required for normal plant life. These problems will likely become more acute as pure and concentrated chemicals supplant the older ordinary fertilizers.

The older fertilizers, consisting of plant and animal by-products, and even the inorganic fertilizer salts originating in natural deposits and containing greater or less amounts of accompanying impurities, are increasingly being supplanted by manufactured products of a high degree of purity, especially the air-derived nitrogen products. The application of these chemical fertilizer substances to the general run of soils containing sufficient reserves of the lesser inorganic constituents is not likely to involve any problem of deficiency. On the other hand, in soils and especially sandy soils where the amount of these less-common constituents may be small or unavailable, deficiency will probably be noticed in time if pure chemicals only are used. In the problem described in connection with tomato growing in Dade County, Fla., the heavy applications of inorganic

fertilizers, while furnishing an adequate supply of the major nutrients, could not meet the deficiency of manganese in the soil, but the manure procured from soil regions well supplied with manganese apparently carried sufficient quantities to supply the demands of the plant.

Hence, further fertilizer practice must take into consideration the rôle of manganese and other elements which may be proved indispensable to plant growth and function. Provision must also be made for determining deficiencies and meeting them through appropriate supplements to the fertilizers applied. At the same time it should be emphasized that the amounts of the constituents required are exceedingly small and that precautions must be exercised to prevent the toxic effects produced by excessive applications to soils and additions to fertilizers already containing amounts sufficient for plant requirements.

DISCUSSION

Mr. MERRILL. Doctor Skinner, have there been any experiments made in spraying the manganese on the plants?

Doctor SKINNER. That has been done in some investigations, but it has not proven practical. It has not appealed to us as being altogether practical with truck crops or even with citrus. We find with truck crops that if chlorosis gets under way it is difficult to overcome the trouble.

MEMBER. You referred to nailhead rust of tomatoes. Will you kindly explain the relation between nailhead rust and manganese?

Doctor SKINNER. None whatever. It is a bacteriological disease, and we could not control it with fertilizers or manganese.

MEMBER. Do you know any control of it?

Doctor SKINNER. Nailhead rust of tomatoes has been controlled by the selection and breeding of disease-resistant varieties. The new marglobe tomato developed by Mr. Pritchard, of the department, is reasonably resistant to the disease. In the nutritive work we found no relation whatever between fertilizers and the disease, except when you use fertilizer of the right kind it produces more vines and more tomatoes and more nailhead rust, for there is more material for the spores to work on.

MEMBER. Have you had any injurious results from the use of manganese?

Doctor SKINNER. Manganese is injurious if used in large quantities; 50 to 150 pounds per acre applied along the seed row or mixed with commercial fertilizer and applied as is ordinarily done, will cause no injury.

MEMBER. You think there will be no serious injury if you use no more than 50 pounds per acre?

Doctor SKINNER. No; I don't think so.

MEMBER. Is manganese being used on citrus or ornamental trees on the east coast?

Doctor RUPRECHT. They are using some on a small scale at Cocoa on citrus.

Doctor SKINNER. I was talking to a landscape gardener who is using it in the growing of ornamentals, and he is getting good results. I am advised that manganese was used on the palms and ornamentals when they were started in Biscayne Park, Miami. A few citrus growers have used manganese experimentally on the lower east coast, but I am not familiar with the results secured.

MEMBER. Have you experimented with broadcasting manganese?

Doctor SKINNER. Yes. We have studied all methods of applications. We mixed it with peat and stable manure and with commercial fertilizer, and put it on as a separate application The most practical method is to mix it with fertilizer, but it should not be put too close to the seed or the young plants. We haven't found it advisable to broadcast; 50 pounds per acre is very small, and it should be placed near the plants.

Mr. BOSANQUET. What is the price of manganese now?

Doctor SKINNER. I think it has been furnished to the growers at a price of 7 to 10 cents per pound. We have studied the various sources, but have found it most practical and economical to use the manganese sulphate, which is soluble. In the calcareous soils the soluble forms will likely be changed to the carbonate or oxide after some months. These forms of manganese are insoluble. This is why, I think, you will have to apply manganese each year or even oftener.

Mr. CALDWELL. Without taking your time to discuss that, it occurs to me that if manganese is available as a fertilizer, and if, as I am informed, the fertilizer consists of manganese sulphate obtained from the high-grade imported ores, the tariff on those ores is simply a

tariff on what this representative of the Department of Agriculture thinks is a very valuable fertilizer and a tax on agriculture to that extent.

Senator KING. Would not manganese ore in almost any form be too valuable for fertilizer? I am asking because I do not know.

Mr. CALDWELL. I understand that this manganese sulphate which he advocates as a fertilizer comes from imported ores; and at the present time it costs in that form from 7 to 10 cents a pound, at which price he recommends it to be used.

Senator BARKLEY. As a by-product?

Mr. CALDWELL. Yes; but that includes the tariff, and if the tariff were lowered the cost of the fertilizer would be lowered.

(Mr. Caldwell submitted the following brief:)

BRIEF OF THE AMERICAN IRON AND STEEL INSTITUTE, ON BEHALF OF THE ENTIRE STEEL INDUSTRY

An import duty was imposed upon manganese ore by paragraph 302 of the tariff act of 1922, which has been equivalent to an ad valorem duty of 81.58 per cent during the past six years. Now, after six years of experience, the plain truth is that the duty has failed utterly to bring about a domestic production that is other than insignificant, while it has at the same time added enormously to the cost of producing steel. In other words, the consumers of manganese—which means ultimately all who ever make use of steel in any form—have been uselessly taxed, while no domestic industry has been benefited or built up.

The duty on manganese ore and manganese alloys has involved an additional cost in the production of steel of $45,771,328 from 1923 to 1928, inclusive. Notwithstanding the high tariff that was imposed on manganese ore in 1922, over 95 per cent of the country's requirements of metallurgical grade manganese have been imported. To illustrate the results of the tariff on manganese ore, the Bureau of Mines reports that the total value of metallurgical grade manganese ore produced in the United States in 1928 was $561,000. The duty paid in that year on manganese ore and manganese alloys was $8,064,155, of which amount $6,007,142 was the duty paid on the ore. The average yearly production of metallurgical grade manganese ore in the United States during the past six years has been 33,813 gross tons, against the country's average requirements of manganese ore of 649,136 gross tons a year during the same period. The country's requirements, in other words, were nearly 20 times the domestic production during a 6-year period of extremely high tariff protection. These results are due to fundamental geologic facts. Only a small reserve (approximately two years' requirements) of manganese ore of commercial grade exists in this country, and reserves of low grade manganese ores are not adaptable as a substitute for the imported ores.

During the next five years the steel industry will require nearly 1,000,000 tons of 50 per cent grade manganese ore annually. During the period from 1904 to 1928, inclusive (25 years), according to the published figures of the Bureau of Mines, the entire domestic production of manganese ore containing 35 per cent of manganese or better has been 1,015,550 gross tons. The greater part of this domestic production during the past 25 years was under grade and could only be used when mixed with the higher grade imported ores. In other words, the entire domestic production during the past 25 years, which includes the production obtained during the war when the price of manganese was over five times the present world price, and when the financial losses of the manganese miners were reimbursed by the United States Government, and which includes also the production obtained under high tariff legislation since 1922, would barely supply the requirements of the steel industry for the single year of 1929.

The proponents of a higher tariff are seeking a 50 per cent increase in the present high rate (which would make the tariff equivalent to 122.37 per cent ad valorem) and claim that such an increase in the present duty will result in a large domestic production of manganese ore.

Similar promises were made in 1922 to induce the original imposition of the tariff. These promises have not been and will not be fulfilled. The problem of producing manganese ore to satisfy any substantial part of the country's

requirements is essentially a geological problem and no vast production will be forthcoming under tariff protection. No change has occurred in the geological conditions since 1922 and no new discoveries have been made. A continuance of the present duty or at an increased duty will not and can not result in supplying more than a small fraction of the country's requirements.

In the very nature of things, any domestic production of manganese ore must be obtained only under great economic loss to the nation and at great additional expense in the cost of production of steel products which enter into nearly every phase of American life.

Those few mining interests who are now actively engaged in promoting the tariff on manganese admit that practically no commercial grade manganese in its natural condition exists in this country but they contend that concentration processes have recently been developed whereby low-grade manganese material may be benficiated and changed so as to make it suitable for steel purposes. This is not true. All of the developed concentration processes have been well known for many years and are not new to those who have been engaged in this problem. It is not practicable to apply such processes for the production of any substantial quantity of domestic manganese ore. The consumers of manganese (the steel industry) are the largest owners of low-grade manganese ore deposits, and if any concentration of these ores is possible they will be the first to adopt and apply such methods.

From a national standpoint the subject may be summarized by saying that the steel industry has always used manganese; that the steel industry has been notable in its efforts to be completely integrated and to own and produce all of its crude materials in this country; that no manganese ore is mined in this country by any steel company; that every effort has been made by the steel industry to discover suitable manganese deposits without success; that the steel industry has spent a great deal of money in research in and development of concentration processes for the utilization of low-grade manganese ores, which processes have all been abandoned or set aside as unsatisfactory or impracticable; that the low-grade manganese ores found in this country are now being used in their natural condition by the steel industry in the production of manganese pig iron; that if there is any product which should be on the free list of a tariff act it is a crude material such as manganese ore, of which we have practically no supply in the United States; that to place tariff duties of 100 per cent or over on Manganese ore is to do violence to the protective policy; that it results in a discriminatory tax burden and increases the cost of steel products; that it encourages ill-advised investment in supposed domestic manganese deposits; that it leads to uneconomic activities in concentration and beneficiation processes; that it definitely exhausts the only domestic supply of manganese which might be of value to the country in an emergency; that it deters the American steel industry from assuring its source of supply in foreign countries where such supply exists; and that it invites and already it has resulted in foreign retaliation.

The duty on manganese ore required a compensatory duty on ferromanganese. Ferromanganese is a manufactured alloy which can and should be produced in the United States from inported manganese ore. The steel industry, as well as the ferromanganese manufacturers, are requesting a repeal of the present tariff on manganese ore and the classification for tariff purposes of ferromanganese with other ferroalloys.

The following changes in paragraph 302 of H. R. 2667 (the Hawley bill) are recommended in order to carry out the foregoing readjustment:

1. Strike out subdivision (a).

2. Strike out subdivision (d) and (e), and change subdivision (m) to read:

"(m) Ferromanganese, manganese metal, manganese silicon, manganese boron, ferrophosphorus, ferrotitanium, ferrovanadium, ferrouranium, ferrozirconium, zirconium ferrosilicon, ferroboron, ferroaluminum vanadium, ferromanganese vanadium, ferrosilicon vanadium, and ferrosilicon aluminum vanadium, 25 per cent ad valorem."

(3) Insert in the free list the following, which is copied from the earlier tariff acts when manganese ore was free:

"Par. 1715a. Manganese, oxide, and ore of."

The present duty on ferromanganese containing 80 per cent manganese (commercial grade) is $33.60 a gross ton. The cost to domestic manufactures of ferromanganese because of the present duty on maganese ore is approximately $21 per gross ton of ferromanganese. The protective duty on ferromanganese is therefore $12.60. The foreign value of ferromanganese is approximately $50 a gross ton, and 25 per cent ad valorem duty would be $12.50.

The figures given here are from the publications of the United States Department of Commerce:

TABLE I.—*Comparison of domestic production and importation of manganese ore, by years*

Year	Domestic production	Import	Per cent of imports
	Gross tons	*Gross tons*	
1904	3,14	108,519	97.2
1905	4,11	257,033	98.5
1906	6,921	221,260	97.0
1907	5,604	209,021	97.4
1908	6,144	178,203	96.7
1909	1,544	212,765	99.3
1910	2,258	242,348	99.1
1911	2,457	176,852	98.6
1912	1,664	300,661	99.5
1913	4,048	345,000	98.9
1914	2,635	283,294	99.1
1915	9,613	313,985	97.1
1916	31,474	576,321	94.9
1917	[2] 129,405	629,972	83.8
1918	[2] 305,869	491,303	61.6
1919	54,957	333,344	85.8
1920	94,420	606,939	86.6
1921	13,531	401,354	96.7
1922	13,404	363,975	96.3
1923 [3]	31,500	339,536	91.6
1924	56,515	540,065	90.6
1925	98,324	681,395	87.4
1926	46,258	692,108	93.8
1927	44,741	682,120	93.9
1928	45,000	637,258	93.5
Total	1,015,550	9,824,721	.....

[1] Domestic production includes all ore over 35 per cent manganese and includes both chemical and metallurgical grades of ore.

[2] The war production during 1917 and 1918 (which constitutes about half of the past 25 years' domestic production) was obtained at an inflated price nearly seven times the normal price. Even in the face of this high price manganese mining was conducted at a loss, and Congress enacted the war minerals relief act, under which the manganese miners' losses were reimbursed by the Government to the extent of $2,506,112.36.

[3] From 1923 the Government statistics give importations in terms of metallic manganese only. For the purposes of comparison with the domestic manganese ore production, the total metallic manganese imported has been translated into ore of a 50 per cent grade.

TABLE II.—*Comparison of value of domestic production of manganese ore with the duty paid on imported manganese ore and alloys*

Year	Total value of domestic manganese ore produced under tariff		Duty paid on imported manganese ore	Equivalent ad valorem of ore duty	Duty paid on ferromanganese and other manganese alloys	Total duty paid
	Metallurgical grade	Chemical grade				
				Per cent		
1923	$188,748	$686,225	$1,659,638	107.92	$3,534,392	$5,494,030
1924	441,014	866,463	4,780,832	96.43	1,905,644	6,686,476
1925	954,799	902,970	6,078,352	84.84	2,652,841	8,731,193
1926	379,893	848,770	6,523,552	69.49	2,013,065	8,536,617
1927	446,781	705,137	6,723,964	73.65	1,534,893	8,258,857
1928	561,000	636,000	6,007,142	88.76	2,057,013	8,064,155
	2,972,235	4,645,565	31,773,480	81.58	13,997,848	45,771,328

H. S. WILKINSON,
Chairman Committee on Tariff.

STATEMENT OF FEODORE F. FOSS, REPRESENTING THE WHEELING STEEL CORPORATION, WHEELING, W. VA.

(The witness was duly sworn by the chairman of the subcommittee.)

(Mr. Foss submitted the following brief for the record, under oath. The statement was not read before the committee.)

BRIEF OF FEODORE F. FOSS, REPRESENTING WHEELING STEEL CORPORATION, WHEELING, W. VA.

Wheeling Steel Corporation is a producer of steel to the extent of 1,500,000 tons of steel ingots per year and is a consumer of ferromanganese for that purpose.

In its conception of economic life of the United States this corporation adheres to the principle of tariff protection of all industries and is committed to the high tariff rates so long as they foster American industry in reasonable manner.

Approaching the problem on manganese tariff, however, the Wheeling Steel Corporation can not find any reason to support the tariff on imported manganese ore from any point of view—from the consumers' standpoint, from that of war preparedness, or from conservation point of view.

After having studied this problem, Wheeling Steel Corporation comes to the conclusion that so far as the ferro-alloy industry is concerned, domestic manganese ore mining does not exist and will never exist. Therefore there is very little to protect.

Nature simply has not endowed the United States with the deposits of manganese ores of such qualities as will enable steel manufacturers to make ferromanganese at reasonable prices.

If we define "ore" as a metal-bearing substance, from which a metal, alloy, or metal compound can be extracted at a profit (in other words, if a yardstick of competitive prices and costs is applied), we may say that the United States hardly has any manganese ore. The experience of American manganese ore mining since 1914 shows that most of this ore was extracted at loss. Notwithstanding the fact that the market price of manganese ore during the time of the World War was five times higher than normal, manganese ore producers presented the United States Government with a claim of more than $7,000,000—about $15 additional subsidy per ton of ore delivered during the time of emergency. At the present time manganese ore miners are making various experiments based only on promises and hopes that certain ideas will materialize. These experiments are made at the expense of the customer at large, and manganese miners want the steel industry to carry a yearly burden of $10,000,000 to enable the continuation of such experimentation indefinitely.

Custom tariff of any reasonable size would not be able to create deposits of manganese ore of necessary size and quality, and as far as we know mining and metallurgy, the tariff will not be able to create the methods of commercially reasonable beneficiation of low-grade ores, unless the existing market price for manganese be trebled.

It is appropriate to note here that four big steel manufacturing countries of the world (United States, Germany, France, and England) with more than 85 per cent of the world's steel output do not have within their boundaries deposits of manganese ore of sufficient size to produce its requirements of manganese. The demand of these countries is met by imports from points very distant from centers of consumption. None of these countries except the United States try to develop the manganese ore mining by imposing a high protective duty on the imported manganese ore.

The United States has had the manganese ore on the free list in the tariff schedules previous to 1922, and only as an experiment has tried to support the domestic manganese ore mining which was brought into existence by the World War. More than six years of experimentation has shown that being protected by about 80 per cent ad valorem duty, the domestic manganese industry supplies at the present time less than 5 per cent of the total consumption of the United States.

It is of some interest to quote figures of shipments of manganese ore from West Africa, where large deposits of manganese ore were discovered in 1914. Taking for comparison, years corresponding to the time of introduction of Fordney-McCumber tariff in the United States, we find that in 1921 there were only 7,000

tons of manganese ore exported from West Africa and export in 1927 amounted to 370,000 tons. In the meantime, the United States manganese ore mining dropped from 94,000 tons in 1920 to 44,771 tons in 1927. That clearly shows the difference between deposits in the real sense and deposits of imaginary importance.

Not going into the discussion as to whether the existing deposits of low-grade manganese ores have to be left for war-emergency purposes, or whether they should be intensively developed and completely depleted within three years, but knowing the world's mining conditions and supply of basic raw materials, we are of the firm opinion that the magnitude and quality of foreign deposits in Russia, India, Gold Coast, and Brazil, their accessibility to water transportation, and their ability to expand production readily, will always be factors which will tend to make the mining of manganese in other sections of the world noncommercial. There are many examples of such economic influence on other countries, and one of them is the practical disappearance of shipments of manganese ore from Cuba and Chile.

If the existing duty on the manganese ore be left on the tariff schedule, the American consumer is going to pay, based on the 1927 figures, about $6,700,000 in order that the domestic production of manganese ore shall amount to 45,000 tons. The sales value on the world market of this ore is $630,000, which means that the United States consumer at large has been and will be taxed to the extent of $440 for 1 ton of metallic manganese produced at home. This means an outlay in each year of more than $10 to produce a value of $1.

If the Congress of these United States prolongs this experiment of supporting the domestic manganese ore mining, such action, according to the best understanding of the Wheeling Steel Corporation, will not solve the problem of supplying the United States steel industry with cheap manganese ore of good quality in time of peace, nor in time of war emergency.

A most extensive and thorough survey of the manganese situation in the United States has been made by the American Institute of Mining and Metallurgical Engineers and Mining and Metallurgical Society of America through a special committee of seven prominent members. We ask the permission of the Senate Finance Committee to include their report in the record of these hearings.

Respectfully submitted.

WHEELING STEEL CORPORATION,
By FEODORE F. FOSS.,
Assistant to the President.

TUNGSTEN ORE AND CONCENTRATES

[Par. 302 (c)]

STATEMENT OF GEORGE E. COLLINS, DENVER, COLO., REPRESENTING THE COLORADO MINING ASSOCIATION

Mr. COLLINS. If the chairman and the committee please, I had expected and hoped not to be required to take up any more of the time of this committee.

Senator REED. Mr. Collins, we want to ask you about the tariff on tungsten. That is what you want to speak about, is it not?

Mr. COLLINS. I want to answer, if the committee desires, certain statements that were made before the committee by the last speaker [Mr. Thomas] and by one other.

Senator Thomas is a lawyer.

Senator REED. We know that.

Mr. COLLINS. Everybody knows that. I am an engineer. Senator Thomas presumably knows nothing of the physical facts as to tungsten deposits. I have spent a great deal of time throughout my life in the very work of studying the geology of tungsten deposits and of examining samples of tungsten deposits. My father, who was a very

distinguished engineer in Europe, was the first engineer technically to supervise tungsten production anywhere in the world; and from boyhood I have been familiar with tungsten, long before I even came to this country over 30 years ago. Now, I know something about tungsten deposits.

It is not correct to say that the tungsten resources in the United States are very limited. On the contrary, they are immense. I use that word understandingly, and I mean to be understood as a serious, responsible engineer to mean exactly what I say.

Our resources, our deposits of ore of the grade that can be exploited at the average price of the last few years, are limited. Of ore of a much lower grade, they are not merely enormous but they are so enormous that there is no immediate interest in finding more.

Senator EDGE. Why, with this terrific duty, then, has not some advantage been taken of the possible development of production?

Mr. COLLINS. I am not prepared to speak as to the duty. My impression, however, is that the price that has ruled in recent years has not been quite sufficient to enable those enormous deposits to be profitably worked.

Senator REED. Let me give you some figures.

In 1909, 20 years ago, this country produced 1,619 tons of 60 per cent tungsten concentrates or their equivalent.

Mr. COLLINS. Yes, sir.

Senator REED. In 20 years that production has shrunk to 1,290 tons of the same material, although the price has risen $200 per ton—from $379 then to $590 now.

Mr. COLLINS. Yes, sir. We have been taking the cream.

Senator REED. Now that we are getting down to the skim-milk, since the country needs this material for electric-light filaments and for high-speed steel, can we justify a duty of $1,000 a ton on it?

Mr. COLLINS. If the committee will excuse me, I will not talk to that point, because it is not one on which I am specially competent to speak.

Senator REED. I should like to say to the tungsten industry that somebody had better talk to that point, or the committee might take action on it.

Senator EDGE. That is what we are here for—to find out whether or not the duty is justified.

Mr. COLLINS. I have no interest, gentlemen, in any tungsten deposit, either direct or indirect.

Senator REED. Then you are just the kind of witness we are looking for.

Mr. COLLINS. As to the facts; yes, sir.

Senator REED. If you have no interest, you are just what we are looking for.

Mr. COLLINS. But I have put in a lot of time in the working of tungsten deposits. Over 20 years ago I had very extensive interests in tungsten deposits.

Senator REED. Mr. Collins, how can such a duty be justified under the facts?

Mr. COLLINS. In my judgment, to secure a permanent and dependable supply.

Senator REED. That was our theory when we put on the duty; but the output to-day is very much less than it was 20 years ago.

Mr. COLLINS. My opinions, Mr. Chairman, are not worth as much as my knowledge. My knowledge, I can tell you, you can depend on. My opinions are something that are just opinions.

Senator KING. Mr. Collins, keep in mind the fact that this committee not only has to consider the industry segregated from everything else, but it has a relation to other industries, just the same as you can not consider one individual alone; you have to consider the social organism. We are sitting here dealing with this industry and hundreds and hundreds of others. How can we justify a duty on this particular item, which we know will be carried on to many other industries and pyramided, and finally the ultimate consumer has to bear all these pyramidings?

Senator EDGE. And in the meantime the imports have increased on the high duty.

Senator KING. Yes; the imports have increased, notwithstanding the fact that the prices years ago were very much lower than they are now for the domestic product.

Mr. COLLINS. When I answer, sir, my answer is not worth more than the answer of a good many others.

Senator REED. You say you are not talking about the duty. What are you talking about?

Mr. COLLINS. I am talking about the fact, sir, that, given a sufficient price, there are enormous resources.

Senator KING. What price do you think we ought to pay for them—two or three thousand dollars a ton duty?

Mr. COLLINS. My opinion is that the price at this moment will be sufficient to justify the working of those deposits.

Senator KING. Then there is no necessity of increasing it.

Mr. COLLINS. If that price could be guaranteed.

Senator KING. It has been guaranteed here ever since this bill passed in 1922, and it has been decreasing.

Mr. COLLINS. No; the price was about $10 a unit for many years, and that apparently was not sufficient to justify the working of these resources.

Senator BARKLEY. What is the price now?

Mr. COLLINS. I do not know. I believe it has risen during the last two or three weeks to $15.

Senator BARKLEY. $15 a unit?

Mr. COLLINS. But these resources were not known—only a small part of these resources were known at the time of the war. That is why they were not developed then. A few of them were, and were worked then.

Senator KING. But this high tariff has been on ever since 1922, to say nothing of the antecedent tariff.

Mr. COLLINS. It was not high enough, at that.

Senator KING. Speaking as one who is very much interested in mining, I should say that $1,000 a ton was a pretty fair tariff; and to increase it up to 2,000 per cent is scarcely to be justified.

Mr. COLLINS. I am not competent to argue with this committee.

Senator KING. All right.

Mr. COLLINS. I want to state those facts—that if, in the wisdom of the Senate, it is judged desirable to increase the duty, in my judgment the entire requirements of this country can be met.

Senator KING. Mr. Collins, if we should put a high enough tariff upon tea, I have no doubt this country could meet the requirements of the American tea drinkers.

Mr. COLLINS. I do not know about tea. I am talking about something that I believe I know. I have weighed, I have measured, I have sampled, I have gotten gray at it. That fact I believe you can rely on.

Senator KING. All right.

Mr. COLLINS. It seems like going into personal matters in which this committee might not be interested; but I myself years ago, more than 20 years ago, sold tungsten at less than $3.50 a unit. That is when I personally was interested; but while those rich deposits are gone, we have infinitely greater very low-grade deposits.

Senator EDGE. It may be that it is not practicable to refine it.

Mr. COLLINS. Oh, yes, it is. It is entirely a question of price.

I merely wanted the permission of the committee to make a statement of fact, to contradict a statement of an erroneous fact that was made.

That is really all that I want to say; but, if the committee please, there is a gentleman here who represents two of the largest producers here.

Senator REED. Is that Mr. Nelson Franklin?

Mr. COLLINS. Mr. Franklin.

STATEMENT OF NELSON FRANKLIN, WASHINGTON, D. C., REPRESENTING TUNGSTEN PRODUCERS

(The witness was duly sworn by the the chairman of the subcommittee.)

Senator REED. Mr. Franklin, you testified before the House, and I have read your testimony.

Mr. FRANKLIN. Yes, sir.

Senator REED. I think the committee would be interested in having you as a representative of some of the tungsten producers, tell us what justification there is for the maintenance of a duty of a thousand dollars a ton on this product where the domestic production averages around one-fourth to one-fifth of the domestic consumption?

Mr. FRANKLIN. The duty is not a thousand dollars a ton, Senator, laid on the ore.

Senator REED. It is a thousand dollars per ton on the metallic content of the ore.

Mr. FRANKLIN. No, sir.

Senator REED. Well, it is 50 cents a point.

Mr. FRANKLIN. Sixty per cent concentrate is what the duty is based upon, and that is the usual content of the tungsten ore.

Senator REED. All right, that is $1,200 a ton on 60 per cent ore.

Mr. FRANKLIN. The duty is on the metallic content, which is about 47.5.

Senator REED. That is $950 a ton.

Mr. FRANKLIN. No, sir, it would be less than $500 a ton on the ore.

Senator REED. All right, whatever it is, what is the justification for it?

Mr. FRANKLIN. The justification is this, Mr. Chairman——

Senator KING. So I may understand it, if you will pardon me?
Mr. FRANKLIN. Yes.
Senator KING. What do you mean by metallic tungsten?
Mr. FRANKLIN. Metallic tungsten is tungsten when it is in metallic form. That is equal to a metallic form.
Senator KING. Now what per cent of the product is metallic tungsten? I had supposed that metallic tungsten would mean substantially pure tungsten.
Mr. FRANKLIN. Metallic tungsten is pure tungsten. Tungsten trioxide is the way tungsten appears in the ore.
Senator KING. Fifty cents per pound on the metallic tungsten?
Mr. FRANKLIN. Yes, sir.
Senator REED. Metallic tungsten would pay $1200 a ton, plus 25 per cent ad valorem. Now we have it right.
Senator King. Yes.
Mr. FRANKLIN. And that is in the refined form.
Senator KING. Yes, it is metallic tungsten.
Mr. FRANKLIN. Yes, that is after the ore is refined it goes into metallic tungsten. In ferrotungsten it would be 75 or 80 per cent (W), which is tungsten. And that takes 60 cents a pound and 25 per cent ad valorem under this act. Under the 1922 act it took the same thing.
Senator KING. I have interrupted Senator Reed's question.
Senator REED. Now what is the justification for it?
Mr. FRANKLIN. The justification, Senator Reed, is the difference in the cost of producing tungsten in China and producing it in the United States. Our imports all come from China, where they are alluvial deposits, in other words, erosion from the veins that are in the dirt, and it is like placer mining, and they take that out, and it is very easily mined, the wages are very cheap, about 20 or 30 cents a day, and our wages are from $5 to $7 a day.
Senator EDGE. You take the position that with this $1,200 duty for the refined tungsten, that there is not enough protection?
Mr. FRANKLIN. We ask for a 50 per cent raise in the tariff on tungsten ore. I am a tungsten miner myself. We asked for 50 per cent and the House gave us about 11 per cent raise. In other words, increased from 45 cents to 50 cents on the metallic content.
Senator KING. You wanted 90 cents?
Mr. FRANKLIN. Sixty-seven and one-half cents. I did not intend to appear before this committee. I had intended to just let the House bill go as it was, for the reason, I did not want to disturb all the balance of the products, the finished products of tungsten. I said, we will just let it go at what it is, although I was importuned by the tungsten producers to try to get a higher rate from the Senate Finance Committee, but I concluded to leave it alone. I told them so. But there have been some statements made here, Senator Reed, that I want to answer. You have asked a lot of questions of Mr. Lansingh, who was a witness here, and you asked some questions of Senator Thomas that I can answer, but I do not want to take up the time of this committee. I will write a brief and cover the whole subject.
Senator REED. No; it is vital and necessary that it should be cleared up. I am a high protectionist, but my inclination at this minute is to reduce the duty on tungsten ore and tungsten in scrap and tungsten in alloy.

Mr. FRANKLIN. If you do we will have no production in this country.

Senator REED. Now you tell me why we should not do it.

Mr. FRANKLIN. I maintain if you do not have domestic production of tungsten that tungsten will sell at just as high a price right up to the point where we can not produce; if there is no tariff on it the tungsten will go to the price right up to the point that we can not produce, Senator Reed. That is my claim, and I believe I am right.

Senator KING. What was the production in 1909?

Mr. FRANKLIN. In 1909 tungsten was on the free list. We did not produce much tungsten.

Senator KING. Well, we produced 1,619 tons?

Mr. FRANKLIN. When?

Senator REED. In 1909.

Senator EDGE. That is more than we produce now.

Senator KING. In 1909 we produced more than we produce now. In other words, when it was on the free list in 1909 we produced more than we are producing now.

Mr. FRANKLIN. I do not know whether it was on the free list in 1909. I got into it in 1916 during the war.

Senator KING. What was the tariff in 1916?

Mr. FRANKLIN. In 1916 we did not have any.

Senator KING. It was on the free list?

Mr. FRANKLIN. Yes; in 1916 it was free.

Senator KING. In 1909, 1910, 1911, 1912, and 1913 the production was greater than it is now, or has been since 1919.

Mr. FRANKLIN. That statement is very easily answered, Senator King. That was during the war.

Senator KING. Well, in 1919, when we needed it, the production was 327 tons.

Mr. FRANKLIN. We did not need any in 1919. That was after the war.

Senator KING. Well, we had steel business, did we not?

Mr. FRANKLIN. Yes; but we could not produce a pound. There was no tariff until 1922.

Senator KING. You had no tariff in 1909 and you produced then 1,619 tons. And the unit value was $6.32. In 1928 you only produced 1,290 tons, and the unit value was $9.83.

Mr. FRANKLIN. Yes, sir.

Senator KING. So that you produced less and with a much larger price.

Mr. FRANKLIN. In 1909 the tungsten produced in this country was taken off the top of the ground, the same as it is now in China. Alluvial deposits.

Senator REED. In 1921 and 1922 the American producers did not turn out a pound of it?

Mr. FRANKLIN. We could not produce a pound, Senator Reed, not a pound.

Senator REED. No, and it was coming in from abroad in large quantities?

Mr. FRANKLIN. Yes.

Senator REED. And the price was $171 a ton in 1921 and $169 in 1922?

Mr. FRANKLIN. Yes, sir.

Senator REED. And then we put on this high tariff, and the price jumped to $470 last year?

Mr. FRANKLIN. Are those the imports, Senator Reed?

Senator REED. Those are the invoice prices of the imports.

Mr. FRANKLIN. How many tons were there?

Senator REED. In 1921 there were 1,614 tons and in 1922 1,651 tons.

Mr. FRANKLIN. I will explain that, Senator Reed.

Senator REED. The foreigners had a monopoly, and yet the price was one-third of what the price is now, or one-fourth of what your prices are.

Mr. FRANKLIN. Let me make an explanation of that, Senator Reed, and I think you will understand the question yourself then. The consumption in this country of tungsten is about 5,000 tons of 60 per cent (WO_3), tungsten trioxide concentrate—close to 5,000 tons. In those years you speak of that small tonnage was only part of the consumption. At the close of the war there were about 20,000 tons of tungsten in bond in the United States left over from the war. And that was being consumed up to 1922. That accounted for the small imports. And that was brought in, of course, at about a $3 a unit cost, what we call a unit, 20 pound, 1 per cent of a ton. That is the way tungsten is sold. That small quantity was brought in. The rest was used from the stocks on hand in bond.

Now, the normal price of tungsten in China right up to two or three months ago was $3.20 a unit of 20 pounds of tungsten trioxide. We can not produce it under about $12. We figured about $12 cost to produce any quantity of it. Now, some of our lower-cost mines can produce at around $11 to $12. Some of them would cost $15. Under this tariff we have been producing 1,200 tons of the 4,000 to 5,000 consumption.

Senator REED. This tariff as given by the House is $10 a unit, is it not?

Mr. FRANKLIN. A unit of (W), but not of the ore.

Senator REED. That is what you are talking about?

Mr. FRANKLIN. I am talking about the tungsten trioxide, as it appears in the ore, as it appears as an oxide trioxide. We were only producing 1,200 tons. Now we can produce on this present duty even of 5 cents a pound more, 1,800 tons; we can raise that to about 1,800 tons from the lower cost producing properties. But if we had gotten what we asked we could have produced nearly the total requirement of this country. That is the sum and substance of it, Senator Reed.

Senator REED. Well, I think we understand it, Mr. Franklin.

Mr. FRANKLIN. Now I will file a brief covering the whole lot of questions that you asked, Senator Reed, if you will allow me to do it.

Senator REED. Yes; we will be glad to have you do it.

Mr. FRANKLIN. I want to inform the committee. I am pretty well posted on tungsten matters. I have been mining it since the war, and I will be very glad to file the brief, and answer a lot of questions that you asked this morning, Senator King, of why the duty was on the vanadium and scrap, and so forth. You asked some of the iron witnesses questions about that, and I will answer those questions also.

Senator KING. Yes.

Senator EDGE. Will you also in your brief refer to the question of the reduction of production with the 45 cents per pound as well?

Senator REED. Reduction in production.

Mr. FRANKLIN. I do not believe I understand you, Senator Edge.

Senator EDGE. The reason for the reduction in production from 1909 to 1928, as asked by Senator King, in view of the fact that it has been taken from the free list and given a 45 cents per pound duty in the meantime.

Mr. FRANKLIN. I shall be very glad to give a full answer to that.

Senator REED. Thank you, sir.

(Mr. Franklin submitted the following brief:)

BRIEF OF PRODUCERS OF TUNGSTEN ORE AND CONCENTRATES

(Statement of Nelson Franklin, representing himself and the following producers: Nevada Massachusetts Co. (Inc.), Mill City, Nev.; Alex Ransom, Reno, Nev., Tungsten Products Co., Bishop, Calif.; Round Valley Tungsten Mines, Bishop; Calif.; Tungsten Reef Mines, Hereford, Ariz.; Tungsten Production Co., Boulder, Colo.; Wolf Tongue Mining Co., Boulder, Colo.; and Rare Metals Ore Co., Rollinsville, Colo.)

FINANCE COMMITTEE,
United States Senate, Washington, D. C.

SIRS: I appeared before the Ways and Means Committee of the House when hearings were held on H. R. 2667.

A 50 per cent raise in the tariff rate was asked or a raise from 45 cents per pound of metallic tungsten content in the ore to 67½ cents per pound.

The United States Tariff Commission had a short time previously completed a field investigation under an application by the producers for a raise in the tariff and the result of that investigation was not then known.

It has been since learned that the difference in cost of production as between the United States and China, from which country come all the imports, would only permit of an increase of 5 cents per pound of tungsten content in the ore and the House bill 2667 has provided that raise which only equalizes the cost of production and puts the Domestic producers on a strictly competitive basis and not a protective one.

We are not asking your committee to grant any additional raise over the 5 cent raise in the House bill in view of the above facts brought out by the field investigation of the Tariff Commission.

During the hearings before your committee on June 26 and 27 there appeared before you Mr. V. R. Lansingh, on behalf of the manufacturers of all the finished products of tungsten; Mr. George E. Collins, a mining engineer who gave testimony as to the resources of tungsten in the United States. There also appeared ex-Senator Charles S. Thomas, representing an importer of tungsten steel scrap, objecting to any duty being levied on the tungsten content in the scrap, although carrying from 16 to 18 per cent of tungsten, or from 300 to 400 pounds of tungsten per ton, and coming in now under a Customs Court decision at 75 cents per ton, owing to a loophole in paragraph 301 in the 1922 tariff act, which H. R. 2667 now seeks to correct.

All of the above-named witnesses were asked by your committee to justify the rate of duty provided in H. R. 2667 on tungsten ore and concentrates but none of them had the information necessary to qualify them to make answer to your committee. The chairman of your committee called on me to testify on that question and I asked permission to file a brief and shall endeavor to answer that query of your committee.

Tungsten was first discovered in this country in Boulder County, Colo., in 1900. It was found in alluvial deposits, the same formation as the output in China has been produced from and is now coming from. Until 1905 there was no manufacturing in this country of tungsten into the finished products and our production was exported to Germany. In 1905 high speed steel was first manufactured in this country and caused a demand for our tungsten concentrates, at which time our production was 750 tons of 60 per cent tungstic trioxide concentrate. The world production at this time was under 4,000 tons, being less

than the present requirement of the United States. Our alluvial deposits were not large in extent as compared with those in China and became depleted, when resort was had to locating the veins which had been eroded and from which the tungsten had been washed down to form the alluvial deposits. Mining then became more difficult and as the production of high speed steel increased, the demand for concentrates increased and the price increased. We supplied the domestic demand for sometime, mostly from the low cost alluvial deposits and vein mining near the surface at also low cost. No tungsten ore of any consequence was imported into this country until 1912 and then only about 1,500 tons. The production cost of imported ore, none of which came from China up to the war time, was about equal with the domestic production costs. The cheaply produced Chinese ore did not affect the market until 1918, as it was only produced in small quantity.

Not until 1912 was there a general appreciation of the value of the high speed tungsten steel tool for accelerating machine operations and not until 1915 when orders for war material arose was there any decided surge in tungsten demand. Until 1915 domestic mines had furnished about half the total United States demand and the imports had been largely in the form of alloys. Described in terms of world commerce, the United States usually produced about one-sixth and consumed about one-third of the world putput. All of the producing mines were small, the workings were at or near the surface, and only the better grade of ore could be handled commercially. World output prior to 1915 was under 9,000 tons. The need for high speed steel during the War increased the demand for tungsten enormously. The demand was met to a large extent by the countries of earlier production until 1918, when large shipments were made from the gravel deposits of China, and since 1918 China has produced the bulk of the world demand.

Statistics on tungsten in the United States are furnished in the summary of Tariff Information, Schedule 3, and show indirectly the source of tungsten for several years. The different units used for production and import figures, the different series of years depicted, and the division of the discussion on tungsten ore and tungsten alloys between different parts of the summary add to the difficulty of comprehending a subject which is inherently involved. For the better understanding of the committee the attached table has been prepared, which gathers the various factors derived from Government statistics.

In the 1909 tariff act tungsten ore carried a duty of 10 per cent ad valorem, which, owing to its value at that time meant little, and it was placed on the free list in 1913. I was asked by your committee to explain why the production in 1909 was 1,619 tons when there was practically no duty and only 1,290 tons in 1928 with a duty of 45 cents per pound on the metallic content of tungsten and I shall endeavor to fully answer that question. That you may fully understand the basis of the figures which are to follow, I make the following explanation:

Tungsten in ore and concentrates is present only as tungstic trioxide (WO_3) and never as metallic tungsten. Tungsten ore and concentrates are always bought and sold at a price per unit of tungstic trioxide and never as metallic tungsten.

A unit in this case means the unit of a ton, or 20 pounds of tungstic trioxide (WO_3).

The average tungstic trioxide content in concentrates is 60 per cent, so all the following figures on tonnages are based on equivalent short tons of 60 per cent tungstic trioxide.

The duty is based on the metallic tungsten content in ore and concentrates and causes some confusion with those not familiar.

Twenty pounds of tungstic trioxide (WO_3) equal 15.86 pounds of metallic tungsten (W), on which a duty of 50 cents per pound equals $7.93 and not $10 as understood by some. In other words, a short ton of 60 per cent tungstic trioxide content in the concentrates would not equal 1,200 pounds for purposes of collecting duty but would equal 951.6 pounds of metallic tungsten.

Sixty per cent tungstic trioxide (WO_3) equals 0.4758 per cent metallic tungsten (W).

The Chinese deposits which were developed in 1918 are alluvial and cover a vast area hundreds of miles in extent. They are still very productive, which with their very low labor cost and cheap transportation makes their production cost very low.

Our importations prior to 1918 came mostly from Bolivia and Burma, but since 1917 have come chiefly from China owing to the low production cost in that country.

At the end of 1918 before the close of the war and after, large importations from China came in and continued during 1919 and stocks on hand in this country were about 20,000 tons of 60 per cent tungstic trioxide content in concentrates, or sufficient for about five years of our normal requirement.

At the close of the war tungsten mining in this country entirely ceased, and after the tariff act of 1922 was passed, placing a duty of 45 cents per pound on metallic content in concentrates, production could not be resumed to any extent until 1925 owing to the war stocks still on hand and selling much below our production cost. In 1923 production was only 241 tons, and in 1924, 565 tons of 60 per cent concentrates.

Not until 1925 were we able to increase the output from our lowest production cost properties to 1,191 tons. In 1926 we produced 1,383 tons; in 1927, 1,353 tons; and in 1928, 1,290 tons.

The demand for concentrates after the close of the war was not normal owing to the large stocks of finished manufactured products on hand. As these stocks of manufactured products became exhausted, the consumption increased to 4,000 tons of 60 per cent concentrates. The outlook is for a still greater consumption, owing to research which has developed hard metals made from tungsten, as a tungsten carbide.

No report has as yet been made by the United States Tariff Commission on its investigation of the industry in the field, but it no doubt is available to your committee, as the raise of 5 cents per pound of metallic tungsten content in the concentrates as provided by the House in H. R. 2667 was based on the result of that investigation and as being necessary to equalize cost of production as between the United States and China.

As a result of the duties provided under the 1922 tariff act and after we were able to resume operations in 1925, only the very lowest cost properties could operate, resulting in a production of about 1,300 tons per year of a total requirement of between 4,000 to 5,000 tons.

The raise in the duty of 5 cents per pound on the metallic tungsten content in the concentrates, although only a small raise, will allow the resumption of other properties and will greatly increase the domestic output.

Tungsten mining in this country is strictly a war development. The ratio of United States production to world production remained constant until the outbreak of war. In the prewar period owing to mining in the alluvial deposits and those near the surface, the production cost was about 58 per cent less than the cost since the war and we were able to compete with the countries from which we were then importing although the imports carried no duty. China had up to that time produced very little.

During the war we produced an average of 6,000 tons which was the major portion of the consumption and proves conclusively we have vast tungsten resources.

The large contact metamorphic deposits discovered, at about the close of the war, in California, Nevada, and Arizona are large bodies of low tungsten content which require concentration of from 50 to 200 tons into 1 ton of 60 per cent to 70 per cent concentrate. The mining is underground deep mining as contrasted with the surface mining on the alluvial deposits in China where labor costs are only a fraction of our labor costs. This later development of the tungsten resources in this country came about at the request of the Government during the war to supply the needs of the Nation and the response made to that request caused the investment of large amounts of capital which capital still remains invested to a considerable extent.

The capital invested at the request of the Government should be given consideration by Congress in protecting the industry to an extent to allow domestic production equal to at least the major portion of our consumption and the rate provided by the House will accomplish that end.

Tungsten should be considered as a pound product owing to its high value and should not be considered as a tonnage product any more than watches, platinum, or diamonds. The recently developed tungsten carbide has a hardness next to a diamond and takes the place of black diamonds in rock drilling or for other purposes, and has a sales value of over $300 per pound.

The compensatory duties as suggested to your committee by the manufacturers of the finished products in the chemical alloy and steel paragraphs are only sufficient to compete with foreign production of the manufactured product and are necessary in order to provide a domestic market for any concentrates for manufacturing in this country of those commodities.

The domestic mines, which were forced to close down at the end of the war in 1918, had to remain closed until 1925 or for two years after the tariff act of 1922 was passed. In other words, it took several years to put this industry on a productive basis after it had once been shut down.

In the event of another emergency the effect of an inoperative interval might prove disastrous.

Tungsten is one of the very essential key minerals in peace time as well as war time and the mines should not be forced to lie dormant and deteriorate beyond resumption of mining in case of necessity for a domestic supply. We should be sufficient within ourselves in case of an emergency.

NELSON FRANKLIN.

Subscribed and sworn to before me this 8th day of July, 1929.

[SEAL] FLORENCE M. STEPHENSON,
Notary Public.

My commission expires April 28, 1931.

Tungsten

Calendar year	Short tons of equivalent 60 per cent trioxide concentrates									Price per short ton unit			Tariff	Remark
	United States production, ore	Imports, ore [1]	Imports, alloys [1]	Total new supplies	Old stocks (estimated)	Total supplies old and new	Exports [1]	United States consumption (estimated)	Surplus stocks (estimated)	Domestic production, Geological Survey	Trade f. o. b. New York	Imports declared, foreign port		
1910	1,821	626	755	3,202	500	3,702	(2)	2,600	1,102				10 per cent	
1911	1,139	516	473	2,158	1,102	3,260	(2)	2,700	560	$5.97		$7.05	do	
1912	1,330	642	822	2,794	560	3,354	(2)	2,700	654	6.28		6.64	do	
1913	1,537	562	1,150	3,249	654	3,903	(2)	2,700	1,203	7.30		6.93	do	
1914	990	380	460	1,830	1,203	3,033	316	2,400	317	7.32		7.42	Free	Declining industry due to war scare.
Average 5 years, prewar.	1,373	551	732	2,646	804	3,450	63	2,620	767					
1915	2,532	1,932	66	4,330	317	4,647	226	3,600	821	29.33		6.73	Free	Increased trade except for alloys imported.
1916	5,923	3,777	42	9,742	821	10,563	1,005	5,900	3,658	33.98		24.87	do	
1917	6,144	5,306	12	11,462	3,658	15,120	2,086	6,400	6,634	18.40		18.60	do	One year of war supplies accumulated.
1918	5,061	10,950	1	16,012	6,634	22,645	1,309	6,700	14,637	21.87		15.13	do	Chinese imports begin in quantity.
Average 4 years, war time 1919.	4,865	5,491	30	10,386	2,858	13,244	1,156	5,650	6,438					
1919	327	9,408	392	10,127	14,637	24,764	40	5,000	19,724			10.24	Free	Imports continued large, mainly unloaded from China. Production dropped from over 100 to only 4 operators. Exports practicall· ceased and stocks increased beyond any measure of current needs.
1920	216	1,949	1,978	4,143	19,724	23,867	5	5,700	18,162	7.86	$6.00	6.15	do	Stocks remained excessive; prices dropped to pre-war level.
1921		1,614	503	2,117	18,162	20,279		2,700	17,579		3.17	2.64	do	Market collapsed.
1922		1,651	1,067	2,718	17,579	20,297	1	4,600	15,696		4.88	2.60	do	Chinese price, indicating no relation to cost.

1923	241	.....	97	338	15,696	16,034	881	5,500	9,653	10.00	8.47	.....	45 cents per pound.	
1924	565	.....	172	737	9,653	10,390	5	4,800	5,585	.....	8.94	.....	do	
Average 6 years, post-war.	225	2,437	701	3,363	15,909	19,272	155	4,717	14,400	.....	.....	.....	.....	
1925	1,191	897	982	3,070	5,585	8,655	14	5,300	3,341	.....	11.25	3.82	45 cents per pound.	Tariff effective for first time in the industry.
1926	1,383	2,661	403	4,447	3,341	7,788	31	5,400	2,357	.....	11.07	3.55	do	
1927	1,353	2,278	31	3,662	2,357	6,019	21	4,900	1,098	.....	10.50	3.95	do	
1928	1,290	2,999	128	4,417	1,098	5,415	18	5,300	197	.....	10.77	3.73	do	
Average 4 tariff years.	1,304	2,209	386	3,899	3,095	6,994	21	5,225	1,748	.....	.....	.....	.....	

[1] Calendar year imports and exports are estimates from half fiscal years shown in official statistics.

[2] Not available.

FERROMANGANESE

[Par. 302 (d)]

STATEMENT OF JOHN J. HOWARD, REPRESENTING THE LAVINO FURNACE CO., PHILADELPHIA, PA.

(The witness was duly sworn by the chairman of the subcommittee.)

Mr. HOWARD. Senator, I was not going to take up your time, but Mr. Doherty asked me if I would explain something that Senator King had asked for.

Senator REED. Yes. Did you appear before the House Ways and Means Committee?

Mr. HOWARD. No; we filed a brief.

Senator REED. And you are connected with the Lavino Furnace Co.?

Mr. HOWARD. Yes.

Senator REED. Senator King wants to ask you some questions about the metallurgy of manganese.

Senator KING. I am not quite clear in my mind, Mr. Howard, about the form in which manganese is used in the steel industry. Of course I know that ferromanganese is used, and I wanted to know just the process by which ferromanganese was used, and why there should be this high duty on ferromanganese in view of the duty on manganese itself. And if you will just explain a little of the metallurgy of ferromanganese I shall be obliged.

Mr. HOWARD. Ferromanganese is a metal, like pig iron is a metal. But there is 80 per cent of manganese, 12 per cent of iron, about 7 per cent of carbon, a little silicon, sulphur, and phosphorus. This carbonate is similar to lime carbonate. You drive off the carbonic-acid gas and you have left, after you drive off the CO_2 from that, a product similar to that which is an oxide. Put this in a blast furnace with coke. Coke combines with the oxygen which is in here, and leaves the metal manganese and the iron that is in with it. The resultant product is a commercial ferromanganese. I will be glad to send you a sample of it to show you what it looks like.

Senator KING. Do you seek to increase or diminish the iron content according to the character of steel that is to be made?

Mr. HOWARD. Well, the question conflicts. In making the ferromanganese that itself is the finished product which the steel man uses to take oxygen out of his steel. Manganese has a wonderful affinity for oxygen and that means that it is difficult to get the oxygen out of this. It takes twice as much coke to take the oxygen away from manganese ore as it does iron from iron ore. The result is when you put the metal into molten steel it will take any oxygen that is there and go back to an oxide.

Senator KING. I think I understand that. Is there any steel that is made that does not need manganese in some form?

Mr. HOWARD. Oh, yes. I am not in the steel business, but I happen to know that there are a lot of special steels.

Senator KING. Do the producers of steel make their own ferromanganese or get their manganese other than through the ferromanganese organization?

Mr. HOWARD. The United States Steel Corporation makes their own; the Bethlehem Steel Corporation makes their own, and we

supply as independent producers the other steel manufacturers who do not make their own.

Senator KING. Then yours is a separate industry?

Mr. HOWARD. Yes, sir; we do not make anything but ferromanganese.

Senator KING. Do you import your manganese?

Mr. HOWARD. Some.

Senator KING. What is the extent of the business of ferromanganese in the United States?

Mr. HOWARD. What extent do you mean?

Senator KING. In quantity.

Mr. HOWARD. I do not have the figures, but it must run about 340,000 to 350,000 tons per year.

Senator EDGE. Without looking up the record, can you tell whether there is a considerable amount of the finished product of ferromanganese imported?

Mr. HOWARD. There has not been so much since the tariff, Senator Edge. I imagine there is around 25,000 or 30,000 tons coming in now.

Senator KING. I see the production in 1927 was 291,000 long tons.

Mr. HOWARD. That is quite possible. I imagine it would be more now because the steel production is greater.

Senator KING. I see. Then there has been an increase in the production?

Mr. HOWARD. Yes.

Senator EDGE. Has the rate of duty changed recently on that product?

Mr. HOWARD. No; not since 1922.

Senator EDGE. What is it now?

Mr. HOWARD. One and seven-eighths cents a pound.

Senator KING. Is that not a pretty high rate of duty on ferromanganese?

Mr. HOWARD. No, sir; it is not.

Senator EDGE. If we took the duty off the manganese how much could we reduce the duty on the ferromanganese?

Mr. HOWARD. Well, the duty that is now on the ferromanganese is based on the assumption that it took 110 units of manganese in the ore to make a ton of ferro. On 50 per cent ore we have to pay a duty of about $24.64. The duty on ferro, 80 per cent manganese, is $33.60. It leaves a difference of about somewhere around $8 or $9.

Senator EDGE. Well, it is 1⅞ cents now and 50 per cent ad valorem.

Mr. HOWARD. No; that is only on low carbon ferromanganese.

Senator REED. If you look at paragraph (d) you will see that the duty is 1⅞ cents on ferromanganese containing more than 1 per cent carbon.

Senator EDGE. That is right.

Senator REED. Does that seven-eighths of a cent pretty fairly represent the production cost of the ferro from the manganese ore?

Mr. HOWARD. No, Senator; it was, I think, put on to take care of the difference between the cost of production here and in England. Our coke costs were higher; our labor costs are higher.

Senator REED. That is what I am asking. Does it pretty well cover that difference in cost?

Mr. HOWARD. I think it is a satisfactory rating. We have not asked for any increase in rate.

Senator REED. Does it more than cover it?

Mr. HOWARD. To what degree I could not tell you that. It is hardly a protection, because foreign ferro can come in here, and does.

Senator REED. Well, let us put it this way: If we put manganese ore on the free list then the duty on ferro would be reduced to seven-eighths cent per pound. Would you get along then as well as you are getting on now? That is, with the seven-eighths cent remaining on ferro?

Mr. HOWARD. Well, it looks reasonable, without figuring it out, Senator. I have never thought of it on that basis.

Senator EDGE. The trouble is, we have to think of all those things. If we are to make any change down to the fundamentals we have to change them all along the line.

Senator REED. You will file a brief, will you, Mr. Howard?

Mr. HOWARD. I filed one with the Ways and Means Committee. I would be glad to file another one here if necessary.

Senator REED. I think it would be a pretty good plan to file a brief, having in mind the questions that have been asked here.

Mr. HOWARD. From the looks of it I think we would be perfectly satisfied with seven-eighths cent a pound.

Senator REED. Was there anything else you wanted to say, sir?

Mr. HOWARD. I do not have anything. They asked me to come here, Senator.

Senator KING. Let me ask a question. Section (d) of paragraph 302 provides, "Ferromanganese containing more than 1 per centum of carbon, 1⅞ cents per pound on the metallic manganese contained therein." The metallic manganese contained therein would be what? Eighty per cent?

Mr. HOWARD. Eighty per cent. That would be 1,792 pounds.

Senator KING. Is that not a pretty heavy tariff, 1⅞ cents per pound?

Mr. HOWARD. Yes; but, Senator, we have already paid a duty of a cent a pound on the manganese that went into making the ton of ferro. So that the difference there is comparatively slight. We pay the Government $24.64 duty on the ore that went into a ton of ferro that has a protection of $33.60.

Senator KING. Suppose that you did not import your manganese. You have your domestic product.

Mr. HOWARD. Well, but that is selling at the same price.

Senator KING. There would be no difference?

Mr. HOWARD. No difference.

Senator KING. Do you think that you are justified in getting a 15 per cent ad valorem increase where the carbon content exceeds 1 per cent?

Mr. HOWARD. Do you mean is less than 1 per cent?

Senator KING. Yes; less than 1 per cent.

Mr. HOWARD. We do not make that special electric furnace process. There is not a great deal of that made or used.

Senator KING. Well, then, who receives the benefit of that 15 per cent ad valorem?

Mr. HOWARD. We do not enter into that at all.

Senator REED. You do not make any of that product?

Mr. HOWARD. No; none at all.

Senator REED. How many pounds of manganese in ore do you have to import in order to make 1 pound of manganese in ferro? In other words, what loss is there in the process?

Mr. HOWARD. That varies anywhere from 15 per cent to 20 per cent, maybe a little more than 20 per cent, depending on whether your ores are high silica or low silica. If you have a big slack volume you have a bigger loss.

Senator REED. Then of the 1⅞ cents per pound duty on the ferro about 1.20 is the compensatory duty on the manganese content of the ore, is it not? So that seven-eighths cent is pretty liberal?

Mr. HOWARD. Seven-eighths cent would be equivalent to about 25 per cent ad valorem on the present foreign price of ferro.

Senator REED. All right.

Senator KING. What is your company?

Mr. HOWARD. Lavino Furnace Co.

Senator KING. Is that one of the largest in the United States?

Mr. HOWARD. Well, we have three different blast furnaces. We are the only independent producers of ferromanganese.

Senator KING. What proportion of the domestic production of 300,000 tons is made by your company?

Mr. HOWARD. Well, we only class ourselves with what the independents produce. The Steel Corporation figures we have no access to. I do not know. We produce anywhere from 30,000 to 50,000 tons a year.

Senator KING. You produce 30,000 to 50,000 tons?

Mr. HOWARD. Yes. It varies with different years.

Senator KING. Is your business growing?

Mr. HOWARD. We are running one furnace. Did you say growing?

Senator KING. Growing.

Mr. HOWARD. No, sir.

Senator KING. That is all.

(Mr. Howard submitted the following brief:)

BRIEF OF THE LAVINO FURNACE CO. PHILADELPHIA, PA.

SENATE FINANCE COMMITTEE,
Washington, D. C.

GENTLEMEN: As manufacturers of ferromanganese, we wish to supplement the brief we filed before the Ways and Means Committee of the House. At the recent hearings before your committee, some questions arose that call for an explanation, particularly those referring to the relation of manganese ore to ferromanganese, and the duty on manganese ore and compensatory duty on ferromanganese, in the present bill.

Manganese, as it occurs in the ore, is not metallic, but is an oxide, and as such can not be used to any extent in the production of steel. While we frequently refer to an ore as containing 50 per cent metallic manganese, this manganese is actually in the ore as an oxide or combined with oxygen.

When manganese ore is reduced in a blast furnace, or electric furnace, by the same general principle of producing pig iron from iron ore, the oxygen, silica, magnesia, lime, alumina, etc., found in the ore are partially or totally eliminated as a slag, leaving a metal containing 78–82 per cent manganese, 12 to 13 per cent iron, 6 to 7 per cent carbon, and 2 to 3 per cent other impurities. This metal, ferromanganese, is an essential in practically all steel making, and its production is a highly technical manufacturing problem; whereas the production of manganese ore is a mining and geological problem.

In making ferromanganese there is a positive unavoidable loss of the manganese content in the ore in the manufacturing process which loss varies with the grade of ore used. With high-grade ore (50 per cent manganese) this loss is nearly 20 per cent; for instance, assuming a 20 per cent loss, it would require 2

tons of 50 per cent manganese ore (containing a total of 2,240 pounds manganese) to produce, under favorable conditions, 1 ton of 80 per cent ferromanganese (containing 1,792 pounds of manganese).

Under the present law, the duty on manganese ore is 1 cent per pound of manganese contained. The producer of ferromanganese must, therefore, pay $22.40 duty on the raw material (manganese ore) which he uses to produce one ton of ferromanganese. This represents 1¼ cent per pound on the manganese content of his finished product (ferromanganese).

The duty on ferromanganese, under the present law, is 1⅞ cent per pound of manganese contained. Deducting from this the duty cost of 1¼ cent per pound leaves a protective duty on ferromanganese of five-eighths cent per pound of manganese contained, or about $12 per ton.

Under the stimulus of this protection, the American ferromanganese manufacturers have supplied 79.9 per cent of the American requirements of ferromanganese during the 6-year period of 1923 to 1928. Importations of ferromanganese have supplied 20.1 per cent of the country's requirements.

We are not producers of manganese ore, but are manufacturers of ferromanganese, and all our product is sold in the open market. We are not asking for any increase in the duty differential on ferromanganese although, as stated above, 20 per cent of the ferromanganese used is imported.

If the duty on manganese ore is changed, it is apparent that the duty on ferromanganese should be adjusted, and if the duty on manganese ore is removed, we suggest, for the purposes of such adjustment, that the present differential duty on ferromanganese is equivalent to approximately 25 per cent ad valorem and that ferromanganese should be given this rate, which is the minimum rate in the ferro-alloy paragraph.

The above suggestions accord with the recommendations of the American Iron and Steel Institute, representing American steel producers, who are the principal users of ferromanganese and our principal customers.

Respectfully submitted.

LAVINO FURNACE CO.,
JNO. J. HOWARD, *Vice President.*

FERROSILICON-ALUMINUM ALLOYS

[Par. 302 (j)]

STATEMENT OF FRED TRUEMPY, REPRESENTING TRUEMPY, FAESY & BESTHOFF (INC.), NEW YORK CITY

(The witness was duly sworn by the chairman of the committee.)

Senator REED. Did you testify before the House Ways and Means Committee?

Mr. TRUEMPY. I did.

Senator REED. Did you file a brief?

Mr. TRUEMPY. Yes, sir.

Senator REED. We have the benefit of both your testimony and your brief. If there is anything that you want to add to that, all right.

Mr. TRUEMPY. I just would like to make a few explanatory remarks.

Senator REED. On what subjects do you wish to speak, Mr. Truempy?

Mr. TRUEMPY. On subdivision (j) of paragraph 302.

Senator REED. Aluminum, silicon alloys?

Mr. TRUEMPY. Yes; and ferrosilicon aluminum, alsimin, and silicon aluminum, and so on.

Senator KING. Did you testify about that before the House committee?

Mr. TRUEMPY. Yes, sir.

Senator KING. About these particular matters?
Mr. TRUEMPY. Yes, sir.
Senator KING. Was this amendment as found on page 65 of the bill before the committee when you were testifying?
Mr. TRUEMPY. No, sir.
Senator REED. Did you ask for the amendment, or did you oppose it?
Mr. TRUEMPY. Why, when I appeared before the Ways and Means Committee there was no special provision in paragraph 302 covering these particular alloys.
Senator REED. All right, do you advocate such an amendment as the House has put in, or do you oppose it?
Mr. TRUEMPY. We claim that our material should come in under paragraph 302, ferro-alloys used in the manufacture of steel.
Senator EDGE. What duty does that paragraph carry?
Mr. TRUEMPY. Twenty-five per cent ad valorem, Senator.
Senator KING. Where do you say it ought to go? Under what paragraph?
Mr. TRUEMPY. Paragraph 302.
Senator EDGE. The general paragraph.
Mr. TRUEMPY. This product used to be classified as an alloy used in the manufacture of steel, not specially provided for, at 25 per cent ad valorem for five years.
Senator REED. What is the effect of the change made by the House? Does it increase the duty?
Mr. TRUEMPY. Yes; instead of 25 per cent ad valorem, which amounted to about 1.7 cents per pound, the duty was increased to 5 cents per pound under the aluminum paragraph. It was an increase of over 300 per cent.
Senator REED. Tell us why it ought not to be increased.
Senator KING. Tell us first just what it is, and whether it is used in this country, and if not, why not?
Mr. TRUEMPY. It is an alloy made in the electric furnace by direct reduction from the ores. It is made entirely different from the way aluminum is made.
Senator REED. Is it made from bauxite?
Mr. TRUEMPY. Yes, sir; and it is only used in the manufacture of steel. It can not be used for anything else. It is a bulk product. It can not be machined. It is used only as a deoxidizer in the manufacture of steel.
Senator EDGE. What have you to say about the explanation given in the note following this amendment? I will not read it; you probably have read it. They explain the reason for the transferring from paragraph 374 to this special paragraph.
Mr. TRUEMPY. Three hundred and seventy-four is the aluminum paragraph, and covers aluminum and scrap and alloys of any kind in which aluminum is the component of chief value. And under aluminum alloys of commerce the metal aluminum is alloyed with one or more metals in order to impart certain properties for certain purposes, structural machine work.
Senator KING. Mr. Witness, I spoke with you for just a moment here in the hall and understood from you that this product was limited in amount; that it was produced only in Switzerland?
Mr. TRUEMPY. Yes, sir.

Senator KING. That the Steel Co. was using it, used it for a little while and desired it?

Mr. TRUEMPY. Yes.

Senator KING. And that somebody representing some aluminum organization got the Treasury Department to put a construction upon the law which raised the duty several hundred per cent so that for two years you have been denied the opportunity to import a single grain of it, and the Steel Co. has been denied the opportunity to use it? Is that the fact?

Mr. TRUEMPY. Correct, Senator.

Senator EDGE. Is any produced in this country?

Mr. TRUEMPY. No, sir.

Senator EDGE. None at all?

Mr. TRUEMPY. It has been produced in an experimental way. The Aluminum Co. of America, who instigated this reclassification, testified in the Customs Court that they had made it for a period of several months in an experimental way.

Senator KING. Are they making any now?

Mr. TRUEMPY. I do not think so.

Senator KING. Is the Steel Co. getting any to help them?

Mr. TRUEMPY. No, sir; the steel companies have been compelled to revert to the use of aluminum, pure aluminum again. Many of the steel plants prefer to use this ferrosilicon aluminum instead of pure aluminum.

Senator EDGE. You infer then, if I follow you correctly, that this is a fight between the Aluminum Co. and the steel companies? Is that not your inference? You say that the steel companies want it and can not get it except from Switzerland, and if they do not get it they are compelled to use aluminum, is that your statement?

Mr. TRUEMPY. That is about the situation. As long as the steel companies could get it at the lower rate of duty they liked it. They liked to use it.

Senator REED. Is this in chief value of aluminum?

Mr. TRUEMPY. They have four or five compositions. The aluminum content varies. It runs from 10 to 50 per cent. The highest aluminum content is 50 per cent. And since we have to pay 5 cents per pound on the 50 per cent we actually would have to pay 10 cents per pound for 100 per cent pure aluminum. We do not pay it because we can not import it any more.

Senator EDGE. What has been the approximate gross amount of the imports under the old classification?

Mr. TRUEMPY. In 1927 during the first nine months we imported 6,000,000 pounds and paid $107,000 of duty. Since that time we have not imported any.

Senator EDGE. You have not imported any since 1927?

Mr. TRUEMPY. No; the reclassification had the same effect exactly as an embargo.

Senator KING. You have not imported a pound?

Mr. TRUEMPY. No.

Senator KING. Is anybody manufacturing it so far as you know?

Mr. TRUEMPY. Not as far as I know.

Senator KING. Can you import it under that duty?

Mr. TRUEMPY. Under this reclassification; no, sir. Absolutely impossible. One of these alloys is known by the trade name of

alsimin. That is the one that contains 50 per cent of aluminum, and it was originally developed in close cooperation with the leading steel manufacturers in this country, and the Swiss manufacturers went to great expense to develop it in research work and create the capacity, and for five years we imported it at 25 per cent ad valorem. The Treasury Department ruled that it was dutiable under this paragraph here.

Senator EDGE. How long ago did they rule that? 1927?

Mr. TRUEMPY. Originally in 1922, Senator, and in 1924 and again in 1926 they confirmed this classification.

Senator EDGE. And that raised it from what to what?

Mr. TRUEMPY. No; that was the old rate. Twenty-five per cent ad valorem in the ferro-alloy paragraph where it is now provided in the House bill.

Senator EDGE. Twenty-five per cent ad valorem and 5 cents per pound specific?

Mr. TRUEMPY. Yes, sir.

Senator KING. And what would you have to pay now to bring it in under this provision in the House bill?

Mr. TRUEMPY. When we paid 25 per cent ad valorem we could only compete in a certain way to a certain extent with pure aluminum. We could not compete even at that rate with remelt aluminum, aluminum made from scraps.

Senator KING. I asked you, what would you have to pay now under this?

Mr. TRUEMPY. Five cents per pound.

Senator KING. Five cents per pound on that which you brought in?

Mr. TRUEMPY. Yes, sir; per pound of alloy. Which means 10 cents per pound of pure aluminum on the basis of the content.

Senator KING. Well, would you not have to pay any tariff on the alloy, or any cost? You pay 5 cents a pound on the aluminum?

Mr. TRUEMPY. Yes, sir.

Senator KING. Now, would you have to pay anything on the other alloys?

Mr. TRUEMPY. No.

Senator KING. They come in free?

Mr. TRUEMPY. No; all the other alloys used in the manufacture of steel are now specifically provided for in the House bill under (l), (m), (n), and (o).

Senator KING. You do not understand me. Suppose that you should bring a pound of this alsimin into the United States, what duty would you pay on it?

Mr. TRUEMPY. Five cents per pound.

Senator KING. What part of that would be attributable to aluminum?

Mr. TRUEMPY. It would contain about 50 per cent of aluminum.

Senator KING. I know, but would the tariff be all on the aluminum or on the other alloys?

Mr. TRUEMPY. Well, on the basis of aluminum it would be 10 cents per pound pure aluminum.

Senator KING. Yes?

Mr. TRUEMPY. If it is 50 per cent aluminum it would only be 2½ cents per pound.

Senator KING. Yes; but those other alloys have some duty imposed upon them, do they not?

Mr. TRUEMPY. Twenty-five per cent ad valorem. All these alloys in this paragraph used in the manufacture of steel are provided for with 25 per cent ad valorem with the exception of our one particular alloy.

Senator EDGE. I would like to get a little further information about this. It is rather deep, and the Tariff Commission can give it.

Senator REED. Yes; I will ask the Tariff Commission to give us a report on this subject.

Senator KING. And, Mr. Witness, when that report comes in I fancy the committee, if you had anything to say in reply to it, would be glad to have it.

Senator EDGE. It is something we have not in the tariff report at all.

Mr. TRUEMPY. Mr. Chairman, I have a brief here which I would like to file.

Senator REED. We would be glad to have it filed. It will go in the record at this point.

Senator KING. I think, Senator, that when the tariff authorities make a report he ought to have an opportunity to reply to it.

Senator REED. Yes; that will be printed in the record, and if you see the printed record and it has anything in it that occurs to you to be wrong we will be glad to have you put in a brief.

Senator EDGE. Was this inserted in the bill by amendment in the committee, or from the floor?

Mr. TRUEMPY. I am not aware, Senator.

Senator KING. Do you know at whose instance it was inserted?

Mr. TRUEMPY. There was a brief filed with the Ways and Means Committee by the Electro Metallurgical Corporation, and they covered the whole paragraph, and incidentally they also covered this particular alloy.

Senator KING. Who was their representative?

Mr. TRUEMPY. I think it was a Mr. Morrison.

Senator REED. All right, sir; we will find it later. Thank you.

(The brief presented by Mr. Truempy is as follows:)

BRIEF OF TRUEMPY, FALSY & BESTHOFF (INC.), NEW YORK CITY

COMMITTEE ON FINANCE,
United States Senate, Washington, D. C.

DEAR SIRS: May we call your attention to the new provision in paragraph 302 for—

(j) Silicon aluminum, aluminum silicon, alsimin, ferrosilicon aluminum, and ferroaluminum silicon, 5 cents per pound.

At the present time and since September 15, 1927, these alloys are returnable by Treasury Decision under paragraph 374 at 5 cents per pound as alloys with aluminum as component of chief value. Prior to that time they had been held by the Treasury Department in 1924 and again in 1926 to be properly classifiable under the provision in paragraph 302 covering all alloys used in the manufacture of steel not specially provided for, at 25 per cent ad valorem.

The reclassification under paragraph 374 was instigated by the Aluminum Co. of America. A protest against this assessment was sustained by the United States Customs Court, but upon appeal this decision was reversed by the United States Court of Customs Appeals.

A detailed statement covering all the facts was presented by this firm to the Committee on Ways and Means and appears in the record on page 2500 of Tariff Readjustment, 1929, Vol. III.

The present rate of 5 cents per pound is nearly three times that imposed on other similar alloys by the same paragraph, and there is absolutely no reason for

this discrimination. The alloys mentioned in the above extract are made directly from bauxite ore without going through the elaborate and expensive process that is necessary to produce aluminum and they have absolutely nothing in common with the aluminum alloys of paragraph 374 from which the rate of duty of 5 cents per pound is borrowed.

The aluminum alloys of commerce are made by mixing the pure aluminum metal with the alloying metal and they are used in the manufacture of automobiles and various forms of construction, whereas the articles mentioned in paragraph 302 can not be machined or worked. The only use for them is to throw them into a steel furnace for the purpose of deoxidizing the steel.

In paragraph 302, l, m, n, and o H. R. 2667 provides for the companion alloys at 25 per cent and there is no reason, economic or otherwise, why there should be any difference in respect to the alloys mentioned in 302 (j). They are all of the same general character and most of them are used for the same purpose—namely, in the manufacture of steel—and this tremendously high rate of duty on the silicon alloys amounts to a legislative eccentricity.

The alloys affected are bulk products and they can not stand the high duty. The quantity that could come in even at the 25 per cent rate is infinitesimal as compared with the general production of aluminum and aluminum alloys by the Aluminum Co. of America, which stands as the most complete monopoly known to man.

The highest aluminum content in any of these alloys runs 46 to 50 per cent in the alloy known by the trade name of Alsimin. On the basis of actual aluminum content, the duty therefore amounts to from 10 to 11 cents per pound. There are a number of other alloys of the ferrosilicon-aluminum system ranging in aluminum content from 10 to 20 per cent where on the basis of actual aluminum content the rate of duty would amount to from 25 to 50 cents per pound. Needless to state that all these alloys of the ferrosilicon-aluminum system can not bear such a duty and as a result their importation has been completely stopped.

It is estimated that out of the total production of aluminum about 5 per cent is used in the manufacture of steel. About half of this amount again is supplied by local smelters of secondary aluminum. Even at a rate of 25 per cent ad valorem ferrosilicon-aluminum can not successfully compete with remelt aluminum which sells below 20 cents per pound, and it is therefore apparent that the importation of these alloys for use in steel can not affect to any extent the manufacture of aluminum as an industry.

We, therefore, most earnestly request that subdivision (j) of paragraph 302 be eliminated and that subdivision (o) be amended to read:

"(o) Ferrosilicon-aluminum alloy used in the manufacture of steel and all alloys used in the manufacture of steel or iron, not specially provided for, 25 per centum ad valorem."

Respectfully submitted.

TRUEMPY, FAESY & BESTHOFF (INC.),
FRED TRUEMPY, *President.*

FERROCERIUM

[Par. 302 (q)]

FURTHER STATEMENT OF THOMAS J. DOHERTY; BRIEF OF ALEXANDER HARRIS, REPRESENTING THE NEW PROCESS METALS CORPORATION, NEWARK, N. J.

Senator REED. Mr. Alexander Harris.

Mr. THOMAS J. DOHERTY. He can not be here. He had made an arrangement for a long trip. So he sent this brief. I am his representative. It is not a steel-making alloy at all. He sent this brief down to me this morning and asked me to file it.

Senator KING. Is this a request to increase the tariff?

Mr. DOHERTY. He has asked for a slight increase in duty on this ferrocerium.

Senator REED. He has $4,000 a ton now and wants it slightly increased.

Senator KING. I think he ought to come here and let us cross examine him.

Mr. DOHERTY. Well, he states in here just briefly the reason, and gives the European cost.

Senator EDGE. He does give the European cost and the American cost?

Mr. DOHERTY. Yes.

Senator KING. File it, but may I express my opinion that unless he comes here and submits to cross examination I will pay very little attention to it in view of the demand.

Senator REED. We will put his brief in this record.

Mr. DOHERTY. It was not sworn to, Senator, because he did not know about that regulation.

Senator KING. Where is he going?

Mr. DOHERTY. He is going to Canada.

Senator KING. How long will he be gone?

Mr. DOHERTY. Two weeks.

Senator KING. Tell him to come back at the end of the two weeks.

Senator REED. In the meantime we will file his brief at this point.

Senator KING. Tell him to appear here then.

Mr. DOHERTY. Yes.

Senator EDGE. In fairness to Mr. Harris, the witness who was unable to be here, and whose brief was filed for him, who is asking for some changes in ferrocerium, in view of the fact that the Senator from Utah has asked him to return in two weeks I want to put in the record that the imports of this material have gone up 2,000 per cent from 1927 to 1928. I have not studied the situation, but I get these facts from a hurried reading. There may be some reason for that that we do not understand. In other words, the imports were negligible previous to 1927. In 1928 they have suddenly gone up to 2,085 pounds. I am merely putting that in the record because of the request of Mr. Harris' representative that the brief be put in the record.

Senator REED. The imports were one pound in 1926 and 2,085 pounds in 1928, which is an increase of 208 thousand per cent.

Senator EDGE. Yes, and there must be some reason for that that I feel the committee should investigate.

(The brief presented by Mr. Doherty on behalf of Mr. Alexander Harris is as follows:)

BRIEF OF THE NEW PROCESS METALS CORPORATION

FINANCE COMMITTEE,
United States Senate, Washington, D. C.

GENTLEMEN: The attention of the committee is respectfully invited to that portion of Schedule 3, paragraph 302, which reads as follows:

"Cerium metal $2 per pound: Ferrocerium and all other cerium alloys $2 per pound and 25 per centum ad valorem."

It is respectfully asked that this section of said paragraph 302 be amended to read as follows:

"Cerium metal $2 per pound: Ferrocerium, all other cerium alloys, and manufactures of ferrocerium $2.50 per pound and 25 per centum ad valorem."

Subsequent to the passage of the tariff act of 1922 (H. R. 7456) it has been found that the duty provided therein on ferrocerium and all other cerium alloys has not been sufficient to properly protect the industry in this country, hence the reason for the slight increase above referred to, and which, we may add, was originally asked for before the passage of the act of 1922.

Ferrocerium is an alloy of cerium and iron. The metal cerium is a product of electrometallurgical chemistry. It is manufactured by an intricate process requiring expensive machinery and apparatus. The alloy of cerium and iron is produced by an even more difficult process.

Ferrocerium finds its greatest use as the sparking element in cigar lighters and other similar devices. Its more important use, however, is as the ignition element in miners' safety lamps and for mining lamps generally.

If it could not be produced in this country and if, as in times of war, it could not be easily imported, the lack of it might most seriously interfere with basic mining operations. It is, therefore, of the utmost importance that the industry here should receive sufficient protection to keep it alive.

In this country, the normal market is a very small one, not in excess of about 1,000 pounds per month. In Europe, where it is also manufactured, in Germany, France, and Austria, the market there is a very large one and combinations of producers permit of it being manufactured at a very low cost, not only because of very much larger markets and production but also because of much cheaper raw materials as well as lower electric, power, and gas costs.

The cost of producing the alloy here is about $4.50 per pound whereas the cost abroad is considerably less than half this cost as is evidenced by the fact that the regular selling price there to the trade is equivalent to about $2.50 per pound, even in small quantity.

Considerable quantities of European ferrocerium are now being imported into this country with the consequence that the already small market for same here is being seriously cut into and it is becoming an increasingly difficult problem to run, with any margin, our cerium alloying plants and to keep the industry alive here.

We, therefore, respectfully ask that there be granted the very modest increase of duty herein referred to so that there may be afforded some protection to this domestic industry, small in itself but most important in its applications, particularly in time of war and so as to enable same to properly develop in this country.

Respectfully submitted.

NEW PROCESS METALS CORPORATION,
ALEXANDER HARRIS,
President, Newark, N. J.

BAR IRON

[Par. 303]

STATEMENT OF CHARLES HART, PHILADELPHIA, REPRESENTING THE WROUGHT IRON CO. OF AMERICA AND OTHERS

[Including sponge iron, par. 303, and steel bars and concrete reinforcement bars, par. 304]

(The witness was duly sworn by the chairman of the subcommittee.)

Mr. HART. Mr. Chairman and gentlemen, in this matter I was listed to speak on paragraph 301, which is pig iron. We figured that it was better to have Colonel Richards represent the central part of the United States and Mr. Logan the Atlantic coast. So I will not in any way speak on that, although I appeared before the other committee—that is, the Ways and Means Committee of the House—and my briefs are on file there, and probably unread, I would think.

Senator EDGE. What section are you speaking on?

Mr. HART. I am simply saying that I am not going to speak on paragraph 301.

I would like to say, however, in regard to Senator King's question on the iron ore in India, that if you desire information on that, I have it at home in my office and will be very glad to submit it if the Senator is sufficiently interested as to the iron ore reserves in India.

Senator REED. Are they very large?

Mr. HART. It is two or three pages, copied out of a book published by the English Government. If you want it, you can have it. If not, I will not bother you with it.

Senator EDGE. Just answer the question.

Senator REED. Are they very large?

Mr. HART. Oh, yes.

Senator REED. Have they 100 years' supply?

Mr. HART. Yes; for their present consumption, they are inexhaustible. I thought you meant the quantity of printed matter on the report.

They admit that they have an inexhaustible supply.

The particular thing I wish to talk about this morning is paragraph 303. That is the bar-iron schedule, and, in general, the rolling mills which produce common bar iron and steel.

We are a very small part of the steel industry. The people I represent here comprise a list of about 27 or 28 mills scattered throughout the United States. They have no affiliation with the larger companies They are the old-fashioned rolling mills that now are still able to keep going, and hope to keep going.

Senator REED. You mean steel as well as iron?

Mr. HART. Yes.

Senator REED. The merchant bar mills, is that it?

Mr. HART. Yes. They do not compete well in steel. In fact, they do not compete well in anything.

Senator EDGE. Does the Rockaway Works come under that category?

Mr. HART. Yes. Rockaway is one of those on my list here. That is in the State of New Jersey.

Senator EDGE. It is not necessary to remind me of that fact.

Mr. HART. I appreciate that. The Ames Works, at Jersey City, is another one in the State of New Jersey.

In order to make myself clear, I wish to state that there are three general products made by these rolling mills.

One of them is genuine wrought iron, which is the result of puddling. Puddling produces muck bar from pig iron. It is the highest grade of iron that is made, and very expensive.

To the extent that this country can consume it, our mills produce it, plus what is imported. On common iron, that is made up of scrap material, and competes with bar steel. In that way steel is injected into this proposition.

Senator REED. That is largely a process of rolling down secondhand rails.

Mr. HART. Secondhand rails, pieces of shafting, car axles, or anything we can take as scrap, roll it in our high-cost mills, and sell it in competition with new steel coming from the larger corporations.

Senator REED. You do not import it at all?

Mr. HART. We do not import it at all.

Senator EDGE. Paragraph 303 in the pending bill, the House bill, makes no change whatever in the existing duty.

Mr. HART. It has done one thing, and I will mention that later. They have included in that list sponge iron.

Senator EDGE. I noticed that; granular or sponge iron has been added to the paragraph.

Mr. HART. For that reason——

Senator EDGE. There has not been any change in the rate of duty.

Mr. HART. No; I am sorry to say there has not been.

I will mention sponge iron right now, and I will not have to bring it up later.

Sponge iron is a material competitive with muck iron or muck bar in certain processes. Sponge iron is made in Sweden very successfully, at a much lower cost than we have. Up to the present time the shipments we have received in this country are very small, but by classifying it under this paragraph 303, it takes the same duty as muck bar, and in that way we have the protection for which we have asked.

Senator EDGE. Where was it before—on the free list?

Mr. HART. It was free because it was not classified. It is practically a new product that has just come in.

Senator EDGE. What are you asking for, as compared with the existing rate of duty?

Mr. HART. In the first place, we are asking for American valuation on these products. Of course, that is a big step forward.

Senator EDGE. This committee is not considering that particular administrative feature at this time.

Mr. HART. I understand. It is all based on that. We are asking that all iron and steel bars that have a value of less than 2½ cents have a uniform duty of one-half cent a pound.

Senator REED. All that have a value of what?

Mr. HART. Less than 2½ cents a pound.

Senator REED. All less than 2½ cents a pound?

Mr. HART. Yes.

Senator REED. A duty of what?

Mr. HART. A duty of one-half cent per pound. The present duty in the bill is on the schedule, under 1 cent; then under a cent and a half; and then under 2½ cents. We contend that either in steel or iron there is not any 1½-cent material produced in this country.

Senator BARKLEY. What does that represent, in percentage of increase?

Mr. HART. The old rates were, on 1 cent a pound value and under, two-tenths of a cent; from 1 cent to a cent and a half was three-tenths of a cent.

Senator BARKLEY. I understand. I know that. But what does the average of your request mean, in percentage of increase over the present rates?

Senator REED. It is the same rate on all valued over 1½ and under 2½ cents?

Mr. HART. If you will let me explain that to you, Senator, it is this. Here are the present rates: Two-tenths of a cent when it is under 1 cent; three-tenths of a cent when it is from 1 cent to 1½ cents; and five-tenths of a cent from 1½ to 2½ cents. We are asking for a straight one-half cent on those three listings, so that that would eliminate that two-tenths and three-tenths of a cent.

Now, you have to take those values into account, and also the importations, to figure out what increase that is on the industry, if that is what you want.

Senator EDGE. We should have that, as a matter of fact. Before you get to that, do you suggest any difference on material valued above 2½ cents, as compared with the existing rates?

Mr. HART. Only in iron. That is what we call genuine puddled iron. We have no interest in steel above 2½ cents, because it is not competitive with us. We have asked——

Senator BARKLEY. I see here that there has been a general gradual reduction in the imports ever since 1922, fluctuating from 10,000,000 pounds in 1922 to 28,000,000 in 1928, and then down to 5,000,000 last year.

Mr. HART. 1928 was the last year, was it not.

Senator BARKLEY. Yes. In 1928 the importations were practically 5,000 tons of this ore, as compared to a domestic production of 187,000 tons.

Mr. HART. That is approximately the figures I have. Of that, however, practically——

Senator BARKLEY. Also in that connection, we exported last year more than we imported.

Mr. HART. Of this particular grade of material, wrought iron?

Senator BARKLEY. Well, this bar iron. So that we actually shipped out of the country more than we shipped in, which was a very small proportion of our total production. How does that materially affect the price of the domestic product?

Mr. HART. You mean the exports?

Senator BARKLEY. No; the imports.

Mr. HART. Importing very materially affects it, due to the fact that that material is brought in at a price so much lower than the American price.

Senator BARKLEY. But there is a small amount of it brought in.

Mr. HART. But it has its effect just the same.

Senator EDGE. Where do you get the information, Senator, that the exports are greater than the imports?

Senator BARKLEY. Page 628.

Senator REED. In 1928 the exports were larger than the imports.

Senator EDGE. In one year.

Senator REED. In the previous years they were smaller.

Senator BARKLEY. That is true, but I am speaking of 1928.

Mr. HART. I have no explanation of that. What I am getting at is that it affects it.

Senator EDGE. The production has decreased very materially, from 899,000 tons down to 187,000 tons.

Senator BARKLEY. That could not have been caused by the importation of 5,000 tons. Has there been a decrease in the general use of this bar iron?

Mr. HART. Yes, there has, to some extent; not in the cheaper grades, however. The cheaper grades are competitive with steel bars, and are used in a great many cases for the same purpose. But in the high grades of iron, getting up around 6 and 7 cents, there is, of course, some substitution of steel for this particular grade of material. This high-grade stuff is used for making genuine iron rivets, stay-bolt iron for locomotives, and it is used in places where iron has to resist corrosion, and for special purposes. Forty-four per cent of that iron that came in in 1927 came in on a basis of less than 1½ cents a pound. Our market on common bars for that year was about 2.12 cents a pound at Philadelphia. That is what hurts us, in the competition.

Senator EDGE. As a matter of fact, the business demand for your product has greatly fallen off.

Mr. HART. It is reflected in the great number of mills that have gone out of business.

Senator EDGE. But, I mean to say, a higher rate of duty would not greatly remedy that situation.

Mr. HART. It would, sir.

Senator EDGE. Not with reduced imports all the time and reduced domestic production along the same line. As the Senator from Pennsylvania frequently says, I am a pretty high protectionist, but I do want to have the conditions to base it upon.

Mr. HART. In this way: Although this apparent importation is not great, it has its effect upon the general trade; and, as I said at the beginning of my talk here, the importation of steel bars affects us even more, because 88 per cent of the steel bars that came in in the year 1927 were valued at less than 1½ cents a pound.

Senator REED. Paragraph 303 does not relate to that, however.

Mr. HART. But it is affected, because our common bars, which come under this, are interchangeable, so, that is why we have to inject into this matter this steel schedule.

Senator EDGE. That carries out more or less the suggestion that I made, that your business, unfortunately, is showing a decline.

Mr. HART. Yes.

Senator EDGE. For one reason or another.

Mr. HART. But what is left of it, however, we want to do the best we can for.

Senator EDGE. And we want to do the best we can for you.

Mr. HART. The competition we have is most severe on the coast, because most of these plants are on or near the coast, and are subject to the coast competition.

Senator REED. We are very much obliged, Mr. Hart.

(Mr. Hart submitted the following brief:)

BRIEF OF CHARLES HART, REPRESENTING THE WROUGHT IRON CO. OF AMERICA AND OTHERS

Hon. REED SMOOT,
Chairman the Finance Committee,
United States Senate, Washington, D. C.

SIR: We are appearing in the interest of that portion of the iron and steel industry of the United States represented by the so-called rolling mills. These are separate and distinct from the steel works of a larger capitalization and which are more or less self-contained as to raw materials and intermediate manufacturing plants. We are pleased to append herewith a complete list of the mills interested in this matter which we are bringing before you:

Altoona Iron Co., Altoona, Pa.; Ames & Co., W., Jersey City, N. J.; Bancroft & Martin Rolling Mill Co., South Portland, Me.; Burden Iron Co., Troy, N. Y.; Edwards, E. T., Columbia, Pa.; Ewald Iron Co., Louisville, Ky.; Falls Hollow Staybolt Co., Cuyahoga Falls, Ohio; Fort Dodge Culvert & Steel Co., Fort Dodge, Iowa; Fort Wayne Rolling Mill Corporation, Fort Wayne, Ind.; Hughes & Patterson Co., Philadelphia, Pa.; Janson Iron & Steel Co., Columbia, Pa.; Knoxville Iron Co., Knoxville, Tenn.; Lockhart Iron & Steel Co., Pittsburgh, Pa.; Logan Iron & Steel Co., Burnham, Pa.; Milton Manufacturing Co., Milton, Pa.; Nicetown Plate Washer Co., Philadelphia, Pa.; Old Dominion Iron & Steel Co., Belle Isle, Richmond, Va.; Penn Iron & Steel Co., Creighton, Pa.; Pittsburgh Forge & Iron Co., Pittsburgh, Pa.; Rockaway Rolling Mill, Rockaway N. J.; Rome Iron Mills, Rome, N. Y.; Texas Steel Co., Fort Worth, Tex.; Ulster Iron Works, Dover, N. J.; Valley Rolling Mills, Elmira, N. Y.; Tidewater Steel Co., New York, N. Y.; Wrought Iron Co. of America, Lebanon, Pa.

These products are classified under the following general headings:

1. *Genuine wrought iron.*—This material is of the very highest grade and the result of the process known as puddling, the product from this operation being known as muck bar. Therefore, muck bar is the basic material for the manufacture of all grades of genuine wrought iron.

2. *Common iron.*—This is a secondary product of the rolling mills and is made largely from scrap and recovered materials and represents the bulk of the rolling mills production.

3. *Steel.*—Steel produced by the rolling mills is generally finished into bars and products of like nature. These bars are rolled either from new billets purchased from the larger steel companies or from scrap steel purchased for the purpose.

These mills, at the present time, are located in the majority of cases sufficiently close to the coast as to be materially affected by imports. For that reason we take the liberty of asking your committee for relief. It should be borne in mind that there is no request on the part of the steel mills in general for an increase in tariff on their products, as the larger companies, which are self-contained, apparently are satisfied with their results under the present bill and it is for the minority that we ask for the consideration of an increase on certain commodities, where competition of foreign material is most severe.

We submit herewith a statement showing importations of iron and steel products for the year 1927. These are the latest available figures and emphasize our needs. (Table 1.)

TABLE 1.—*Imports entered for consumption, calendar year 1927*

[Information from the American Tariff League, New York, January 5, 1929]

Article	Rate of duty	Quantity	Value	Duty	Equivalent ad valorem
Iron slabs, blooms, or other forms less finished than iron in bars, and more advanced than pig iron, except casting:					
Valued over 1½ cents, not over 2½ cents per pound.	0.5 cent per pound..	206,270	$3,182.00	$1,031.35	32.41
Valued over 5 cents per pound..	1.5 cents per pound..	547	29.00	8.21	28.31
Bar iron:					
Muck bars, bar iron, and round iron in coils or rods—					
Valued not above 1 cent per pound.	0.2 cent per pound...	10,059	97.00	20.12	20.74
Valued over 1 cent, not over 1½ cents per pound.	0.3 cent per pound...	4,627,049	58,707.00	13,881.15	23.64
Valued over 1½ cents, not over 2½ cents per pound.	0.5 cent per pound...	2,497,379	54,754.00	12,486.90	22.81
Valued over 2½ cents, not over 3½ cents per pound.	0.8 cent per pound...	2,370,224	76,470.00	18,961.79	24.80
Valued over 3½ cents, not over 5 cents per pound.	1 cent per pound....	332,151	13,752.00	3,321.51	24.15
Valued over 5 cents per pound.	1.5 cents per pound..	694,171	42,227.00	10,412.57	24.66
Steel bars:					
Valued not over 1 cent per pound.	0.2 cent per pound...	23,679,030	228,128.00	47,358.06	20.76
Valued over 1 cent, not over 1½ cents per pound.	0.3 cent per pound...	151,856,721	1,816,404.00	455,570.16	25.08
Valued over 1½ cents, not over 2½ cents per pound.	0.5 cent per pound...	6,874,623	130,089.00	34,373.12	26.42
Valued over 2½ cents, not over 3½ cents per pound.	0.8 cent per pound...	2,321,482	74,947.00	18,571.86	24.78
Valued over 3½ cents, not over 5 cents per pound.	1 cent per pound....	3,708,539	166,642.00	37,085.39	22.25
Valued over 5 cents, not over 8 cents per pound.	1.7 cents per pound..	9,075,267	605,234.00	154,279.54	25.49
Valued over 8 cents, not over 12 cents per pound.	2.5 cents per pound..	1,041,318	114,371.00	26,032.95	22.76
For manufacture in bonded warehouse and export.	Free.....	228	20.00	.....	.....
Valued over 12 cents, not over 16 cents per pound.	3.5 cents per pound..	1,826,086	259,772.00	63,913.01	24.60
Valued over 16 cents per pound..	20 per cent.....	295,930	70,949.00	14,189.80	.....

We respectfully ask that you give consideration to a change on the valuation of these commodities and that the duty be levied on the American valuation instead of on the cost at the point of purchase. This must be apparent, due to

the fact that the schedule now in effect in the Fordney bill and also recommended in the bill just passed by Congress, where foreign valuations are used, makes the situation doubly unfair to the American manufacturer. In the first place, the lower the price at which the purchases are made on the other side the lower the duty paid here, so that the two items give the lowest net cost to the importer for sale in competition with American products. We are therefore emphasizing the need of American valuation. To bear out this point, reference to Table 1 will show that 44 per cent of the iron imported in the year 1927 came into this country at a price of 1½ cent per pound or less, while the average price for American products of like quality at Philadelphia was 2.12 cents per pound. Had the American valuation on this product been in force at 2.12 cents instead of less than 1½ cents the duty would have been increased materially and the competition on the part of the foreign products materially lessened. The law as now in force and as now proposed is unfair in that it permits the importation of inferior materials at lower prices in competition with our common bar iron. At this point I wish to emphasize another request, and that is that all iron and steel bars selling for less than 2½ cents per pound have a duty of one-half cent per pound imposed, doing away with the duty imposed under the present tariff bill.

We append herewith Table 2, showing the present rates of tariff on these materials and the duty which we are requesting.

TABLE 2.—*Present tariff rates and duty recommended*

	Fordney bill	Duty requested
	Cents	*Cents*
Valued at not over 1 cent per pound	0.2	0.5
Valued above 1 cent and not over 1½ cents per pound	.3	.5
Valued above 1½ cents and not over 2½ cents per pound	.5	.5
Valued above 2½ cents and not over 3½ cents per pound	.8	1.0
Valued above 3½ cents and not over 5 cents per pound	1.0	1.5
Valued above 5 cents and not over 8 cents per pound	1.5	2.0
Valued above 8 cents or over	1.5	2.5

As rolling-mill operators we have no particular interest in the duty on rolled steel where the price is above 2½ cents. Steel of this quality does not compete with common bar iron or with genuine wrought iron. We do ask, however, in the above table, for an increase in the duty on iron products as shown throughout, for the reason that the manufacture of these high grades of iron is costly and the American manufacturer should be relieved from the competition coming from countries with a lower rate of wages and much lower cost of manufacture on these commodities.

Sponge iron.—In our previous briefs we have called attention to the introduction of a new material in this country known as sponge iron. This product was not covered by the Fordney bill. In the new House bill as passed by the present Congress they have been good enough to classify sponge iron with muck bar and materials of the same nature and we request that this classification stand and that the sponge iron carry the same duty as may be fixed for muck bar, bar iron, etc., under the new schedule.

Concreting bars.—The rolling mills which we represent are given over largely to the rolling of reinforcing-concrete bars. There has been serious competition from foreign concreting bars due to the fact that it had been decided by the ruling of the court that concreting bars are structural material and not bar steel, and therefore took a lower rate of duty than it should have had, had it been properly classed as bar steel. The House bill has taken care of this inequality and seen fit to specifically name concreting bars under the heading of steel bars, as it should be.

Steel bars.—We also refer to Table 1 showing importations of steel bars, which are highly competitive with common iron bars. In this table it is shown that 88 per cent of the imports of steel bars in 1927 were valued at less than 1½ cents per pound, while the delivered price on domestic material in competing territory was 2.19 cents per pound. In view of the fact that common iron bars and steel bars are highly competitive we call the attention of this committee to this situation in steel and the reason that we are asking for American valuation, and that all steel and iron bars selling for less than 2½ cents per pound carry the uniform duty of 5 cents per pound.

We fully appreciate the fact that the production of iron and steel bars in rolling mills is not a very great tonnage, but as far as it goes it is quite important that these rolling mills have protection. We ask for this due to the fact that their location is such that they are most affected by imported material and that they are the least able to stand this competition.

The American Iron and Steel Institute committee have seen fit to ask for no very great changes in the tariff on the commodities purchased by the companies making up their membership. The request of the rolling mills for protection does not in any way affect the general tariff structure, but affords relief to a very small portion of the iron and steel industry, and will not contribute in any way to an advance in steel prices and can not in any way be construed as a reason for a general advance in the cost of iron and steel products in America.

However, the institute committee have seen fit to recognize the predicament of the rolling mills above mentioned and have been good enough to concur in our request for relief on iron and steel bars as already outlined.

Respectfully submitted.

CHARLES HART.

STATEMENT OF GEORGE W. ARMSTRONG, REPRESENTING THE TEXAS STEEL CO., FORT WORTH, TEX.

[Including steel bars and concrete reinforcement bars, par. 304]

(The witness was duly sworn by the chairman of the subcommittee.)

Senator REED. Mr. Armstrong, are you from Mississippi, or from Texas?

Mr. ARMSTRONG. I am from Fort Worth, Tex. I have a plantation in Mississippi, and I have written some letters from there. I presume in that way my address was put down wrong.

Senator REED. You represent the Texas Steel Co.?

Mr. ARMSTRONG. I am president of the Texas Steel Co., and owner of all of its capital stock.

Senator REED. Did you appear before the House Ways and Means Committee?

Mr. ARMSTRONG. Yes, sir; I did.

Senator REED. Did you testify there?

Mr. ARMSTRONG. Yes, sir.

Senator REED. Did you leave a brief with them?

Mr. ARMSTRONG. I did.

Senator REED. You want to speak to us about paragraph 304, I understand, particularly with reference to concrete reinforcement bars.

Mr. ARMSTRONG. Yes, sir.

Senator REED. Did the House committee do what you wanted them to do?

Mr. ARMSTRONG. No, sir. I should add, gentlemen, that I am also chairman of a committee appointed by the Southern Tariff Association to represent the small steel industries of the South. The other two members of the committee are Mr. L. L. Lesser, manager of the Southern Rolling Mill Co., of Birmingham, and Mr. W. P. Davis, of the Knoxville Iron & Steel Co., of Knoxville, Tenn.

Senator REED. Mr. Armstrong, tell us, please, why should concrete reinforcement bars get any different treatment from any other product of a merchant bar mill?

Mr. ARMSTRONG. They should not.

Senator REED. They are given the same treatment here, are they not?

Mr. ARMSTRONG. Yes, sir. They are given the same treatment, but my complaint is against the treatment of merchant bars and concrete bars.

The only change made in that paragraph by the House was to put concrete reinforcement bars under paragraph 304.

Senator KING. Taking it out of where?

Mr. ARMSTRONG. Taking it out of structural steel, the paragraph which carried a lower duty.

Senator REED. That was logical, was it not?

Mr. ARMSTRONG. Logical, no doubt; and I think the Customs Court decision was plainly in error.

Senator KING. Then you are opposed to this increase?

Mr. ARMSTRONG. No, sir; I am in favor of a further increase.

Senator EDGE. Right on that point, you spoke of representing the Southern Tariff Association here.

Mr. ARMSTRONG Yes, sir.

Senator EDGE. It has a membership in practically all the Southern States.

Mr. ARMSTRONG. I think in all of them.

Senator EDGE. Looking for protective tariff.

Mr. ARMSTRONG. For the farm; for agriculture and for industry.

Senator EDGE. Side by side?

Mr. ARMSTRONG. Side by side; yes, sir.

Senator REED. What is the ordinary foreign invoice price on the concrete bars that are coming in now, Mr. Armstrong?

Mr. ARMSTRONG. The price has varied from about $21 a ton to about $26 a ton at the present time.

Senator REED. So that, under this paragraph as it comes to us from the House, the product would carry a duty of three-tenths of a cent per pound.

Mr. ARMSTRONG. Three-tenths of a cent; yes, sir.

Senator REED. Which is a 50 per cent increase over the one-fifth of a cent per pound that they have been taking.

Mr. ARMSTRONG. Yes; on concrete bars.

Senator REED. Fifty per cent over the present duty.

Senator KING. It is more, is it not, Senator?

Senator REED. No.

Mr. ARMSTRONG. I should state to the committee that the Treasury Department construed concrete bars and classed them as merchant steel bars, and that until just a short time before the hearing before the House committee the customs had been collected on the basis of three-tenths of a cent, but the importers appealed to the Customs Court. The Customs Court reversed that ruling.

That occurred just a short time before the hearing in the House, and the House corrected and changed the rate so as to include concrete bars under paragraph 304, where no doubt it was intended to be from the beginning.

Senator REED. The Customs Court stuck them in as beams, girders, joists, angles, and such products?

Mr. ARMSTRONG. Yes, sir. They are really rolled, just as ordinary bars are rolled.

Senator REED. If you will forgive one more question, we will not interrupt you any more. We have to grope around to get our bearings on each item.

Mr. ARMSTRONG. Just ask me anything. If I do not known I will tell you.

Senator REED. How do you make these bars? Do you roll them down from old rails, or do you make them from billets?

Mr. ARMSTRONG. I make them both ways. I roll them down from old rails, and also make them from billets. So far as the rolling is concerned, it is just the same as merchant bars. They are rounds, or squares, seldom more than one and a half inches in diameter—usually around three-quarters of an inch, or around a half inch to an inch in diameter, and are used in the concrete reinforcement work.

Senator REED. Generally in these Southern rolling mills, is it a process of rerolling, or do they use billets?

Mr. ARMSTRONG. I think most of them do as I do. They use both rails and billets. I know the LaClede Steel Co. does; the Sheffield Steel Co., at Kansas City, does. I think the Southern Rolling Mill Co. does.

Senator REED. Whatever is cheapest at the moment?

Mr. ARMSTRONG. Yes, sir.

Senator EDGE. They are solid. They are not hollow, are they?

Mr. ARMSTRONG. Oh, yes; they are solid. It is not whatever is cheapest, Senator. There is a limited demand for rail bars. They are hard and they break in bending, and they are discriminated against. Some architects will not use them at all, and where you use the rail bar it is at a lower price than the billet bar—usually about $5 a ton difference. Of course, they are cheaper to make. As matters now stand, most of us are trying to push the rail bar, because we can make it cheaper, and we can, in a way, meet the competition we have under this low market.

Senator REED. It is just as good after it has been set, is it not?

Mr. ARMSTRONG. It is just as good. In fact, it has greater tensile strength, but the rail bar is not used nearly so extensively as the billet bar.

Senator REED. Forgive my interruptions and go ahead and say what you wanted to say.

Senator KING. Is this product for which you are speaking used only in concrete buildings?

Mr. ARMSTRONG. The reinforcement——

Senator KING. And for reinforcement generally?

Mr. ARMSTRONG. Yes. It is used in road work, and in bridges, and it is used in buildings.

Senator KING. Regardless of the thickness? It embraces——

Mr. ARMSTRONG. The engineers call for the sizes. In road work, in the bed of the road, it is usually a half inch bar; sometimes a quarter inch bar. In bridges it gets up as large as an inch and a half in diameter.

I am also interested, gentlemen, in the merchant bar. I speak particularly for the concrete bar because that is my principal product. But the mills that I represent here—some of them—sell quite a lot of merchant bars. The concrete bar and the merchant bar are identical when the concrete bar does not have a lug on it. In roll-

ing you make a little lug, or rough surface, ordinarily, but sometimes they specify plain bars, and then they are just ordinary steel bars. So that the market for steel bars and concrete bars is always identical, practically, except the rail bar, which is a cheaper manufactured product, and not so desirable, and sells at a lower price.

Senator KING. Let me ask you a question, if I may.

Mr. ARMSTRONG. Yes, sir.

Senator KING. In view of the vast amount of roadbuilding in the United States, and in view of the concrete development in the construction of houses and the greatly increased use of these bars, any increase in the price, of course, would greatly affect, or appreciably affect, the price of our roadbuilding, as well as other building, would it not?

Mr. ARMSTRONG. Well, it is so small an item in the road cost that I do not think it would affect. I want to state the cost accurately—I am not sure, but I think it is only 5 cents, or maybe 3 cents a yard——

Senator KING. There is an increase of $6 a ton in the rate, is there not?

Mr. ARMSTRONG. There is an increase of $6 a ton, but that does not affect it, because there are so many other elements. We have had fluctuations in the market. This is such a small element of the cost that that would scarcely affect the bid of a contractor. I do not think it does. In ordinary houses, brick houses or wooden houses, they use a little concrete bar sometimes in the foundation; but it is used in the large buildings. There may be some buildings going up here now. They make buildings 20 or 25 stories high, you know, and use concrete bar instead of structural steel.

Senator REED. In the new bridge across the Potomac you will find an expression of its use.

Mr. ARMSTRONG. Yes. It is cheaper, and it is practically as good, when it is put up with the right kind of concrete mixture, as structural steel. And yet it is cheaper construction.

Senator REED. Can you stand one more interruption?

Mr. ARMSTRONG. Yes, sir.

Senator REED. There is no product in the whole steel industry that has as much competition as merchant bar products, is there?

Mr. ARMSTRONG. I think not.

Senator REED. They are made all over the United States, are they not?

Mr. ARMSTRONG. They are made everywhere, and the competition is very keen.

Senator REED. So that the practical effect of a higher duty would be to keep out foreign bars at a few more distant seacoast points, is not that true?

Mr. ARMSTRONG. The seacoast points are not distant to me, you know. That is the trouble. They are nearby, and they make the market. Whether anything comes in or not, that market is the foreign market plus the duty and freight at Galveston or Houston, because if the market gets above that the importer brings in bars. You have to keep the market below the foreign market plus the duty and freight, or else you have foreign bars.

Senator EDGE. Have you any record of the relative percentage of the imports under the existing duty? They are combined here.

Mr. ARMSTRONG. I have here Mr. Topping's brief, both in the House and here, and I am sure he has given that information accurately.

Senator KING. Before you proceed to that, I notice here in the tariff report, on page 654, that the imports of structural shapes for consumption amounted, in 1928, to 165,478 tons, and that the exports for the same year amount to 291,515 tons; so that the exports exceeded our imports.

Senator REED. Senator King, if you will look at page 632 you will see that the imports of steel bars in 1928 were 180,000,000 pounds, not containing alloy, and 10,000,000 pounds of alloy steel bars. The statistics are rather difficult to interpret.

Mr. ARMSTRONG. It is not structural shapes, Senator King. It is the bar importations.

Senator REED. You will find bars separately reported at page 632.

Senator KING. Would not bars be included under the words "structural shapes imported"?

Mr. ARMSTRONG. No, sir. I think this decision must have been rendered within 90 days. It was rendered the latter part of last year or the first part of this year, and the imports up until that time had been under the bar classification.

Senator EDGE. They have been decreasing, though, have they not?

Mr. ARMSTRONG. Yes, sir. Pending this appeal they held the amount paid as duty in escrow until the appeal was decided.

While we were on this——

Senator KING. Mr. Witness, I want to get the facts, of course.

Mr. ARMSTRONG. I want to give them to you, too, Senator.

Senator KING. I know you do. I find here on page 631 that the domestic production of steel ingots, castings, and steel bars for certain years are stated. Would the words "steel bars" there include the product you are speaking of?

Mr. ARMSTRONG. Yes, sir.

Senator KING. The production there for 1928 was 51,650,000 tons, a very great increase from 1913, and a progressive increase right along, substantially every year. It does not give steel bars for 1928. They are given for 1927.

Senator EDGE. The main difficulty is that I am afraid that includes all types and kinds of bars.

Senator KING. It does, undoubtedly.

Senator EDGE. Can you subdivide your product?

Mr. ARMSTRONG. I want to address myself to that in a moment.

Senator REED. We are doing all the testifying. Let us give Mr. Armstrong a chance.

Mr. ARMSTRONG. No. I want you to ask questions. I am not in too big a hurry here about testifying. You ask your questions.

I wanted to call the attention of the committee particularly to this classification. Paragraph 304 reads: "Steel ingots, cogged ingots, blooms and slabs, by whatever process made; die blocks or blanks; billets and bars, whether solid or hollow;"

They are all together. I do not know anything about die blocks or blanks, but steel ingots and blooms, slabs, and billets, are semi-finished products.

Senator REED. But ingots might as well be left out. Nobody imports ingots.

Mr. ARMSTRONG. I do not think so. I should not think any ingots would come in at all, unless they were very small ingots made by some special process; but not the larger ingots.

A billet, of course, is the product of the ingot. There are two workings to the ingot in order to get it into a bar. It must first be broken down into a billet, and that involves heating in a soaking pit, and breaking down on big mills. That is all handled by big machinery. When it is a billet, then this billet must be reheated in the furnaces, and it must be worked on the smaller mills, which involves a great deal of handwork. You can not make these small sizes—and some of them are very small, as small as a quarter of an inch, and very small flats. Machinery will do a part of the work, but machinery does not handle them. There is lots of handling. The handling of the big ingots and the billets necessarily must be done by machinery, because they are too heavy for hand labor. But your product must be cut to length. A great deal of it ought to be, and is. The labor involved in the production of a bar from a billet is more than the labor involved in producing the billet. Therefore the classification is an improper one.

Senator REED. It is still more so when you come to put ingots and sheets in the same group.

Mr. ARMSTRONG. Yes, sir. The bars should have a separate classification, because the bars are the finished product, and the other is the raw material for them.

Senator EDGE. It is not very helpful, in trying to consider a special product such as you are discussing, to consider this table.

Mr. ARMSTRONG. This classification is not a new one. It has always obtained. It was in the Dingley bill; in the Payne-Aldrich bill. and they have always classified ingots, billets, and those things along with bars.

Senator EDGE. Let me see if I can get this straight. I think this is the practical thing you are leading up to. Under the present rate the duty is one-fifth of one cent a pound; is that correct?

Mr. ARMSTRONG. No, sir; three-tenths of a cent.

Senator EDGE. I am going back of that. It is three-tenths of a cent a pound in the proposed House bill. Has that been the rate heretofore?

Mr. ARMSTRONG. That has been the rate heretofore.

Senator EDGE. I thought concrete reinforcement bars were formerly under 312, at one-fifth of a cent per pound.

Mr. ARMSTRONG. That is true; concrete reinforcement bars. The House made that change and put them where they were intended to be.

Senator EDGE. You are getting, then, by this House bill, one-tenth of 1 cent increase, are you not?

Mr. ARMSTRONG. On reinforcement bars?

Senator EDGE. Yes.

Mr. ARMSTRONG. No increase on bar steel. The bar steel remains the same. Yes, sir; that is correct, but this rate obtains on billets and blooms and ingots. My suggestion is that the bar rate should be a different rate.

In 1922, when the Fordney bill was enacted, I think it is a matter of common knowledge that the Mills of France, Belgium, and Luxemburg had been destroyed, to a great extent, during the war. They were rebuilt, and probably in process of being rebuilt, and reorganized at about that time. At any rate, the steel industry had not felt the competition in 1922, when the Fordney Act was passed. In fact, we did not feel the competition until 1925. It did not strike me until 1925, and I think it struck me at the same time it struck the entire country, about the middle of the year 1925. That was after these mills had begun to operate. They are reported to be modern mills, and better mills than they had before their destruction—the latest and the best that money could buy. These mills were then looking for business in 1925, when they came into Texas.

Senator KING. What mills are you speaking of?

Mr. ARMSTRONG. I am talking particularly of the mills of Belgium, France, Luxemburg, and Germany.

Senator KING. The German mills were not destroyed.

Mr. ARMSTRONG. No, sir. The German mills were not competitors. They are competitors now. But in Texas the bulk of the bar competition comes from Belgium, France, and Luxemburg. The Belgian mills are built, you know, on the coast. They export half their product only. They use only one-half of it for domestic consumption.

Senator KING. The Luxemburg mills were not destroyed.

Mr. ARMSTRONG. Now, I could not say as to that, Senator. I supposed they were. I supposed that Luxemburg was overrun by the German army.

Senator REED. It was occupied peaceably. There was no resistance and no destruction.

Mr. ARMSTRONG. Whatever the situation was as to the physical condition of the mills, I only know, as Will Rogers says, from what I see in the papers. Whatever the situation was as to the mills, the competition did not appear until 1925, and when it appeared it came with almost a perpendicular reduction in the price. Our price at Galveston and Houston was the Pittsburgh market plus freight, or the Chicago market plus the freight. There are two basing points. Birmingham is, in fact, based upon either Pittsburgh or Chicago, the Chicago and Birmingham market being slightly higher than the Pittsburgh market. The Pittsburgh market was cut. Not only did we not have the Pittsburgh market plus the freight, but the bars sold in Galveston and Houston for three years at prices ranging from $32 a ton, or $1.60 to $1.70 a hundred, to $34 a ton. The Pittsburgh market during that same period from $1.90 to $2, or from $38 to $40 a ton.

Senator KING. I was just told by the Tariff Commission representative here that the import prices in 1925 and 1926 remained stationary.

Mr. ARMSTRONG. Remained stationary?

Senator REED. The figures do not show that.

Mr. ARMSTRONG. I do not know what you mean by the prices remaining stationary.

Senator KING. The prices of the bars, of which you were speaking, which were imported into the United States, whatever those

prices were, remained substantially stationary, this representative of the Tariff Commission states.

Mr. ARMSTRONG. I want to know what he means by that, because I know what the market is in Texas, and I know it was not stationary.

Senator KING. The market in Texas might have fallen as a result of domestic competition, or for other reasons.

Mr. ARMSTRONG. No, sir.

Senator KING. And yet the prices of imports might have remained stationary.

Mr. ARMSTRONG. Senator, the market in Texas has been made by the foreign market, and is made to-day by the foreign market. The market in Texas is exactly what these bars come into Texas for, plus the duty.

Senator KING. What is the price of bars now in Texas?

Mr. ARMSTRONG. The price of bars now in Texas, at Galveston, is about $2.

Senator KING. That is higher than what you stated a moment ago, is it not?

Mr. ARMSTRONG. I said until recently. I said that during the years 1925, 1926, and 1927, and the greater part of 1928. Just before this tariff hearing—I don't know whether that is the reason for it or not, but at any rate, within the last six months there has been an advancing market, and the market is now higher than it has been for three or four years.

Senator KING. It would be over $40 now, then?

Mr. ARMSTRONG. No, sir. The market now——

Senator REED. Mr. Armstrong, you have been put by the House distinctly into paragraph 304. As you say, it does not seem logical to class your merchant bar products with ingots, but you get three-tenths of a cent a pound duty on your product there. If we put you where you logically belong, in paragraph 312, along with angles and channels, tees, and other structural and bar mill products, you would get only two-tenths of a cent a pound. So, surely you do not want that, do you?

Mr. ARMSTRONG. I do not want two-tenths of a cent.

Senator KING. Why should you not be put there, with those others, because it seems to me that the angles and tees would cost as much, relatively, as these products?

Mr. ARMSTRONG. I have briefed this case, and I have come to the House Ways and Means Committee, and I have come here, under the idea that you would equalize our costs. I mean, you would put a tariff on that would make up for the lower cost of production in foreign countries, by reason of cheap labor.

Senator REED. That is what we would like to do, but only the farmer is going to get the benefit of that.

Mr. ARMSTRONG. I briefed it on that theory, and I asked for a cent a pound increase on that theory. But I am now coming here as a distressed industry, and representing other distressed industries, and undertaking to show to you that we can not prosper and we can not live always under the present tariff.

Senator EDGE. What tariff do you consider represents the difference between the cost of production abroad and your own cost of production, delivered on this side?

Mr. ARMSTRONG. I have tried to analyze that. There are no statistics on the cost of production, but I have satisfied myself, at least—and I believe I can satisfy this committee—that the difference in the cost of production is approximately $20 a ton, or one cent a pound. It was on that theory that I briefed this case, because I thought that a protective tariff was meant to cover that difference. As a distressed industry, I am willing to accept whatever Congress will give me, but the one-tenth of a cent does not help me.

Senator REED. You have actually got an increase from two-tenths of a cent a pound up to three-tenths of a cent.

Mr. ARMSTRONG. Yes.

Senator REED. But that does not cover the difference in production costs, according to your view. You think it ought to be one cent a pound.

Mr. ARMSTRONG. That is what I think it ought to be.

Senator REED. Have you the sympathy of your Texas Senators in that?

Mr. ARMSTRONG. Well, I hope so.

Senator KING. Have you the sympathy of the American people in any such demand as that?

Mr. ARMSTRONG. Well, yes.

Senator KING. I think not. You certainly have not mine.

Mr. ARMSTRONG. Senator, I think that the fact that both parties, in their last platform, declared for a protective tariff is evidence of the fact that politicians realize that the people want industry and agriculture protected.

Senator EDGE. Right there, you are from Texas.

Mr. ARMSTRONG. Yes.

Senator EDGE. This same bill we are considering, in another schedule, has raised the tariff on tomatoes—that is, not canned tomatoes, but tomatoes in their natural state—600 per cent, from half a cent a pound to 3 cents a pound, to protect Texas.

Mr. ARMSTRONG. Yes.

Senator EDGE. Texas and Florida, I think, are the only two states involved. That is supposed to represent the difference in costs of production—that 600 per cent. As I understand your theory, you feel that a steel manufacturer or producer should be considered absolutely on the same standing?

Mr. ARMSTRONG. Absolutely on the same parity; and, for that matter, gentlemen, I am a much bigger farmer than I am a steel manufacturer. I know the problems of the farmer. Before I was deflated I held, on my ranch, 10,000 head of cattle. I now have something like 30,000 acres of land, with more than 100 tenants, and I am interested. In our country I am a big farmer, and I know his problems, and I know his point of view. I am here to tell you, Senator King, that Texas has been reckoned as the banner Democratic State of the Union. Texas is not for a tariff for revenue only or for free trade. Texas is for protection. Senator Connally recognized that. So did Senator Mayfield. The Democratic Party did not make it an issue, and no party would dare go before the American people today on an issue of putting down the bars and bringing this country in competition with cheap labor and cheap currencies of

foreign countries. It would bankrupt the country to do it, absolutely. If you pass a farm bill here——

Senator KING. So far as I am concerned the declaration of either party is wholly immaterial. The question is, what is just to the American consumer?

Senator REED. Go ahead, Mr. Armstrong.

Mr. ARMSTRONG. I just want to make this statement while I am talking about it.

Senator EDGE. It is very interesting.

Mr. ARMSTRONG. If you pass a farm relief measure here and do not provide the farmer a home market—and to the extent you let down the tariff bars you impair it; to the extent you put them up you make it better. If you pass a farm relief bill without the debenture the farmer is not going to get any advantage unless you pass a general protective tariff bill that will make conditions prosperous in this country and will create buying power. The debenture will put up prices. That is what the farmer wants. He wants higher prices. The domestic market is his market. It is the market for tomatoes; it is the market for nearly everything he produces. You destroy his buying power if you do not afford him protection. I could run my plant double time today if I could get reasonable protection. I can not run it under existing conditions.

Senator EDGE. Does that represent the viewpoint of the major business element of the State of Texas?

Mr. ARMSTRONG. That represents the viewpoint of the business element——

Senator EDGE. Finish your sentence.

Mr. ARMSTRONG. Yes. That represents the viewpoint of the farmer and the business element of Texas. Texas can be ranked from now on, gentlemen, as a protective-tariff State, and I think that is true largely of the South. There has been a wonderful change, and the people here who represent us do not realize it. There has been a wonderful change in the sentiment of the South. I thought there were 150 representatives here in Congress that were pledged to a protective tariff, but I have not seen much of them.

Senator EDGE. You heard about that in the campaign.

Senator KING. Do you mean to say that these high rates we have now, higher than any former tariff bill, are not protective?

Mr. ARMSTRONG. I mean to say that as to the steel industry, or at least as to bar iron in the Fordney bill, the present law, there is no protection. Senator, I have been a Democrat all my life. I never voted the Republican ticket in my life until this last time.

Senator KING. If you will pardon me, my dear friend, I have not the slightest interest in what your politics are—not the slightest.

Mr. ARMSTRONG. I used to believe in that kind of political economy. I was brought up on it. "Tariff for revenue only." I have been away from that longer than I have been voting the Republican ticket, because I have believed in a protective tariff for the last 20 years, and I helped to organize this protective tariff association.

Senator KING. As I understand you, you want a tariff here which would practically mean more than 100 per cent, or 100 per cent, on these bars, do you not?

Mr. ARMSTRONG. Senator, I want a tariff——

Senator KING. $20 a ton.

Mr. ARMSTRONG. I want a tariff of $20 a ton, but I recognize that with the sentiment that prevails here I can not get it.

Senator KING. That is not the question. It seems to me you ought to limit it to what you think is justice.

Mr. ARMSTRONG. I have done that in the brief. In justice I am entitled to $20 a ton. As a matter of expediency I am asking for what I can get. But certainly, gentlemen, I think I can show you, without taking five minutes, that there is a need for protection.

Senator KING. Let me ask you one other question. If we give you $20 a ton, of course, you must expect the same rise, or the same adjustment, in all other steel products, and that would mean, in the aggregate, an increase in the cost of steel to the American consumer of billions of dollars annually, would it not?

Mr. ARMSTRONG. I do not think so, Senator.

Senator KING. How much?

Mr. ARMSTRONG. I have no way of saying that. But I do know that domestic competition has a very great influence on prices, and I do know that you could not build a wall here that would mean that the people would be mulcted.

But, gentlemen, I am here to tell you this, in that connection, that if you could double the prices of all products in this country—the manufactured article, and the products of the farm, you would have the most prosperous and the happiest country in the world. If you cut them in half, you would have poverty, and you would have the soup line.

Senator EDGE. That has usually been the result following every tariff bill in history, has it not?

Mr. ARMSTRONG. There has never been a country on the face of this earth that prospered with low prices and wages. It is an economic impossibility. It is high prices and high wages that make prosperity. This country is not going to be prosperous under the Hoover administration or any other administration without it.

Senator REED. Does Mr. Garner come from your district?

Mr. ARMSTRONG. Mr. Garner does not come from my district. He comes from south Texas. I know him. He is a very fine gentleman.. Mr. Lanham comes from my district. I live in Fort Worth.

I want to call the Senator's attention to just this one thing. I am not going to read it. That is in my brief, which I assume you gentlemen will read. I am taking this statement of wages from the Iron Age, which is accepted in the trade as authority——

Senator KING. My dear friend, those statements are in the record over and over again, if you mean the wages in Germany, Belgium, France, and so.forth.

Senator REED. I would like to hear them, however.

Mr. ARMSTRONG. These are the wages now for the steel industry, Table 2:

The average wages per shift in the iron and steel industries in various countries for 1913 and 1926 are as follows:

In 1913 the wages in the United States, for 10 to 12 hours, were $2.85; in 1926, for 8 hours, $5.82. Great Britain, in 1913, was $1.80; in 1926, $2.45. Belgium, in 1913, was 85 cents; and in 1926, $1.36. Germany, in 1913, was $1.20; in 1926, $1.35. France, in 1913, was $1.05; and in 1926, 98 cents.

In other words, our wages, in the case of Great Britain, are only twice as great as those in Great Britain, but with respect to the other countries they are from three to four times as great. Wages constitute approximately three-fourths of the cost of production. Your wages come to you in your raw material. They come to you in the wage of the miner who mines the ore; in the wages of the trainmen who operate the trains; and in your own wage, as well as in your raw materials.

There are only two elements of cost. One is interest and the other is wages. They compose the cost of production. Of the bare cost of production, leaving out the question of profits, wages would constitute approximately, I would estimate, two-thirds. Prior to 1913 these were the wages that existed. Prior to 1913, under the Payne-Aldrich bill, you had the same rate, only you had a lower classification, from three-quarters to 1.3. Under the Dingley bill it was four-tenths of a cent duty. At that time I presume that that represented approximately the difference between the cost of production in America and in foreign countries. But since then American wages have gone up; American freights have gone up; taxes have gone up. Foreign wages have only had a slight increase, as shown by this statement. With regard to foreign moneys, those of France and Belgium are about one-fifth of their former value. That includes Luxemburg. Great Britain and Germany are at their pre-war ratio.

In 1913 I estimate that the difference in the cost of production of steel was around $8 a ton. It is now around $20. With a tariff that affords only $6 a ton protection, you can not meet it.

Senator King, the rate of duty from Belgium to Galveston is $6, and the freight rate is $3.50. My freight rate from Fort Worth to Houston and Galveston is $8.60. In other words, my freight rate is just 90 cents less than their freight and duty combined, to Galveston and Houston, and it has put me out of business. It is for that reason that I come here and ask for all the increase that you gentlemen can, consistently with your duty, give me.

Senator REED. Mr. Armstrong, we are very much obliged to you, sir. You are going to leave a brief with us?

Mr. ARMSTRONG. I will file a brief here. I have sworn to one copy, and will file it here. If you would like to have separate copies, I shall be glad to furnish them.

Senator REED. It will be printed in the record.

(Mr. Armstrong submitted the following brief:)

BRIEF OF GEO. W. ARMSTRONG, REPRESENTING THE TEXAS STEEL CO., FORT WORTH, TEX.

Hon. REED SMOOT, *Chairman*,
Senate Finance Committee, Washington, D. C.

GENTLEMEN: The Southern Tariff Association has appointed me to represent the southern manufacturers of merchant bar iron and steel and reinforcing concrete bars before Congress in their just claim for higher duties than fixed by the Fordney Act and proposed in the House bill pending before you. The proposed bill makes no change in the scale of duties established in the Fordney Act as shown in paragraphs 303 and 304 of both measures. While both measures provide for a scale of rates based on value, of from two-tenths of 1 cent to 3½ cents per pound, three-fourths of the imports under par. 304 are steel bars and have been valued at from 1 cent to 1½ cents per pound and have paid a duty of three-tenths of 1 cent, or $6 per ton. There have been no imports of ordinary commercial bars, iron, steel, or reinforcing, at the higher rates. This valua-

tion and duty will likely continue so long as foreign valuation continues, and it is wholly inadequate.

COMPARATIVE COST OF PRODUCTION—AMERICAN AND FOREIGN MILLS

The cost of producing iron and steel bars varies in different countries, depending on the wage level and the value of the money of such countries. Since there are no statistics on the subject, other than labor statistics, they can only be approximated.

The high cost mills of foreign countries are those of Germany and Great Britain. The moneys of these countries have been stabilized at their pre-war ratio of value to the American dollar; the steel mill wages of Great Britain are approximately 50 per cent of American wages, and those of Germany about 30 per cent.

The low cost mills are those of France, Belgium, Luxemberg, and the Saar Basin. Both the wages and the moneys of these countries are approximately 20 per cent of our wages and of the pre-war ratio of value of our money with theirs. This does not mean that the mills of these countries can produce steel at one-fifth the cost of American production, but it does mean that they can produce it at approximately 50 per cent less.

The best estimate that I can make, based on the data that I have been able to assemble, is that the low cost mills of Belgium, France, and Luxemberg produce steel bars at from $15 to $17 per ton, and that the low cost mills of America produce them at from $27 to $30 per ton; but the average cost of American production will be more than $34 per ton.

The domestic and foreign market for steel bars of Belgium, France, Luxemberg and the Saar Basin was from $21 to $23 per ton during the years 1925, 1926, 1927, and the greater part of 1928; whereas the American market during the same period varied from $38 to $40 per ton, Pittsburgh. With an average market of about $18 per ton less than ours the mills of Belgium, France, and Luxemberg are reported to have made a greater percentage of profit than the American mills.

The mills of Great Britain have been unable to export to our country since the World War, and in fact have been unable until recently to meet the prices of continental mills in their own domestic markets, and with one accord they are clamoring for a protective tariff. The German mills, since the stabilization of the German mark under the Dawes plan, have maintained domestic prices varying from $5 to $10 per ton higher than their export prices.

Their imports of steel into this country have been in violation of the anti-dumping provisions of our present tariff law. According to the reports of the Iron Age they claim their cost of production to be $29.00 per ton (about the cost of our most modern mills) and that all of their exports have been at a loss. They are granted governmental rebates in order to enable them to compete in the export markets of the world, according to the reports of the Iron Age trade review.

STEAMSHIP RATES

The established steamship rate from continental ports to Houston, Galveston, and other Gulf ports is 17½ cents per 100 pounds, or $3.50 per ton (which is less than the rate to Atlantic and Pacific ports), but much steel moves to Gulf ports at lower rates as return cargo and ballast for tramp steamers engaged in the cotton trade.

The highest freight and duty on foreign steel to Houston and Galveston amounts to $0.50 per ton as against the freight from my mill at Fort Worth to these ports of $8.50 per ton, with the result that we have not been able to sell a ton of steel at or near the Gulf coast for the past four years. The average price of steel bars at these ports during the three years from the latter part of 1925 to the latter part of 1928 inclusive was about $32 per ton, which is less than the cost of manufacture of the average American mill, and much less than the Pittsburgh market during the same period.

DUTY NEEDED

The Fordney bill fixed the lowest duty on bar iron and steel that has obtained under a Republican administration in a quarter of a century. It may be said in defense of it that it was enacted soon after the conclusion of the World War, before the despoiled industries of France, Belgium, and Luxemberg had

been completely developed and before Congress and we of the industry realized the vast economic changes that had resulted from the war in foreign countries and even in our own country; in fact, the American mills did not suffer from cut-throat foreign competition until the latter part of 1925. But the proposed House bill is indefensible either as a protective tariff or a revenue measure.

The Dingley bill, enacted in 1897, provided for a duty of eight-tenths of 1 cent for rods without reference to value under paragraph 303, and the Payne-Aldrich bill, enacted in 1909, also provided for a flat duty, the rate being six-tenths of 1 cent under same paragraph. The Fordney bill, enacted in 1922, provided for a duty of two-tenths of 1 cent when the foreign value is 1 cent per pound, three-tenths when it is over 1 cent and not over 1½ cents, five-tenths when it is over 1½ cents and not over 2½, eight-tenths when it is over 2½ cents and not over 3½ cents, 1 cent when it is over 3½ cents and not over 5 cents, and 1½ cents when over 5 cents. The Dingley bill fixed a duty under paragraph 304 of four-tenths of a cent when the value was from 1 cent to 1.4 and six-tenths of a cent when the value is from 1.4 to 1.8 cents. The Payne-Aldrich bill fixed a duty of three-tenths of a cent when the value is three-fourths cent to 1.3 cents and five-tenths of a cent when the value was from 1.3 to 1.8 cents.

This graduation is wholly unnecessary as applied to ordinary merchant iron and steel bars, for no shipments of any consequence have ever been made upon any valuation except the 1 cent to 1½ cents, and none will likely be made so long as foreign valuation is employed, for there will be rebates of one sort or another that will keep the value below 1½ cents per pound in order that the lower rate of duty will be applicable.

Prior to 1913 and at the time of the enactment of the Dingley and Payne-Aldrich bills the American mill wages were approximately double those of Germany and triple those of Belgium and France; they are now approximately four times greater than the wages of Germany and five times greater than those of France, Belgium, and Luxemberg. The mills of France, Belgium, and Luxemberg then produced iron and steel bars $8 to $10 per ton cheaper than American mills; they now produce them $18 to 20 per ton cheaper, due to their cheaper wages and moneys.

Obviously the duties of the Dingley and Payne-Aldrich bills were then outrageously high or the duties of the Fordney bill and the proposed House bill are now outrageously low. The rates of duty provided for in these bills were not extortionate and they were then necessary in order to afford reasonable protection. But a duty of 1 cent per pound would now afford less protection under existing conditions than a duty of six-tenths of 1 cent under the conditions that prevailed during the period of the Payne-Aldrich bill. I respectfully submit that the duty should now be not less than 1 cent per pound, but the duty of the Dingley bill of six-tenths of 1 cent would help enormously.

It is a safe prediction to say that steel will continue to be imported in large volume into this country regardless of the amount of the duty. The amount of imports will depend more on the need of foreign mills for tonnage than on the rate of duty. The importing countries of Europe all fear another war and it is their fixed policy to protect their steel industries and to keep them in a high state of efficiency.

When necessary they will all adopt the German policy of granting rebates on export steel. The truth is the foreign mills are war machines, and are built for that purpose, as well as business institutions. Belgium and Luxemberg export approximately one-half of their output, and Germany and France one-third, and these mills will continue to export and run at near capacity, even if they must be sustained by government bounties.

DUMPING

The provision in the House bill giving the President and the Secretary of the Treasury the power to increase duties or adopt American valuation under certain conditions will not afford substantial relief. The anti-dumping provisions of the Fordney Act authorize the Secretary of the Treasury to exclude imports from a country where the articles are sold here at a lower price than the domestic market. The Treasury Department has, upon complaint and after a hearing, found that German mills are dumping their surplus steel in this country at less than their domestic market, in violation of law; but no order has been issued excluding German products.

DOES THE REPUBLICAN PARTY STILL STAND FOR PROTECTION?

The House bill is evidence of the fact that the Republican Party is wavering in its ancient policy of tariff protection. It is no doubt the first tariff bill that has ever been proposed by a Republican administration that failed to provide for adequate protection to the great steel industry and to every other important industry in our country.

The truth had as well be recognized and stated, that important financial interests appear to be more concerned about the collection of their foreign loans than protection to American labor, agriculture, and industry. It is also true that many manufacturers have bought or established branches in foreign countries and are indifferent to tariff protection.

IT IS A MISTAKE TO COMPEL AMERICANS TO MANUFACTURE IN FOREIGN COUNTRIES

The large companies of the steel industry, such as the United States Steel Corporation and the Bethlehem, are amply able to protect themselves in this manner. While it would probably be to the ultimate financial advantage of these great corporations to have no duty on steel products and for the foreigner to crush the small companies with cheap prices, and afterwards to acquire control of the foreign companies, they do not seek or desire such advantage. Be it said to their credit that their policy has always been to maintain fair and reasonable prices, both to their competitors and to the consumers of their products.

It would be a fatal mistake to force these companies, for self-preservation, to acquire foreign properties. There has already been too much of such investments by Americans. If we do not protect our industries against cheap European labor, the very logic of the situation will compel them to manufacture where labor is cheap and import their products into America.

It is admitted that the big companies are now earning satisfactory profits, but these companies manufacture a great variety of articles, many of which do not suffer from foreign competition; their market is the entire United States, in a large part of which they are protected by freight rates from the ports, with the result that only a small per cent of their product is required to meet foreign competition; and they have the last word in plant equipment and enormous cash resources that enable them to fight and protect themselves in many ways. They have acquired their present position under tariff schedules that were from two to three times higher than the schedules provided for in the Fordney Act and the proposed bill. None of these things are true of the smaller companies that manufacture only bars, and particularly those located near the Gulf coast. It is essential to their prosperity, to the continued existence of some of them, that they be protected by a tariff at least as high as provided in the Dingley bill.

FOREIGN DEBTS SHOULD NOT BE COLLECTED AT THE EXPENSE OF AMERICAN INDUSTRY AND LABOR

Concede, for the sake of argument, the truth of their contention that European debtors can not pay their debts to us and others, except by exports to our market, it would be far better for American investors in European securities, who have been induced to take the long chance by high discounts and interest rates, to lose their debts than for them to be paid at the expense of American industry, agriculture, and labor. If the war debts of European nations must be paid in this way, then America will have lost the war and footed the bill, and not Germany.

The House bill, conferring extraordinary, and perhaps unconstitutional, powers on the President and the Secretary of the Treasury to adjust tariffs and valuations, was no doubt drawn for negotiation purposes and to meet the views of the banking fraternity. What other purpose could there be in conferring upon the executive branch of the government the discretionary power to change rates of duty in order to equalize our cost of production with the cost of European industries? If that is a correct economic principle—and it is—then why should not Congress in pursuance of its constitutional power and duty, establish rates upon that basis? If American valuation should be used and not foreign—and it should—then why should not Congress in pursuance of its duty establish such valuation as the basis for rates?

BANKERS RESPONSIBLE FOR EXISTING SITUATION

The bankers are not entitled to sympathy and support, for they have brought about the very situation of which they complain. They have dominated every international financial and economic conference that has been held since the war; unofficially, to be true, but nevertheless they have dominated them from the first Geneva conference to the reparations conference in Paris; and the worst of it is that this unofficial direction of our foreign financial and economic policies has caused us to be misjudged and hated by the people of the world.

They brought about deflation in 1920 for the express purpose, as stated in the resolutions of the Federal Advisory Council of bankers, to destroy the "vicious circle of increasing prices and wages," to check extravagance, to force economy, and to increase the production of goods, for which there was then ample domestic and foreign buying power and demand. Admitting their deflation program to be a mistake they have not corrected it, but on the other hand have moved steadily forward deflating all European countries, except France and Belgium, and thereby destroying foreign as well as domestic buying power.

They control the price level and the prosperity of this country by their control in the volume of money and credit, through the Federal reserve system. They are now engaged in a titanic struggle to deflate the stock market, not for the protection of money and credit for business purposes, as they claim, but for the purpose of preventing "inflation," of which they have an abhorrence. They correctly fear that the high prices of the stock market will sooner or later be reflected in high prices for lands and goods and wages, and in general prosperity.

INFLATION MEANS PROSPERITY; DEFLATION, POVERTY

"Inflation" is the bankers' term for high prices and wages. It means high products and cheap money and a general diffusion of wealth. Deflation means increased buying power for money and increased power for those who control it, and concentration of wealth in the hands of a few. As short-sighted and as selfish as it appears, it is nevertheless true—that the dominant banking element of our country prefers deflation to inflation and that they have labored ceaselessly and relentlessly since the war to bring about world-wide deflation; and they have succeeded.

They have brought about a situation that has seriously impaired world buying power, that has made it necessary to scale down government debts (not their own), and that has created a farm problem that can never be solved so long as the inflated dollar exists. They have made European loans to enable these countries to return to what they call the "gold standard" and buy our products, and now they desire the tariff bars to be let down in order that these debts be paid in goods on the ground that there is not enough money for that purpose.

FOREIGN DEBTS CAN BE PAID WITHOUT LETTING DOWN TARIFF BARS

While it may be true that these debts can not be paid in dollars at their present value, they can be paid in dollars at a cheaper value. Restore the value of the dollar as it existed prior to deflation in 1920 and you restore the buying power of America and the world, you enable debtors, both domestic and foreign, to pay their debts without scaling them down or bankruptcy and you solve the farm problem.

There was no farm problem, no over-production or necessity to curtail production, no lack of foreign or domestic buying power, no complaint about the burden of taxes, no question about the ability of foreign countries to pay their debts, prior to 1920. These conditions and problems were all brought about by the deflation of prices and wages and the consequent inflation of the American dollar. Reverse the process by which the present problems were created and you solve them; let down the tariff bars and to the extent that you do so, you will make them worse. The tariff is now the foundation for the high wages of labor, which provides the best market the farmer has for his products.

BOTH PARTIES NOW COMMITTED TO PROTECTIVE TARIFF

Both the Democratic and Republican Parties are now committed to the doctrine of tariff protection and both are definitely committed to the policy of

levying duties sufficiently high to protect American industries against the cheaper cost of production of foreign countries due to cheaper labor, in order that they may be operated profitably without reducing wages.

This, indeed, has always been the policy of the Republican Party and its long control of the Government has been due primarily to this fundamental tenet. The cheap wages and moneys of foreign countries, the certainty that free trade or "tariff for revenue only" would, under existing European conditions, bankrupt our country and mean general disaster, made it necessary that the Democratic Party abandon its opposition to the American policy of tariff protection.

Both President Hoover and Governor Smith in their campaign speeches stressed the tariff issue and relief for the farmer, and both definitely committed themselves to protection to American industry and agriculture. President Hoover, as popular as he justly is, would not likely have carried the State of Texas, to say nothing of Pennsylvania, Ohio, Illinois, and other States, and would not likely be President if he had announced during his campaign that he would use his influence to so modify the tariff as to permit Germany and other countries to pay their debts by shipping goods to America, or if he had declared for anything less than protection to American industry and agriculture. As an active and arden "Hoover Democrat" I trust that I may be permitted to say that he was elected not only because he stood for the enforcement of the eighteenth amendment but because the majority of the American people believed that he would restore general prosperity to all classes and sections of our country, which necessarily means high prices and wages.

No country has ever yet prospered with dear money and cheap prices and wages; it is economically impossible. Conversely, no country ever failed to prosper that had cheap money and high prices and wages. The report of the congressional committee appointed about 1923 to investigate the agricultural situation in substance confirms these statements, as does also the very recent report of the committee on "Recent economic changes," of which President Hoover was chairman. Their truth has been thoroughly demonstrated by recent European history.

CONCLUSION

I should not venture to argue the advantages of tariff protection or of high prices and wages to a Republican administration except for the fact that the House bill, written by Republicans and adopted by a Republican caucus and a Republican majority, is not a protective tariff measure. The Republican Party has always heretofore stood firmly for protection and prosperity. It will be a shock and a disappointment to the country if it reverses its ancient tariff policy.

While it is true that there are still those who prefer the "cheap cost of living" to the "full dinner pail," and there are still free traders and "internationalists," and "tariff for revenue only-ers," I think the vast majority of the people, South as well as North, and West as well as East, believe in the American policy of tariff protection with its high prices and wages, and that no party can again win the Presidency upon any other platform. Certainly no party should win it upon that platform and then adopt a contrary policy.

It is represented through the press that there are some farmers and farm organizations who desire relief by letting down the tariff bars, which will enable them to buy cheaply. That is not the position of the southern farmers. They want relief by high prices for their products, which will enable them to pay their debts. The realize that they can not sell at high prices without buying at high prices, and that America is their best market. They want tariff protection for the manufacturer as well as for themselves; they want high prices and wages and cheap money.

I respectfully submit that it is of advantage to the country that the small steel industries located near the Gulf Coast be permitted to live and develop, and that the tariff rates should be high enough to afford them protection. The rates should now be adjusted, as prior to the Fordney Act, to the needs of the small industry, manufacturing a limited number of articles, with limited resources and a limited market; instead of the big one with the most modern of plants, manufacturing a great variety of articles, and located most remotely from the seaboard.

The wide distribution of industries throughout the length and breadth of the land is of great public advantage, particularly in time of war, when there is congestion of traffic. But for the valor of the American soldier, the patriotism of the American farmer, and the magnitude of the American steel industry, which is founded on tariff protection, the failure of either of these three factors would have meant a different ending and a different story of the late war.

GEO. W. ARMSTRONG.

WASHINGTON CITY, D. C.:

I, Geo. W. Armstrong, do solemnly swear that the statement of facts contained in the foregoing argument are true; that the estimates and arguments are believed by me to be true.

GEO. W. ARMSTRONG.

Subscribed and sworn to before me this the 27th of June, 1929.

[SEAL.] GENEVIEVE C. CALVERT,
Notary Public, Washington, D. C.

My commission expires April 10, 1934.

GRANULAR OR SPONGE IRON

[Par. 303]

STATEMENT OF N. K. THOLAND, METALLURGICAL ENGINEER AND IMPORTER OF SPONGE IRON, NEW YORK CITY

(The witness was duly sworn by the chairman of the subcommittee).

Senator REED. What is your business?

Mr. THOLAND. I am a metallurgical engineer and importer of sponge iron.

Senator REED. You import what is known as granular or sponge iron?

Mr. THOLAND. We call it sponge iron.

Senator REED. Did you testify before the House committee?

Mr. THOLAND. No, sir; I did not.

Senator REED. Did you file a brief?

Mr. THOLAND. No, sir; I did not. We filed briefs with individual members of the Ways and Means Committee. Those briefs, however, or letters, came there late, and I have not seen them printed.

Mr. PRICE. Senator Reed, letters were sent to the chirman and Mr. Bacharach, but there was no brief filed.

Senator REED. Will you tell us what you have to say?

Mr. THOLAND. Yes, sir. In the bill as reported by the House Ways and Means Committee sponge iron is classified by name under paragraph 303, and I am here to oppose that as without reason or justification.

Senator REED. What is the average invoice value of sponge iron? How much per pound?

Mr. THOLAND. It is sold by the gross ton, and the average invoice value of that is $40.

Senator REED. About 2 cents a pound?

Mr. THOLAND. Yes, sir; sales price.

Senator REED. I asked you for the invoice price. Can you not tell us that?

Mr. THOLAND. From Sweden?

Senator REED. The invoice price of the iron that you import.

Mr. THOLAND. That is $34.20.

Senator REED. So that it is valued above 1½ cents a pound and below 2½?

Mr. THOLAND. At the American port. I buy it at the American port. In Sweden the invoice price is less than 1½ cents a pound.

Senator REED. That is what I have been trying to find out with all this questioning.

Mr. THOLAND. Yes, sir.

Senator REED. It carries a duty then of three-tenths of 1 cent per pound?

Mr. THOLAND. Yes.

Senator REED. Now why should it not?

Mr. THOLAND. I would like to take it up the way I have discussed it with the steel companies.

Senator REED. All right.

Mr. THOLAND. And I represent here my profession as a metallurgical engineer as well as the unquestionably largest percentage of the high grade steel made in this country.

Senator KING. You represent the steel men, you say?

Mr. THOLAND. Their opinions as expressed to me and as I have testimony from them.

Sponge iron is not made at all for sale in the United States to the steel trade. Numerous attempts have been made to produce it. And experiments have been carried on, and the results of them have been published. There is no commercial production of sponge iron.

Senator REED. How is it made in Sweden?

Mr. THOLAND. In Sweden it is made by putting layers of iron ore and coals in large crucibles, which are heated externally to a certain temperature, a temperature which will reduce the iron ore to metallic iron.

Senator EDGE. It carried 30 per cent under the old bill, did it not?

Mr. THOLAND. It was not enumrated by name at all in the old bill.

Senator EDGE. No, but it was considered under that section, according to the memorandum here, that carried 30 per cent ad vaolrem?

Mr. THOLAND. No, sir, the appraisers have appraised this generally with the same duty as pig iron.

Senator EDGE. The footnote reads, under the paragraph that you are discussing:

Granular or sponge iron has been transferrred from paragraph 214, old rate 30 per cent ad valorem.

Mr. THOLAND. Yes, sir; but I would like to tell you how that came on. We started to import in 1926; a small amount in 1927, and in 1928 somewhat larger, over New York and Philadelphia. The appraisers of both of the ports appraised it continuously with a pig iron duty. The first shipment taken in over Baltimore the appraiser there was in doubt whether that was acceptable or not. He maintained that he could not place it under that paragraph, and placed it in as an earthy material, while it is a metal.

Senator KING. He called it earth, did he?

Mr. THOLAND. Yes. His question was submitted to the Treasury Department, who ruled on this at the end of February, and without hearing the importer. And of course that ruling is protested in the regular way.

Senator REED. But the present ruling classes it at 25 per cent ad valorem?

Mr. THOLAND. Thirty per cent ad valorem.

Senator REED. Thirty per cent ad valorem, under the basket clause, is that right?

Mr. THOLAND. Yes.

Senator REED. Now you started to tell us how it was made. You said it was made of layers of iron ore and coke put in a crucible and externally heated, and the result is what?

Mr. THOLAND. The result is this [indicating a piece of sponge iron], which is a layer of ore minus the oxygen.

Senator KING. Minus the oxygen?

Mr. THOLAND. Yes, sir. In other words, reduced iron ore. Otherwise exactly as it was put in.

Senator EDGE. What is the amount which you import, approximately?

Mr. THOLAND. In 1928 we had the largest, about 500 tons. 538 tons. It is in papers here, in which I will give you the statistics in detail.

Senator REED. Is that pure metallic iron?

Mr. THOLAND. No, it is not. It is an average of 95 per cent.

Senator REED. What is the balance, carbon?

Mr. THOLAND. No, the carbon is very light. The balance is mainly silica rock. What was in the ore when you put it up.

Senator REED. That must be very spongy in its texture because it is relatively light.

Mr. THOLAND. Yes. I would like to go even farther back than to this particular process. You know, Senator, what a blast furnace looks like inside?

Senator REED. I have seen one.

Mr. THOLAND. And as you proceed down with the charge, the charge will reduce from iron ore to iron until it reaches the level of the tuyeres where it melts. It is entirely reduced before it reaches that level. That is sponge iron.

Senator REED. That, is the condition of the metal before it gets down to the level of the tuyeres, is like the sample you showed us?

Mr. THOLAND. Yes.

Senator REED. But when it finally reaches the bed of the furnace it is completely melted, and loses its spongy character, and is what we know as fluid pig.

Mr. THOLAND. Yes, sir.

Senator REED. What is this material good for?

Mr. THOLAND. For making steel. It is not used generally in steel making, because its price is too high. We have to distinguish between commercial steel making and high grade steel making when we talk about this sponge iron.

Senator EDGE. Is there any product comparable to that made on this side?

Mr. THOLAND. No, sir; there is not.

Senator KING. Does the steel company want this?

Mr. THOLAND. Yes.

Senator KING. Is it advantageous in the making of steel?

Mr. THOLAND. Yes, sir.

Senator KING. Is there any opposition from any of the steel manufacturers to its importation?

Mr. THOLAND. None on record, and I do not know of any.

Senator KING. Have you talked with any of the steel manufacturers as to its desirability?

Mr. THOLAND. Yes, sir. I have here testimony from them.

Senator KING. Let us see some of them.

Senator EDGE. They are experimenting on this side, I understand.

Mr. THOLAND. Yes.

Senator EDGE. They have spent several hundred thousand dollars, hoping to produce that?

Mr. THOLAND. More than that.

Senator EDGE. I said "several hundred thousand." You can go as far as you like.

Mr. THOLAND. Sponge iron was produced here for other purposes than steel making, several years ago, for copper precipitation. The Bureau of Mines has made experiments to show that it can be done, and showing the cost at which it can be done.

I am not working this material as an importer. I am working it as a metallurgical engineer, and I am working it in cooperation with at least two groups of people who want to produce it.

Senator REED. I still do not understand what its metallurgical use is.

Mr. THOLAND. When you make steel you make steel out of a certain amount of old material and a certain amount of fresh material.

Senator REED. Yes.

Mr. THOLAND. The fresh material so far has only been pig iron, which has been the only way of making iron from iron ore in practice. This material is used the same way. You melt it together with other melting bases, in a steel furnace, in order to make steel.

It is wanted for several reasons. It is entirely free from any detrimental alloys which are present in to-day's scrap. It is entirely fresh material. For certain steels, for instance, if you take electric steel, you will not use a large amount of pig iron, because the pig iron contains much carbon. This does not. The carbon in pig iron is absorbed where it melts in the blast furnace. Before that stage there is no carbon to speak of in the iron.

Senator EDGE. I have not gotten the value, so I can not figure it out myself. What is the approximate difference, proportionately, between 30 per cent ad valorem that you are paying, and the 0.3 of 1 cent per pound, which you would pay under this paragraph?

Mr. THOLAND. This ruling has been in effect only on a couple of hundred tons that I have gotten in. We paid originally, during the first period of the introduction here, in experimenting, $1.125. Now we have to pay a little over $8, at 30 per cent.

Senator EDGE. This would be the difference between $1.125 and $8, would it?

Mr. THOLAND. Yes; and according to the proposed rate of paragraph 303 we will have to pay pretty close to $7, or an increase of 600 per cent.

Senator REED. It multiplies the pig-iron duty by about seven.

Mr. THOLAND. Yes.

Senator EDGE. That is what I wanted to find out.

Mr. THOLAND. I also want to make this statement. In Sweden, which is the only place where it is produced at the present time for steel-making purposes, in a grade sufficiently good for that purpose, it is on a par, in the use of it, with Swedish charcoal pig iron. Swedish

charcoal pig iron is also imported into this country. Last year I was the largest importer of Swedish charcoal pig iron. It is a specialty, like this. That is the material which this material resembles the most, without doubt. The only difference between them is that in the case of charcoal pig iron, it is run through a blast furnace completely, while in this case the process is stopped before it is melted. That is the difference.

Senator REED. I think we have caught your point.

Senator KING. Would a higher rate of duty than what you have been paying, $1.125, be prohibitive?

Mr. THOLAND. Absolutely. There is no question about that.

Senator EDGE. It would not be prohibitive if it can not be produced in this country, and it must be used.

Mr. THOLAND. Yes; it would be prohibitive. The steel companies want it for certain improvements which we have established during the experiments.

Senator REED. The Lorrain Steel Co. has built a furnace to produce this, has it not?

Mr. THOLAND. For their own use; not for sale to the trade, according to the statements made to me.

Yesterday there was a witness here who made a statement in regard to muck bars. This is a piece of muck bar [producing sample].

Senator REED. I do not recall any statement about muck bars yesterday.

Mr. THOLAND. Mr. Hart made a statement yesterday. He made the statement that sponge iron can be used just as well as muck bar in all cases, which is not true. I have statements in those papers there from such people as use muck bars——

Senator REED. You could not make a rolled product out of that sponge iron.

Mr. THOLAND. No, sir. I can make you muck bar out of this piece, and it can be done just as well as out of pig iron.

Senator REED. It could be puddled, in other words?

Mr. THOLAND. Yes, sir. While all the products in 303 are remanufactured products, out of pig iron, this is an initial product from the reduction of iron ore, just as well as pig iron.

Senator REED. I think we understand the difference. We know what muck bar is.

Senator KING. What do you want to file, Mr. Slemp?

Mr. SLEMP. We want to file this series of letters with each member of the committee. I can leave these with the clerk for Senator Barkley and Senator Smoot.

Senator REED. Yes. They are so long that I think they ought not to be printed in the record.

Mr. THOLAND. Here is a book published by the Bureau of Mines, on sponge iron.

Senator REED. We will leave that with the expert of the Tariff Commission, to take up with us when we reach that point. If that is all, Mr. Tholand, we are very much obliged to you.

Mr. THOLAND. Unless, Senator Reed, you are interested to know the duties applied on other steel making products.

Senator REED. I do not think so.

HOLLOW DRILL STEEL

[Par. 304]

STATEMENT OF C. FRANK SCHWEP, REPRESENTING THE INGERSOLL RAND CO., NEW YORK CITY

(The witness was duly sworn by the chairman of the subcommittee.)

Senator REED. Mr. Schwep, you represent the Ingersoll Rand Co.?

Mr. SCHWEP. Yes, sir.

Senator REED. They are makers of drilling tools and that kind of machinery?

Mr. SCHWEP. They are.

Senator REED. Did you testify before the Ways and Means Committee?

Mr. SCHWEP. I did not.

Senator REED. Did you file a brief?

Mr. SCHWEP. I did not.

Senator REED. You want to talk to us about the provisions relating to hollow drill steel. I assume you mean the proviso added by the House to paragraph 304?

Mr. SCHWEP. Quite right.

Senator REED. All right, sir. That puts a duty of 1.3 cents per pound additional on hollow bars and hollow drill steel valued at more than 4 cents a pound. Why should that be?

Mr. SCHWEP. It should not be.

Senator KING. Do you mean to say that you come here and ask for less tariff duty than is granted? I want to congratulate you.

Senator EDGE. We want to send you away feeling happy.

Senator REED. But wait a minute: You do not manufacture hollow bars or hollow drill steel; do you?

Mr. SCHWEP. We do not.

Senator REED. You buy it?

Mr. SCHWEP. We buy it from the other side.

Senator REED. That is why. [Laughter.]

Senator KING. Make a good showing, because you must be right.

Senator REED. You see, Senator King has decided your case in advance of the testimony.

Senator KING. Oh, no; I have not—not at all.

Mr. SCHWEP. With your permission, I will take about three minutes to present my facts.

Senator REED. Go ahead.

Mr. SCHWEP. We are the largest manufacturers of mining, tunneling, and quarrying machinery in the world. Our largest plant is located at Phillipsburg, N. J., where we employ 2,600 skilled workmen. We manufacture at this plant rock drills which are extensively used in mining and tunneling work and in rock quarries. For nearly 20 years we have employed Swedish hollow drill steel for use in these machines because it possesses better cutting and enduring qualities than any steel made in this country.

The proposed increase in tariff on hollow drill steel will either prohibit the importation of the Swedish product, or place the burden of additional costs on the mining industries of the country. All our

importations of rock drill steel, whether hollow or solid, are made directly by ourselves and not through importers. Our source of supply is Sandviken Jernverks, Aktiebolag, Sweden.

We imported, during the year 1928, 1,596 tons of hollow steel bars, valued at $217,263 f. o. b. mill.

Senator REED. Is that machined out? Is that the way it is hollowed?

Mr. SCHWEP. No; it is not machined. It is rolled that way.

We paid duty on this valuation at the rate of 1.7 cents per pound, or a total of $54,264, representing nearly 25 per cent of the cost of the steel. The additional tariff provided for in the pending bill will increase the duty to $60 per ton, or a total duty of $95,760, representing between 40 per cent and 45 per cent of the cost of the steel.

Senator EDGE. Right there, how much of the steel, relatively, do you import as compared to what you use? You say you manufacture a great deal of it?

Mr. SCHWEP. Of our entire consumption of steel that we use?

Senator EDGE. Of this type—hollow bars and hollow drill steel; how much do you manufacture, and how much do you import?

Mr. SCHWEP. We do not manufacture any.

Senator EDGE. I thought I understood you to say, in the early part of your brief, that you did manufacture some.

Mr. SCHWEP. No; we manufacture the rock drills, Senator, which use the steel.

Senator EDGE. I know what you manufacture, in a general way.

Senator KING. Who are the principal producers of this commodity of which you are now speaking?

Mr. SCHWEP. Where?

Senator KING. In the United States?

Mr. SCHWEP. The Crucible Steel Co. are the largest producers.

Our total consumption of all kinds of steel, both domestic and foreign, is approximately 11,000 tons per annum, of which less than 2,200 tons is imported; and this consists almost entirely of hollow and solid steel made in Sweden.

Senator REED. About what do you pay for this?

Mr. SCHWEP. It comes within the paragraph from 5 to 8 cents—nearly 8 cents.

Senator EDGE. If you do not manufacture any of it—and I should have known that you did not—what is the ratio of imports to that manufactured by others in this country?

Mr. SCHWEP. Senator, I think the statistics will show that there is about 8,000 tons of hollow steel consumed in this country.

Senator EDGE. Consumed?

Mr. SCHWEP. Consumed and manufactured and shipped into this country, of which the Crucible Steel Co. I believe manufacture approximately 4,000 tons; we import about 2,000 tons, and I believe the other 2,000 tons represents the other importations and the other manufactures in this country outside of the Crucible Steel Co.

Senator EDGE. In other words, 25 per cent is imported, and 75 per cent is produced by domestic concerns?

Mr. SCHWEP. I should say that; yes.

Senator REED. The present duty is 1.7 cents per pound?

Mr. SCHWEP. It is.

Senator REED. And this bill, as it comes to us, adds a further duty which brings your total duty up to 3 cents a pound?

Mr. SCHWEP. Right.

Senator KING. That would make the duty, then $60 per ton?

Mr. SCHWEP. It would be approximately 80 per cent increase on the present duty. The present duty will be increased approximately 80 per cent.

Senator REED. There is about a 37 to 38 per cent duty on the foreign invoice price of your material?

Mr. SCHWEP. It runs between 40 and 45 per cent, depending, of course, on the cost of the steel. You are quite right—about 37½, 40 to 45, depending on the fluctuations in the currency.

Senator KING. This would increase it over 100 per cent; would it not?

Mr. SCHWEP. No; the duty would be increased about 80 per cent.

Senator KING. Over the existing duty.

Mr. SCHWEP. I stated that we were using approximately 11,000 tons of steel per annum, of which only 20 per cent is imported steel, and that consists almost entirely of hollow and solid steel made in Sweden. We are using this steel because it is a better quality, is more uniform and more accurately rolled than any hollow drill steel made in this country, and not because it is cheaper in price. As a matter of fact, we can buy domestic hollow steel for less money, but it does not come up to our requirements in quality. Our experience with hollow steel extends over a period of 25 years. When first introduced it was not manufactured in this country and we were compelled to find a source of supply abroad. Now it is manufactured by several mills in this country; but the process of rolling differs from the process employed by the mill in Sweden which manufactures this product for us.

Since we are the largest manufacturers of rock drills in the world, and the satisfactory performance of the machines we build depends largely on the enduring and cutting qualities of the drill steel used in the machines, it is only natural that we should select the best steel that is available for that purpose. If there were a rock drill steel made in the United States of a superior or even as good quality as the product we obtain in Sweden, we would unhesitatingly use it and discontinue the use of foreign-made steel. Our preference is at all times for products made in the United States, which is borne out by the fact that our consumption of foreign-made steel, consisting almost entirely of rock drill steel, is less than 20 per cent of our total usage.

It may be of interest for you to know why we consider Sandviken Swedish rock-drill steel superior to others, and in a class by itself.

First. Its ability to better resist shock and vibration, and the consequent low breakage in severe rock-drill service. It is our opinion, based on the results of many tests that we have conducted and are constantly conducting on all competitive steels, that the steel we employ may contain some element or possess some characteristic not revealed by chemical analysis that makes it better able to withstand the extremely hard service that is imposed upon it.

Second. The use of the better grades of charcoal iron in its manufacture, and the avoidance of all scrap in the mixture of unknown origin or composition.

Third. Mandrel-rolling, which insures a refined condition of the metal around the hole as well as on the outside surface of the bar; and, furthermore, by this process a better hole is obtained in the bar.

Senator REED. This is rolled on a mandrel?

Mr. SCHWEP. Correct.

Senator REED. It is like a seamless tube with a thick wall, is it?

Mr. SCHWEP. Quit right.

Hollow steel made in this manner is rolled from a billet, pierced hot, and the billet then rolled in a tube mill similar to that employed and generally known as the Manesmann process. None of the hollow steel made in this country is produced by this process; and if any discrimination is made as to the method of manufacture, there is no producer of hollow steel in this country that can be correctly classified as a competitor.

If the present duty on imported hollow steel to this country is increased, it will either bar it out or place the burden of additional costs in duty on the mining and quarrying industry of the country. In the former case the drilling capacity of rock drills would be reduced, since steel of less merit would have to be used. In the latter case we would be penalized for having introduced and developed a quality of steel that accomplishes more in actual performance than any steel made in this country for the same purpose.

If we were compelled to use a hollow steel of inferior enduring and cutting qualities, there would be limitations placed upon the development of more powerful rock-drill machines. This influence would be reflected in curtailing the amount of material removed in mining operations in this country. Many of the mining companies who formerly used this steel, which is preferred because of its superior drilling and enduring qualities, were compelled to discontinue its use because of the increased initial cost of the steel resulting from the last increase in the duty.

For the benefit of the mining, quarrying, and rock-excavating industries of the United States, it is our opinion that this steel should be entered without any additional duty to that now in force.

Senator REED. There is nothing else you want to say, is there?

Mr. SCHWEP. No, thank you.

HOLLOW FORGINGS; CRANK SHAFTS

[Par. 304]

STATEMENT OF G. H. WEILER, RUTHERFORD, N. J., REPRESENTING THE FORGING MANUFACTURERS ASSOCIATION, NEW YORK CITY

(The witness was duly sworn by the chairman of the subcommittee.)

Senator REED. What is your occupation?

Mr. WEILER. Secretary and manager of the Forging Manufacturers Association, with offices in New York.

Senator REED. Did you testify before the Ways and Means Committee?

Mr. WEILER. No, sir.

Senator REED. Did you file a brief there?

Mr. WEILER. Yes, sir.

Senator REED. What paragraph is it that you want to call to our attention?

Mr. WEILER. Paragraph 304.

Senator REED. Paragraph 304 and any other paragraph?

Mr. WEILER. And paragraph 323.

Senator KING. What is the association you represent; what do they do?

Mr. WEILER. They are in the forging business, in the first place.

Senator KING. They take the ingot?

Mr. WEILER. Yes, sir. They take the ingot. In other words, forgings are decidedly an advanced stage of a manufacture from billets and ingots. In other words, there is considerable more labor applied in the manufactured article of a forging as taken from the billet.

Senator KING. Forging is done by the big steel companies, such as Bethlehem, Jones & Laughlin, and Carnegie.

Mr. WEILER. They do some forging. They are not primarily, in the forging business. In other words the forging manufacturers buy practically all of their billets and ingots from the steel companies to manufacture various forgings.

Senator REED. Where is your plant located?

Mr. WEILER. The association represents perhaps 85 per cent of the industry and has 12 member companies.

Senator KING. That is, those whom you represent manufacture 85 per cent of al the forgings in the United States.

Mr. WEILER. We consider it is about 85 per cent of the production of forgings.

Senator REED. You want to talk to us about paragraph 323 which deals with axles and axle blanks, forgings; and also the basket clause in paragraph 304?

Mr. WEILER. That is correct, Senator.

Senator REED. We would be glad to hear you.

Mr. WEILER. The requirements for axles to-day, railroad axles, locomotive axles, even car axles, are much more severe than formerly. As a result there is very much more labor applied to produce the axle to meet present-day requirements. That makes increased labor and proportionately brings about a broader and wider spread as against foreign competition where labor rates are much lower.

There is no particular mention made of crank shafts. A crank shaft is a very difficult forging which requires skill; and there is a great deal of risk involved. We would like to see some mention, at least, made of crank shafts.

Senator REED. Could they not be transferred to paragraph 323?

Mr. WEILER. There is no place that I can find where crank shafts are mentioned whatsoever.

Senator REED. So they would come under the classification "steel not otherwise provided for" in paragraph 304?

Mr. WEILER. Apparently.

Senator EDGE. It would unless you could point out some specific mention of it.

Senator REED. What do these forgings sell at on an average? Take a locomotive axle for an example.

Mr. WEILER. The O. H. carbon steel locomotive axle without any alloys in it to-day sells for something like four to six a pound.

Senator REED. Four cents to six cents a pound?

Mr. WEILER. Four cents to six cents a pound.

Senator KING. You use alloys do you not?

Mr. WEILER. We use some, but ordinarily we use the O. H. carbon steel in which there are no alloys. If there is some special requirement to be met we use the general alloys of vanadium or nickle.

Senator REED. You have a compensatory duty on that which is about $90 a short ton; and if you get duty under paragraph 323 of six-tenths of a cent that is $12 per short ton; so that your duty is about 15 per cent. Is that right?

Mr. WEILER. That is about right.

Senator REED. I suppose the crank shaft sells a little higher because it is a small piece.

Mr. WEILER. No; they vary in size.

Senator REED. The figure I gave you, calculating the ad valorem equivalent of the duty on axles, is a little too low if you take the invoice value. Senator King calls my attention to the rate given in the Tariff Commission report.

Senator KING. It is given as 22.6 per cent.

Senator REED. Twenty-two and six-tenths per cent. What is the average price of a crank shaft forging?

Mr. WEILER. Its value depends upon its size. As they decreases in size the price per pound would be higher because there is a relatively greater per cent of labor involved. In other words you have not got as much poundage to sell, yet you have expended the same amount of labor on it.

Senator REED. Under paragraph 304 the duty is about 20 per cent. So that your crank shafts, in the last analysis, gets about the same protection as your axles do.

Mr. WEILER. Because of the great spread between the wage scale in this country as compared with the wages paid abroad, as the amount of labor expended on these manufactured articles increases your spread increased.

Senator REED. That is the point Doctor Mathews was making on paragraph 304—that while it might be high enough on the average, yet it did not provide a high enough duty on those articles on which more labor was spent.

Mr. WEILER. That is true.

Senator REED. That is the point you want to make?

Mr. WEILER. Exactly.

Senator KING. As I understand the Tariff Commission report the duty is 4 per cent more than that; it is 26 per cent duty.

Mr. WEILER. We would not consider that sufficient.

Senator KING. You are speaking now of crank shafts. They are made by machinery, are they not?

Mr. WEILER. They are made by machinery provided by the manufacturer plus his skilled labor which is required to operate that machinery; and that skilled labor is paid a much higher rate and wage scale that labor is paid abroad. I can not tell you how much more, but it is very much more.

Senator REED. If I understand your testimony it is that it is the same with forgings as it is with rolled products that have not got

into the finished products. Sufficient attention is not given by this bill to the increased amount of labor that has had to be put into those articles?

Mr. WEILER. That is correct, Senator.

Senator REED. While the semifinished products are adequately taken care of, that is not true of finished products?

Mr. WEILER. While I can not answer the question affirmatively that the semifinished products are adequately protected—I can not say that—I do know, however——

Senator REED. You are not speaking about that at all, one way or the other.

Mr. WEILER. No. I can not answer that question one way or the other.

Senator REED. You are speaking of importing axles under paragraph 323 where you have six-tenths of a cent a pound. What do you think you should have to represent the difference in cost of labor?

Mr. WEILER. I think it should be about 2 cents a pound on values not over 6 cents per pound.

Senator KING. You want to double the duty; is that right?

Senator REED. It is more than double.

Mr. WEILER. Yes; if that is what it means. Based on what we experience in very severe competition that is about what it ought to be; and then it would not be any too much.

Senator KING. Let me ask you again: What is the price of your crank shaft forgings?

Mr. WEILER. As I say, that varies, dependent upon the amount of labor.

Senator KING. Give me your maximum.

Mr. WEILER. You might have a crank-shaft forging that would sell for $5,000; and you might sell another crank-shaft forging for $500. It depends upon size. On some sizes a great deal of labor is expended.

Senator KING. I find here under axles and axle blanks that the domestic production in 1925 was valued at more than $11,500,000. Have you increased your production since then?

Mr. WEILER. Since 1925?

Senator KING. Yes. You said that your association represents 85 per cent of the forgings made in the United States. Have you increased production?

Mr. WEILER. Yes.

Senator KING. How much has it been increased since 1925?

Mr. WEILER. I can not say, exactly, Senator.

Senator KING. In percentage, what has it been?

Mr. WEILER. In per cent production—that is the result of statistics taken in this industry—in per cent of full capacity over the past five years ending with December 31, 1928, it is 20.85 per cent.

Senator KING. Increase?

Mr. WEILER. No, sir. That is the per cent of production.

Senator KING. Answer my question, please. I stated that in 1925 the Tariff Commission report shows that the value of axles and axle blanks produced in 1925 was $11,500,000. That is under paragraph 323—axles and axle blanks. Now, I am asking you what the increase has been on those items under paragraph 323 since 1925?

Mr. WEILER. I should say there has been no increase.

Senator KING. Are you sure?

Mr. WEILER. I have not the 1925 statistics. I have figures showing the gross tons for a period of five years.

Senator KING. You manufacture 85 per cent of the forgings; and they were valued in that year at $11,500,000.

Mr. WEILER. Under that paragraph?

Senator KING. Under that paragraph; and the imports in 1924 were valued at $5,595; in 1925, $154; in 1926, $781; in 1927, $18,000; and in 1928 only $16,000.

So that, as against $11,500,000 domestic production, the only competition you had was $16,000 worth—$2,000 less than in 1927.

Senator EDGE. Do all your products come under that paragraph?

Senator KING. No, no, no.

Senator EDGE. I was just trying to carry out your thought.

Mr. WEILER. Paragraph 304.

Senator EDGE. Senator King has just drawn your attention to the record of imports and production of the commodity included under paragraph 323—axles and parts thereof, and so on. What I am asking you is whether all your products come under that paragraph?

Mr. WEILER. No, sir.

Senator EDGE. Where else do they fall?

Senator REED. That is what I want to direct your attention to.

Mr. WEILER. The difficulty as we see this is that it hardly makes any specific mention of forgings, which is a highly specialized product and requires a great deal of labor; and what we would like to have done is to have more specific mention of some of these highly specialized manufactured articles that come under forgings.

Senator REED. Let me interrupt there, Mr. Weiler. Under paragraph 319, forgings of iron or steel, or compounds of iron and steel not machined, tooled, or otherwise advanced, carry an ad valorem duty of 25 per cent. It has already been brought up that the specific duty on axles figures out about 22 per cent of the invoice value of the axles brought in. So you would be very much helped if paragraph 323 dealing with axles were wholly repealed and your axle product thrown in under paragraph 319, carrying a 25 per cent duty, would you not?

Mr. WEILER. That would give us partial help.

Senator REED. I want to consider how much help you do need. Your imports in 1927, which is the biggest year since the war, were 721,000 pounds. That is about 325 long tons. The production of axles in 1925, the only year for which we have the production figures was 134,958 long tons. So, the biggest year's imports were about one-quaretr of 1 per cent of the domestic production of axles; and then turning to all forgings not machined, the production figures for the year 1927 are given as 356,000 long tons, made in steel works and rolling mills; and $134,000,000 worth not made in steel works or rolling mills. The Tariff Commission gives us these figures in as many different forms as possible so as to make it harder.

Now, while that was the domestic production, the imports of forgings, not specifically provided for was only about 250 tons. It does not seem to me as though you are being much bothered by imports.

Mr. WEILER. It is possible that period that is recited there—and those figures can be taken as very very accurate—and I do know personally that foreigners, at least the principal competing foreign country which has been Germany, taking other periods when they were probably merchandising more actively—I think they have not got to merchandising over this period like they had prior to the war.

Senator REED. We have all the figures from 1919 down to date, and they do not seem to be merchandising very actively yet.

Senator KING. May I supplement what Senator Reed stated by asking you if it is not a fact that your exports of anchors and forgings for 1928 were 26,000,000 pounds, increasing from 1927, when they were 10,000,000 pounds; in 1926, 5,000,000 pounds; in 1925, 4,000,000 pounds; in 1924, 3,000,000 pounds; and so on? So that your exports are more than the imports?

Mr. WEILER. Do you know whether those are forged anchors, or are they cast steel?

Senator KING. They are anchors and forgings under paragraph 319.

Mr. WEILER. Most anchors are made of cast steel.

Senator REED. Never mind about anchors. The figures of domestic exports of iron and steel forgings in 1928 were 26,142,696 pounds, or about fifty times more than the imports; and the imports were less than one-tenth of 1 per cent of the domestic production.

Senator EDGE. You agree that you are under paragraph 319 as well as paragraph 323; do you not?

Mr. WEILER. Forgings are mentioned there, so I would be; yes, sir.

Senator KING. If you do not make a better showing than this, I think I shall move to reduce the tariff on those articles.

Let me ask you another question. Are you through, Senator?

Senator REED. Yes; I am through.

Senator KING. Name some of these 85 per cent companies that you represent.

Mr. WEILER. Camden Forge Co., Cape Ann Anchor & Forge Co., Erie Forge Co., A. Finkl & Sons Co., Heppenstall Forge & Knife Co., J. R. Johnson & Co. (Inc.), Mesta Machine Co., Midvale Co.——

Senator KING. Is the Midvale one of them?

Mr. WEILER. They are one of them; National Forge & Ordnance Co., Pittsburgh Forge & Iron Co., Titusville Forge Co., and American Locomotive Co.

Senator KING. What is the capital stock represented by these companies?

Mr. WEILER. In total?

Senator KING. Yes.

Mr. WEILER. Well, in so far as forgings are concerned——

Senator KING. No; these companies that you represent?

Mr. WEILER. I am not prepared to say in total; but I will say that I believe there is over $100,000,000 of capital invested in the forging capacity of these plants. There are some of these companies—take, for instance, the American Locomotive Co.—that have forging interests. That is, they have large forging plants. In addition to that, they build locomotives and other classes of material that are inherently part of a locomotive.

Senator KING. Some of these other companies manufacture other things than forgings?

Mr. WEILER. Most of the others that are mentioned are directly in the forging business.

Senator KING. But some of them manufacture other articles?

Mr. WEILER. Other than forgings?

Senator KING. Yes; such as the Locomotive Co.?

Mr. WEILER. Possibly; yes, sir.

Senator KING. Mr. Witness, I shall ask you to produce for the committee a statement of the capitalization of each company represented by you, the amount of capital stock initially subscribed and actually paid in, the amount of stock dividends by each since organization—which means, some would say, watered stock—the amount of surplus of each, and undivided profits, and the amount of dividends paid. Have that sworn to, and send it to Senator Reed, the chairman of this subcommittee.

Senator EDGE. For my information, will you advise me why there is a separate forging manufacturers' association, which you represent as the secretary, did I understand you to say? Are you the secretary of this association?

Mr. WEILER. Yes, sir.

Senator EDGE. Why is there a separate association of forging manufacturers from the American Iron & Steel Institute? Almost all of these concerns that you represent belong to the American Iron & Steel Institute; do they not?

Mr. WEILER. I think a good many of them do; but we are trying to concentrate on the difficulties that confront the forging plants.

Senator EDGE. The difficulties that are being met by that particular class of manufacturers?

Mr. WEILER. That particular class, which is an advanced stage of steel.

Senator EDGE. Do you think they are facing difficulties?

Mr. WEILER. Indeed they are.

Senator REED. Do you want to file a brief?

Mr. WEILER. Yes.

(Mr. Weiler submitted the following brief:)

BRIEF OF THE FORGING MANUFACTURERS ASSOCIATION

Permit us to present, herewith, supplemental brief regarding tariff on certain steel forgings as covered by paragraphs 304 and 323 of tariff act of 1922.

May we say, in connection with this brief, that we represent practically all of the major concerns in the heavy steel forgings industry and append, herewith, list of names and addresses of these manufacturers:

American Locomotive Co., 30 Church Street, New York City.
Camden Forge Co., Camden, N. J.
Cape Ann Anchor & Forge Co., Gloucester, Mass.
Erie Forge Co., Erie, Pa.
A. Finkl & Sons Co., 1326 Cortland St., Chicago, Ill.
Heppenstall Forge & Knife Co., Pittsburgh, Pa.
J. R. Johnson & Co. (Inc.), Richmond, Va.
Mesta Machine Co., West Homestead, Pittsburgh, Pa.
Midvale Co., Nicetown, Philadelphia, Pa.
National Forge & Ordnance Co., Irvine, Warren County, Pa.
Pittsburgh Forge & Iron Co., Pittsburgh, Pa.
Titusville Forge Co., Titusville, Pa.

This list represents practically $100,000,000 of capital invested with plants having productive capacity of about 700,000 gross tons annually.

Statistics show production in this industry in the past five years has averaged less than 25 per cent of capacity.

Foreign competition adds, materially, further difficulties to present unfavorable conditions existing in this industry. Wages paid here have steadily increased in postwar years and are many times higher than those paid abroad, which is reflected in increased cost of our commodities coupled with a low percentage of production.

This brief refers specifically to steel and iron forgings as follows:

PAR. 304. HOLLOW FORGINGS

We find these are being imported in increasing quantities. With the comparatively lower wages abroad it is impossible for us to meet this competition. It is found that this class of forging is delivered here from abroad at figures at about one-half of the cost of which they can be produced in this country. Skill and accuracy are inherently a part of the manufacture of this class of forging which involves a large per cent of labor in the total cost of manufacture. We would recommend rates of duty be applied under new tariff bill to read:

"Hollow forgings in tube lengths, 2 cents per pound and 50 per cent ad valorem duty."

PAR. 323. AXLES AND PARTS THEREOF

Now reads: "Six-tenths of 1 per cent per pound on values not more than 6 cents per pound." This is insufficient. We would ask that rate of duty be recommended and applied under new tariff bill as follows:

"Axles and parts thereof, 2 cents per pound on values not over 6 cents per pound."

CRANK SHAFTS

We would recommend specific mention be made of this item. With the trend toward greater expansion in the use of internal combustion engines in this country, there is evidence of increasing numbers and tonnage of crank shafts both rough and in the finished state coming into this country. The greater portion received here are finished. Specifications covering crank shafts call for extremely exacting requirements in material and labor and permit of practically no tolerances. This involves a large measure of risk as well as high cost to the manufacturer and constitutes greater difficulties to the manufacturers here, when further considering the higher wages paid in this country compared with the prevailing low wages paid abroad. We would ask rate of duty be recommended and applied under new tariff bill to read:

"Crank shafts, 2 cents per pound and 50 per cent ad valorem duty."

The manufacturers of steel forgings are asking for relief from present conditions, as now obtain, as indicated above.

Productive capacity averages something over 75 per cent in excess of consumption in this industry. Broadly speaking, the changes requested do not appreciably affect the present tariff structure but the intent of this brief is to avoid difficulty in the interpretation of tariff bill concerning these commodities.

This brief is supplemental to brief of the Iron and Steel Institute, filed by Mr. Thomas J. Doherty, New York City.

Respectfully submitted.

GEO. H. WEILER.

PLATED METAL SHEETS

[Par 309]

STATEMENT OF J. R. BOKER, REPRESENTING H. BOKER & CO., NEW YORK CITY

(The witness was duly sworn by the chairman of the subcommittee.)

Senator REED. Did you testify before the Ways and Means Committee, Mr. Boker?

Mr. BOKER. I did.

Senator REED. Did you file a brief with them?

Mr. BOKER. I did.

Senator REED. Of course, we have the advantage of that.

Mr. BOKER. I have tried not to duplicate myself in any of that. I have just about two items in the brief which I am going to submit to-day, which I have added. I wanted to start with paragraph 309.

Senator REED. That deals with galvanized products.

Mr. BOKER. Yes, sir. I am interested in the lines from 10 to 15, which refer to sheets, or plates composed of iron, steel, copper, nickel, or other metal with layers of other metal or metals imposed thereon by forging, hammering, rolling, or welding.

Senator REED. Just a moment. That begins in line 17 of our copy—sheets or plates composed of iron, steel, copper, nickel, or other metal, and so forth.

Mr. BOKER. And it ends with thermostatic metal in sheets, plates, or other forms, 50 per cent ad valorem.

This paragraph, prior to the law of 1922, consisted of just one group, and in 1922 I appeared before the Senate Finance Committee and offered a suggestion to take thermostatic metal out and to create a separate provision for thermostatic metal, because that is manufactured in the United States. That was done, and it was classified at 50 per cent ad valorem.

I asked, at the same time, that sheets or plates composed of iron or steel with other metal welded thereon should be reduced in duty, because these sheets were not made in the United States at that time and are not made now.

Senator EDGE. This paragraph has not been changed in the slightest degree.

Mr. BOKER. No; but I am coming here on behalf of some of my customers, who asked me to find out if they could get a reduction of the 30 per cent ad valorem, because the sheets which they are using are purely a matter of overhead, or operating supplies. I have the support of my customers. In fact, one of them wrote a letter which is in the green book, on page 1926, in which he asked to have the duties reduced on it.

Senator REED. The Tariff Commission tells us that there is a manufacturer of this bimetallic metal in Springfield, Mass.

Mr. BOKER. That manufacturer is not making the material the way we make it. The manufacturer in Springfield, Mass., is electroplating copper sheets. We are taking iron and steel sheets and are welding nickel thereon.

Senator EDGE. What do you mean by "we"? Where is this product manufactured?

Mr. BOKER. This product is manufactured in Germany by a mill which is called the United German Nickel Mill, and the consumption of it is comparatively small. The machinery for making it is very expensive machinery, entailing a great deal of waste in manufacturing.

Senator EDGE. As I understand, the Ways and Means Committee in 1922, or the Finance Committee, or both, met your proposal. Now they have carried it on in exactly the same language, except for some typographical change. After this period of time you are now returning to ask to have a certain part of it reduced.

Mr. BOKER. Yes. Two divisions have been made, and I would very much like to have another division made, referring solely to the sheets.

Senator REED. There is very little thermostatic metal imported.

Mr. BOKER. Hardly any. I would not know of any.

Senator REED. Ten pounds in 1924, 28 pounds in 1926, and nothing in 1927.

Senator EDGE. Have the imports of the material you represent increased or decreased during the past three years?

Mr. BOKER. They have been just about stationary. The idea is this——

Senator EDGE. There does not seem to be a separate classification.

Mr. BOKER. With these sheets they make molds for forming chocolate.

Senator REED. The imports in 1926 were 66,000 pounds; in 1925, 59,000 pounds. Was that all your trade?

Mr. BOKER. No. I would not know of such importations, because our importations have been a matter of 6,000 or 7,000 pounds.

The situation is that this metal is used for making molds for forming chocolate, and it is a very highly specialized trade in Saxony, making these chocolate molds. These chocolate molds are coming in, and we would like to see them made here. If we could get a separation of these particular sheets so that they might be classified at a lower duty than 30 per cent, the sheets could be imported and the molds could be made here.

Senator EDGE. The finished product?

Mr. BOKER. The finished product. You see, the finished product is being imported now. The manufacturing of this product involves very highly skilled labor, and the chocolate machinery is coming in in great quantity, with these molds on. My customer would like to make these molds here.

Senator EDGE. I understand you to say the plates are not made here.

Mr. BOKER. No. They are not made here.

Senator REED. And they can not use the ordinary nickel-plated metal for them.

Mr. BOKER. No. I have a sample here to show you what these goods are made into. This [indicating] is what is called the chocolate mold. You will see the shape. These pieces [indicating] are set up in a large frame, the same as a type frame, and then the chocolate is poured into this [indicating]. It seems to be of such a peculiar

nature that the chocolate does not adhere to this metal, and they can knock the chocolate out. It makes a durable mold. My customer asked me to come here and ask you for a lower duty so that he could make the molds.

Senator REED. What is this metal?

Mr. BOKER. Steel inside, with nickel welded on the outside, and then rolled out.

Senator EDGE. Is it a composition that is more or less patented?

Mr. BOKER. No.

Senator EDGE. It is not made by anybody else?

Mr. BOKER. It has been made in Europe since 1890. It has never yet been made here because the demand is very small, and the machinery for making it is very ponderous, expensive machinery. Over there in Europe they can afford it, because they have the trade of the world in this metal, and they have an output for the scrap, because there is a great deal of scrap connected with making it.

Senator REED. What is so extremely elaborate about the industry of making these molds in this country? That is just a stamping process.

Mr. BOKER. First of all, it is very accurate die work. The difficulty is that they take six or seven dozen of these little pieces you have there, and solder them in a frame. The frame is about 2 by 3, and they are made in large slabs, the same as a type bar frame. They pour the chocolate into it.

Senator REED. But the actual making of one of those molds is certainly not a complicated business. The soldering may be.

Mr. BOKER. At the same time, the waste is very considerable in making it.

Senator REED. That is true in all stamping mills.

Mr. BOKER. My suggestion was to divide this paragraph so as to separate these plated steel sheets from the copper sheets, so that the paragraph would read:

Sheets or plates composed of iron or steel, with layers of other metal or metals imposed thereon by forging, hammering and rolling, or welding, 10 per centum ad valorem, provided that sheets or plates of copper, nickel, or other metals with layers or other metals, except iron or steel, imposed thereon by forging, hammering, rolling, or welding, 30 per centum ad valorem; thermostatic metal in sheets, plates, or other form, 50 per centum ad valorem.

In other words, it would make one more subdivision, and take the nonferrous plated sheets and leaves at 30 per cent, and take these sheets at 10 per cent ad valorem. That would save the customers from 5 to 6 cents a pound in the duty. That, in turn, would enable us to make the molds much cheaper.

Senator REED. You have no objection to the present item on thermostatic metal?

Mr. BOKER. No; because that is made here. That used to be imported. That is made here, and that is perfectly justified. I have nothing to say about that.

Senator EDGE. You have read your suggestion into the record, as to the phraseology?

Mr. BOKER. Yes.

Senator REED. Is that all, Mr. Boker?

(Mr. Boker submitted the following brief:)

BRIEF OF H. BOKER & CO. (INC.), NEW YORK CITY

FINANCE COMMITTEE,
United States Senate, Washington, D. C.:

We respectfully beg to refer to our briefs submitted at the hearings before the Committee on Ways and Means of the House of Representatives, which briefs are recorded in the green book entitled "Tariff Readjustment, 1929," on pages 1924 to 1926.

We made the statement in 1922 before the Senate Financ Committe that these nickel-plated sheets were at that time not produced in the United States, and we reiterate that the demand for these sheets is not large enough to permit an American manufacturer to go to the very large expense of creating manufacturing facilities.

Consequently, we again ask that the duty on these sheets be reduced to 10 per cent ad valorem from the present rate of 30 per cent ad valorem. We therefore respectfully ask that lines 10 to 15, on page 59 of H. R. 2667, should read as follows:

"Sheets or plates composed of iron and steel, with layers of other metal or metals imposed thereon, by forging, hammering, rolling, or welding, 10 per centum ad valorem: *Provided*, That sheets or plates of copper, nickel, or other metals, with layers of other metal or metals, except iron and steel, imposed thereon by forging, hammering, rolling, or welding, pay 30 per centum ad valorem. Thermostatic metal in sheets, plates, or other forms, 50 per centum ad valorem."

During the testimony of our witness, Mr. J. R. Boker, it was mentioned that the Tariff Commission was of the opinion that these nickel-plated sheets were produced in Springfield, Mass. Our witness stated that the sheets made in Springfield, Mass., were nickel electroplated and consequently do not refer to this part of paragraph 309.

The sheets referred to in paragraph 309 and the sheets to which our witness referred are produced by welding a slab of nickel on an iron plate on either side or on both sides and rolling this combination into the thinner gauges.

Nickel electroplated sheets have been made in this country for many years; in fact, great quantities of zinc sheets are electroplated and are provided for in paragraph 395.

Nickel-electroplated sheets are absolutely unsuited for chocolate moulds, on which our witness testified.

Respectfully submitted.

H. BOKER & CO. (INC.).
J. R. BOKER, *President.*

HOOP STEEL; STRIP STEEL

[Pars. 313 and 314]

BRIEF OF ROBERT GREGG, REPRESENTING THE ATLANTIC STEEL CO., ATLANTA, GA.

FINANCE COMMITTEE,
United States Senate, Washington, D. C.

GENTLEMEN:-On behalf of Atlantic Steel Co., of Atlanta, I desire to submit for your consideration certain data with reference to paragraphs 313 and 314 of Schedule 3 of the tariff bill now pending.

Atlantic Steel Co. owns and operates a steel plant in Fulton County, Ga., just outside the corporate limits of the city of Atlanta. It produces a widely diversified line of steel products, which are distributed principally in the Southeastern States. Two of the products manufactured by this company fall within the above paragraphs, namely, hoops and bands and cotton ties.

Other than this company there is only one steel mill south of Pittsburgh, Pa., producing these particular commodities, and that is Connors Steel Co., of Birmingham, Ala. It should be stated that at the present time the Tennessee Coal, Iron & Railroad Co., of Birmingham, has just about completed a mill capable of rolling these commodities.

Hoop steel, both cut to length and in coils, is used principally by cooperage manufacturers and the naval stores factors, all of whom are located along the South Atlantic and Gulf coast. For instance, most of our customers are situated in Savannah and Brunswick, Ga.; Jacksonville, Tampa, and Pensacola, Fla.; Mobile, Ala.; and New Orleans, La. We have been selling these customers our entire output of hoop steel over a long period of time; between us we have developed the exact quality and specifications best suited to their demands and we have enjoyed their patronage for many years.

These particular points are most favorably located for the foreign producer of steel products as foreign-made steel can be shipped direct to each of these ports without any inland haul to final destination. By reason of such easy access our foreign competition has been most severe for the past three years and is growing more so.

All the hoop used in this territory is of the light gages, 16 to 20 gage, which means a more highly finished product with a much larger percentage of labor than the heavier sections of rolled products. Due to the tremendous discrepancy between the wage scale in this country and that prevailing abroad it is at once apparent that the foreign manufacturer has a big advantage over the steel mills of this country.

This advantage is further increased by the difference in freight rates in favor of the foreign producer. For example, the freight rates from European continental ports to our South Atlantic and Gulf ports, vary from $3.16 per gross ton to $4.37 per gross ton. The freight rate from Atlanta, Ga., to these same American ports varies from $6.496 to $9.184 per gross ton. Bear in mind, too, that Atlanta, Ga., is the nearest possible producing center to these ports being less than 300 miles from Savannah, Ga., less than 400 miles from Jacksonville or Mobile, and less than 500 miles from New Orleans.

Compare now the sales prices of hoop steel at these several ports bearing in mind the freight rates just shown and the labor costs above mentioned which vitally affect the production cost of so highly a finished product as hoop.

Hoop steel in coils 1 inch wide and 18 gage thick is a large part of the demand of the naval-stores trade. It is freely quoted by the foreign producer at South Atlantic ports at $2.10 per 100 pounds c. i. f., including duty of $0.35 per 100 pounds. The price of domestic hoop of the same size and gage in coils is $3.215 per 100 pounds. The difference between the foreign price and the domestic price, therefore, is $1.115 per 100 pounds.

Only one size of hoop steel is discussed for the reason it is the largest single item used in the territory. The same relative difference exists, however, in the various sizes of cut and bundled hoop.

Paragraph 314 has to do largely with cotton ties which is fifteen-sixteenths inch by 20 gage strip steel cut 11 feet 6 inches in length and bundled with cut buckles as a part of the package, the whole being painted and weighing 45 pounds per bundle.

Cotton ties are produced by the following domestic mills: Carnegie Steel Co., Youngstown; Pittsburgh Steel Co., Pittsburgh; Connors Steel Co., Birmingham; Atlantic Steel Co., Atlanta.

We understand a mill is being erected at Birmingham by Tennessee Coal, Iron & Railroad Co. to roll cotton ties and to take the place of the one at Youngstown operated by Carnegie Steel Co.

This material is used throughout the cotton belt for baling cotton and amounts to between 2,000,000 and 3,000,000 bundles per season, or between 40,000 and 60,000 gross tons per year.

The present duty is one-fourth cent per pound, or 11¼ cents per bundle, which is less than 1 inch by 18 gage hoop in coils, although cotton tie strip is a lighter section and has to be cut to length and bundled while 1 inch by 18 hoop is not cut but merely coiled.

The foreign price for the 1928 season varied from 90 cents to $1.10 at South Atlantic and Gulf ports c. i. f. duty paid, while the domestic price based on the current hoop price would have been $1.647 per bundle delivered New Orleans.

Foreign mills are freely offering the entire requirements of all hoop customers at the prices above shown, and in the cotton tie season just ended there were sold in excess of 1,000,000 bundles of foreign cotton ties at the prices shown.

This quantity amounted to more than one-half the total of new ties used in 1928 and is by far the largest importation of cotton ties yet made to this country; in fact, the quantity of imported ties has steadily increased year by year. These facts are cited to show that foreign competition is not a possibility but

is actually a fact, and it is making serious inroads on the business of domestic mills.

The plant of this company has been in operation for nearly 30 years, giving employment to about 1,000 men, and is the only steel mill in the State of Georgia. Its costs have averaged fairly low in comparison with other mills, and because of its location possesses certain advantages that are favorable and valuable. Because of our size, location, diversity of products, and low overhead we can and are competing in our own territory with fully integrated plants. But without reasonable protection from foreign steel manufacturers we are placed in a very serious position.

The American Iron and Steel Institute, of which this company is a member, has heretofore submitted a full brief relating to Schedule 3, containing suggested changes in the tariff. We agree to the proposed rates in that brief as to paragraphs 313 and 314 which are as follows:

Proposed rate of duty

PARAGRAPH 313

Hoop, band, scroll iron or steel, not specially provided for, valued at 3 cents per pound or less, 8 inches or less in width and—	
Thinner than three-eighths and not thinner than one hundred and nine one-thousandths of 1 inch	Five-tenths of 1 cent per pound.
Thinner than one hundred and nine one-thousandths and not thinner than thirty-eight one-thousandths of 1 inch	Six-tenths of 1 cent per pound.
Thinner than thirty-eight one-thousandths of 1 inch	Nine-tenths of 1 cent per pound.
Provided, That barrel hoops of iron or steel, and hoop or band steel, flared, splayed, or punched, with or without buckles or fastenings, shall pay no more duty than that imposed on the hoop or band iron or steel from which they are made.	
Bands and strips of iron or steel, whether in long or short lengths, not specially provided for	35 per cent.

PARAGRAPH 314

Hoop or band iron, and hoop or band steel cut to lengths or wholly or partly manufactured into hoops or ties, coated or not coated with paint or any other preparation, with or without buckles or fastenings, for baling cotton or any other commodity	Four-tenths of 1 cent per pound.

The President, in his message to the present Congress, stressed the matter of tariff revision in two directions: First, that agricultural products should receive such protection as would place the producer of them in a position of earning a fairer return on his investment and efforts, and second, that those industries whose products are most vulnerable to foreign competition and whose very existence are thereby at stake, should receive such protection as would place them at least on a parity with such competition.

It is evident that Atlantic Steel Co. is faced with the keenest foreign competition due to its proximity to the South Atlantic and Gulf Ports. The products covered by paragraphs 313 and 314 constitute a substantial percentage of the total output of this company. By virtue of this, we have every good reason for seeking the relief hereby requested.

Cotton ties, covered by paragraph 314, are used with bagging to cover the bales of cotton from the gin, and this is a part of the cost of such cotton when sold. However, this would impose no burden on the farmer, for the reason that he sells the cotton ties and bagging at the same identical price as he receives for the cotton itself. In actual figures, the suggested tariff increase would amount to one and one-eighth cents per bale of cotton which

is negligible when considered in the light of maintaining our domestic factories in production with attendant employment and pay rolls.

The products covered by paragraph 313 do not concern the farmer in the least but fall strictly within the scope of the President's message having to do with maintaining domestic industry on a parity with foreign competition.

Respectfully submitted.

ATLANTIC STEEL CO.,
By ROBERT GREGG,
President.

Personally appeared Robert Gregg, who, being duly sworn, deposes and says that the facts contained in the above and foregoing brief are true to the best of his knowledge, information, and belief.

ROBERT GREGG.

Sworn to and subscribed before me this 19th day of June, 1929.

[SEAL.]

DAVID W. GALL,
Notary Public.

WIRE AND WIRE ROPE

[Par. 316]

BRIEF OF JOHN A. ROEBLING'S SONS CO., TRENTON, N. J.

The particular items with respect to which we are addressing your committee are iron or steel wire, wire rope, and strand. In the present law paragraph 316 covers the various wires and wire rope, other than wire used for fencing purposes and wire used for baling hay or other commodities. The latter are covered by paragraph 317. We make no recommendations whatever with respect to the fencing and baling wires.

When the present bill was before the Ways and Means Committee of the House we filed a brief recommending certain additions to the duties on wire and wire rope. The only change adopted by the House, however, was to increase the duty on wire rope from 35 per cent to 40 per cent.

In the present brief we urge your committee to adopt the changes which we recommended to the Ways and Means committee, as follows:

	Present tariff	Asked for
Not smaller than 0.095 inch	¾ cents per pound	1 cent per pound.
Not smaller than 0.094 to 0.065 inch	1¼ cents per pound	1¾ cents per pound.
Smaller than 0.065	1½ cents per pound	2 1/10 cents per pound.
Provided above valued about 6 cents per pound shall pay ad valorem.	25 per cent	35 per cent.
Flats and strips and n. o. p. f.:		
Not thicker than ¼ inch and not over 16 inches wide, ad valorem.	do	Do.
Add for galvanized or tinned	2/10 cents per pound	2/10 cents (no change).
Telephone and telegraph and insulated wire and cable.	35 per cent	35 per cent (no change).
Wire rope and strand	do	50 per cent (House bill 40 per cent).
Ring travelers	do	35 per cent (no change).
Heddles and healds	25 per cent ad valorem and 30 per cent.	25 per cent ad valorem and 30 per cent (no change).

For the convenience of your committee we have given below the text of paragraph 316 and have indicated in brackets the rates we recommend in place of the present ones. The suggested ad valorem rates are based upon the present method of valuation as provided in section 402 of the act of 1922. The divisions of the subject matter as they now appear in paragraph 316 cover the groups clearly and concisely and we are asking no changes in the grouping or phraseology. Our recommendation is limited to a change in the rates only as indicated in the brackets as follows:

"PAR. 316. Round iron or steel wire, not smaller than ninety-five one-thousandths of one inch in diameter, three-fourths of 1 cent per pound [1 cent per pound]; smaller than ninety-five one-thousandths and not smaller than sixty-

five one-thousandths of one inch in diameter, 1¼ cents per pound [1¾ cents per pound]; smaller than sixty-five one-thousandths of one inch in diameter, 1½ cents per pound [2-1/10 cents per pound]: *Provided*, That all of the foregoing valued above 6 cents per pound shall pay a duty of 25 per centum [35 per centum] ad valorem; all wire composed of iron, steel, or other metal, not specially provided for (except gold, silver, or platinum); all flat wires and all steel in strips not thicker than one-quarter of one inch and not exceeding sixteen inches in width, whether in long or short lengths, in coils or otherwise, and whether rolled or drawn through dies or rolls, or otherwise produced, 25 per centum [35 per centum] ad valorem: *Provided*, That all wire of iron, steel, or other metal coated by dipping, galvanizing, sherardizing, electrolytic, or any other process with zinc, tin, or other metal, shall pay a duty of two-tenths of 1 cent per pound in addition to the rate imposed on the wire of which it is made; telegraph, telephone, and others wires and cables composed of iron, steel, or other metal (except gold, silver, or platinum), covered with or composed in part of cotton, jute, silk, enamel, lacquer, rubber, paper, compound, or other material, with or without metal covering, 35 per centum ad valorem; wire rope and wire strand, 35 per centum ad valorem [50 per centum] ad valorem; spinning and twisting ring travelers, 35 per centum ad valorem; wire heddles and healds, 25 cents per thousand and 30 per centum ad valorem."

REASONS FOR SUCH RECOMMENDATIONS

I. THE FIRST AND MOST IMPORTANT REASON FOR PROTECTION IN THIS INDUSTRY, IS THE LARGE PERCENTAGE OF LABOR INVOLVED IN THE PRODUCTION OF WIRE, WIRE ROPE, AND STRAND

The cost of the metallic contents of wire, wire rope, and strand represents only a small percentage of the total cost. As the process of manufacture advances, percentage of metallic contents decreases and the percentage of labor increases. For example:

A wire costing 6 cents per pound is made up of approximately 38 per cent metallic content and 62 per cent labor and manufacture.

A wire costing 10 cents per pound, 22½ per cent metallic content and 77½ per cent labor and manufacture.

A wire costing 15 cents per pound, 15 per cent metallic content and 85 per cent labor and manufacture.

Your particular attention is called to the fact that the metallic content cost in a pound of wire remains constant whether the finished wire cost is 6 cents per pound and 15 cents per pound. All the increase in cost over and above the metallic-content cost is in labor and manufacture.

In the production of wire, wire rope, and strand there are many classifications of labor involved: Wire drawers, die reamers, spoolers, strand operators, rope makers, carpenters, mechanics, engineers, etc. In the manufacture of wire and wire rope, skilled and trained workers are required.

II. FOREIGN MANUFACTURERS HAVE REDUCED THEIR COSTS SINCE THE PASSAGE OF THE TARIFF ACT OF 1922

The following figures published by the Department of Commerce show that foreign costs have materially decreased since the passage of the act of 1922:

In 1922 prices per pound were as follows:	
Wire valued above 6 cents	$0.110
Flat wire and steel strips	.414
Wire rope and strand	.1033
In 1927 values were:	
Wire valued above 6 cents	.086
Flat wire and steel strips	.275
Wire rope and strand	.078

In the foregoing we direct especial attention to the low value placed on wire rope and strand imported in 1927.

III. THE LOW LABOR COSTS, COUPLED WITH INADEQUATE TARIFF PROTECTION, HAVE ENABLED THE FOREIGN MANUFACTURERS TO UNDERSELL THE DOMESTIC MANUFACTURERS IN THE UNITED STATES MARKETS

The latest German quotations are, on many sizes, below our costs, and are all below our lowest wholesale selling prices. For example:

Price per 100 pounds

Plow steel wire	Diameter		
	0.0315	0.055	0.122
German prices, including duty paid	$7.73	$7.93	$7.53
J. A. R. lowest wholesale selling price	13.20	9.65	8.10

Your particular attention is called to the German quotation on 0.122 inch diameter and 0.0315-inch diameter where there is only a slight increase in the price of the small size wire over the larger diameter. The spread in Roeblings cost for the 0.0315 wire over and above the 0.122 wire is $5 per 100 pounds and this additional cost of $5 is made up of labor and cost of manufacture, and there is no advance in the cost of metallic content. We are asking tariff protection for these labor costs.

WIRE ROPE AND STRAND

Wire rope is a more highly manufactured product than wire, and the cost over and above the cost of the wire is made up mostly of labor and manufacture.

German wire rope manufacturers have become very active in this country in the past year, by shipping stocks of wire rope in this country to agents who have been offering the rope at very low prices. The following figures compare prices, at which a German agent is offering wire rope in this country, with Roebling's lowest wholesale prices:

Price per 100 feet

	Diameter		
	½ inch	¾ inch	1 inch
6 by 19 plow steel rope:			
German rope, duty paid	$5.43	$10.08	$16.68
Roebling's lowest wholesale selling prices delivered Pacific coast	7.27	13.50	22.34

The following compares a quotation in Boston, Mass., by a representative of a German manufacturer, with Roebling's lowest wholesale prices:

Price per 100 feet

	Diameter		
	½ inch	1 inch	1½ inches
6 by 19 cast-steel rope:			
German rope, duty paid	$4.26	$12.03	$27.23
Roebling's lowest wholesale selling prices, eastern seaboard	6.77	19.08	40.63

German quotation cast-steel and plow-steel ropes for use in producing oil.

Price per 100 feet

	Diameter	
	¾ inch	1 inch
6 by 19 plow steel:		
German prices, duty paid	9.55	14.65
J. A. R. lowest wholesale selling price	12.03	19.89
6 by 19 cast steel:		
German prices, duty paid	7.85	12.20
J. A. R. lowest wholesale selling price	10.82	17.66

The foregoing comparisons are just a few of the many quotations and a few of the various sizes and kinds of wire rope which German manufacturers have shipped into this country and are now selling.

IV. THE HAZARDS INVOLVED IN THE USES OF WIRE ROPE PLACE UPON THE LOCAL MANUFACTURERS A RESPONSIBILITY FOR SOUND, CAREFULLY CONSTRUCTED PRODUCTS, NOT NECESSARILY BORNE BY IMPORTERS WHO HAVE RELATIVELY SMALL CAPITAL INVESTMENTS IN THE UNITED STATES AND IN MANY INSTANCES HAVE NO EXPERT KNOWLEDGE OF THE CASE WITH WHICH THEIR PRODUCTS HAVE BEEN MANUFACTURED

Wire ropes are used extensively in this country in installations where human life is at stake. This applies particularly to elevator ropes and mine ropes. In making our product this hazard is always in mind, and it has been our aim at all times to furnish the highest-grade product that can be made, the cost being second consideration. No expense is spared in our engineering and inspection of ropes, all of which labor adds to the cost of manufacture.

Wire rope as used in the United States may be subjected to more severe treatment than ropes used in either Great Britain or Germany. Engineering practice abroad is very conservative in that sheaves are large, speeds slow, loads moderate, acceleration low, and everything seems to favor the rope. The usage in the United States is the reverse, requiring a high standard of rope to meet the conditions. For instance, the fast elevators in the large buildings in New York City, carrying heavy loads and hundreds of thousands of people daily. The American manufacturer can not make a cheap rope to meet such requirements.

V. IMPORTANCE OF THE WIRE AND WIRE ROPE AND STRAND INDUSTRY, NUMBER OF EMPLOYEES AFFECTED

The John A. Roebling's Sons Co. is located in Trenton, N. J. It operates plants in Trenton and in Roebling, N. J. Its employees number from 5,500 to 6,500. The industry as a whole employs several times that number.

CONCLUSION

A very important function of a protective tariff in the wire and wire rope industry is to insure high quality of material. The domestic manufacturers can not afford to use the highest priced expert labor and the highest priced materials unless they are protected against the importation of wire and rope in which the cheapest labor and material have been used.

The alarming growth of imports of these commodities since 1922 and their sale in our markets at prices which can not be met by our domestic concerns constitutes an emergency in the industry that can only be met by an increase of tariff protection. It can not be met by cheapening the product without endangering life and property.

Respectfully submitted.

JOHN A. ROEBLING'S SONS CO.,
By WILLIAM P. BROWMAN,
Vice President and Treasurer.

DISTRICT OF COLUMBIA:

Personally appeared before me, a notary public in and for said District of Columbia, William P. Browman, who being by me first duly sworn, deposes

and says that the statements set forth in the foregoing brief are true to the best of his knowledge and belief.

WILLIAM P. BROWMAN.

Sworn to and subscribed before me this 27th day of June, 1929.
[SEAL.] CHARLES F. PACE,
Notary Public.

My commission expires February 18, 1931.

BRIEF OF THE BRODERICK & BASCOM ROPE CO., ST. LOUIS, MO.

[Including wire rods, par. 315]

This brief is submitted as supplementary to and in amplification of brief filed with the committee of the House, advocating an adjustment of the schedules contained in paragraphs 315 and 316 on wire rods, rope wire, and wire rope.

In that brief the Broderick & Bascom Rope Co. recommended that rope wire be segregated from other wires covered in paragraph 316, because it is a distinctive product, and is high grade and more expensive than the other wires therein covered. We still believe that this recommendation has a valid basis, because under the present tariffs it is impossible to get complete statistics on importations of rope wire; and, further, the rope wire as the raw material, and the wire rope as the finished product, are not scientifically treated in the present schedules, and our desire is to see a scientific treatment of the two products, so that the duties may be properly compensatory.

Before the House committee a brief was filed (Tariff Readjustment, 1929, p. 1951) advocating an increase in tariff on both wire and wire rope. There is far more labor in the cost of wire rope, in proportion to the total cost than there is in wire. As a matter of fact, Broderick & Bascom purchase the largest part of their wire in the United States, but for the highest grade of wire rope it is necessary to get wire made from Swedish ore base, which can not be produced from domestic stock. This is more desirable for use in the manufacture of the highest quality wire rope. Broderick & Bascom are practically the only importers of this wire, and it would seem that the brief above mentioned attempts to build up an argument in favor of a duty on wire which would make it impossible for the practice of importing this high-grade wire to be continued. Broderick & Bascom have been carrying on business in this way for a period of over 40 years.

The proposed tariff as set out in this brief seems to be designed to affect wire imported by Broderick & Bascom alone. As it was done formerly, there was one duty on wire and an additional duty on wire rope. In this way American labor, which was chiefly in wire rope, was satisfactorily protected. As a matter of fact, on account of the present duty, wire of the highest quality is not being imported in as large quantities as it was before the war. There is no price competition in this country on this class of high-grade wire. Competition is one of quality. All other grades of wire used in making wire rope can be bought cheaper in this country than abroad.

We wish to point out the following misleading statements in the brief referred to.

The figures on page 1953, attempting to show that the cost of the metallic content is the same no matter what the quality of the wire is, and that the only difference in cost is in the manufacture, are incorrect. The cost of the metallic content varies with the grades of the wire.

There is a misleading table of prices on page 1955, which purports to compare German prices on plow steel wire as compared to prices in the United States. A first-class grade of plow steel wire can be purchased from American manufacturers at lower prices than the German figures shown.

CONCLUSION

As was shown in our brief filed with the House committee, there has not been as large an increase in importation of wire since 1920, as there has been in importations of Swedish rods. The rod is the raw material used for making the wire, but the labor involved is comparatively small. The greatest amount of labor and cost is in the manufacture of the wire rope from the wire. The most important propositions involved in these schedules are two: First, that the labor

in manufacturing the high-quality rope, which is by far the greatest amount of labor, is entitled to protection; and second, that the tariff be so adjusted that it is still possible to manufacture the highest quality of wire rope, which will not be possible if the tariff on the high-quality wire is increased. We repeat, that on this grade of wire rope there is no competition in prices, merely in quality.

In view of the fact that all grades of rope wire, except the high-grade wire (which is not comparable with the domestic product and which is imported by Broderick & Bascom), can be bought cheaper in this country than abroad, we feel that the duty on wire at present is too high, and that the spread in duty between wire and wire rope is too small at present.

Respectfully submitted.

BRODERICK & BASCOM ROPE CO.,
By J. K. BRODERICK.

STATE OF MISSOURI,
City of St. Louis, ss:

J. K. Broderick, of lawful age, being duly sworn, on his oath says that the statements made in the above and foregoing brief are true to the best of his knowledge, information, and belief.

J. K. BRODERICK.

Subscribed and sworn to before me this 6th day of July, 1929.

[SEAL.] A. ELLA KLOBASA,
Notary Public.

My commission expires August 17, 1929.

STATEMENT OF LEON O. HART, EAST ORANGE, N. J., REPRESENTING THE DRIVER-HARRIS CO., HARRISON, N. J.

[Insulated resistance wire; also including nickel alloy products, par. 390]

(The witness was duly sworn by the chairman of the subcommittee.)

Senator REED. Did you testify before the Ways and Means Committee?

Mr. HART. Yes, sir.

Senator REED. Did you file a brief with them?

Mr. HART. Yes, sir.

Senator REED. Of course, we have the advantage of that here in this printed record, but we will be glad to hear anything you have to say in addition.

Senator EDGE. Which paragraph are you going to discuss first, Mr. Hart?

Mr. HART. The first paragraph is 316, that portion of it relating to insulated wire, on page 63, line 4—"telegraph, telephone, and other wires and cables composed of iron, steel, or other metal (except gold, silver, or platinum), covered with or composed in part of cotton, jute, silk,, enamel," and so forth.

It is toward the latter part of paragraph 316.

Senator REED. Page 77, line 9.

Mr. HART. It starts with "telegraph, telephone, and other wires."

Senator REED. That includes all varieties of insulated wire.

Mr. HART. The point I wanted to make is this. We are producers of nickel alloys that are not ferrous, and not copper. In the present bill we have a duty of 35 per cent on the bare wire. The insulating represents another operation with considerable additional labor, and if it were possible we would like to have a slightly higher rate of duty on this limited class.

Senator EDGE. What is the technical name of the wire?

Mr. HART. It would be insulated resistance wire.

Senator EDGE. The reason I asked is that there are various quotations of different kinds in different percentages.

Mr. HART. They are enumerating the different kinds of insulation, Senator. They are lumping insulated wire such as is used for wiring houses for electric lights, cables for telephones, which represent quantity production, and we are lumped in, with this little specialty, which is a very small production.

Senator REED. Let us see about that. Is it cold rolled?

Mr. HART. The insulation is a supplementary operation after the wire drawing. It may be covered with enamel, or a layer of cotton or silk.

Senator REED. The wire is cold drawn, I presume.

Mr. HART. Yes, sir.

Senator REED. And therefore comes within the extra ten per cent provision of section 390.

Mr. HART. Yes.

Senator REED. So, you have 35 per cent on this cold drawn nickel alloy wire.

Mr. HART. Yes.

Senator REED. What percentage of nickel is there in it?

Mr. HART. It may vary from pure nickel down to 25 per cent nickel.

Senator REED. But it is the component of chief value?

Mr. HART. Yes.

Senator REED. So, it is clearly within paragraph 390?

Mr. HART. Yes, sir.

Senator REED. You want additional protection so as to cover the insulating process?

Mr. HART. The labor involved represents a very substantial part of the cost of this extra operation. We are dealing largely with fine wire, where the output of one head on an insulating machine for a week may represent half a pound of wire, and the man's time attending to it—

Senator EDGE. The amendment in the House is "wire rope, 40 per cent ad valorem." That comes right in the middle of that paragraph.

Senator REED. That has nothing to do, of course, with this.

Senator EDGE. I know it has not a thing to do with what he is after. I was wondering why that was put in a separate class, entirely by itself.

Senator REED. Both the witnesses are here on wire rope, and they are filing briefs. We will have to look to them for that.

Our figures are all lumped, Mr. Hart. We can not tell, from the Tariff Commission information—at least, I can not see that we can—just how much wire of this type was imported.

Senator EDGE. Tell me again how that wire should be described—insulated what?

Mr. HART. Insulated resistance wire. I am seeking to differentiate our little product from the general mass of things. I do not want to get tied up with the other part of the industry.

Senator EDGE. What is the total product in the country annually?

Mr. HART. In this particular material, I suppose 75,000 or 100,000 pounds a year. This wire will run from 30,000 to 40,000 feet to

the ground, and a little of it goes a long ways. It is used in making electrical instruments, voltmeters and ammeters.

Senator REED. How much is imported? Have you any idea?

Mr. HART. At the present time there is very little. To give you a true picture of that I would have to take you back prior to 1914. There were no nickel alloys made in this country. We drew them into wire then and imported our hot-rolled rods from Germany. Our source of supply was shut off when the war began and we were forced to develop an American source of supply. We now have that, and we have expanded the industry. Our volume to-day, for my own company, is probably ten times what it was in 1914. We have substantially reduced the selling price of our produce, due to this increased volume, and we are very anxious to retain it now.

Senator EDGE. What additional ad valorem do you think you would have to have to properly protect you?

Mr. HART. On this covered wire I think an additional 5 per cent.

Senator EDGE. In other words, making it 40 instead of 35.

Mr. HART. Making it 40 instead of 35. It would probably be simpler, Senator, if it were put in 390.

Senator REED. How much are the imports on this stuff now?

Mr. HART. They are very small. The situation was this: Prior to 1914 the Germans owned nickel mines in Guinea and refined their own nickel. The war came along and they lost that. They had to purchase their nickel from the Canadian sources. For the three or four years after the war, until German currency was stabilized, they were under a very severe handicap in buying the nickel. They were not able to get much. Now that they are back on a gold basis, they can buy this material, and we are very fearful of their competition. We make our stuff in small lots. We sell in pounds where the steel man sells in tons, and our labor costs represent a very much bigger percentage of our total cost than would those, say, of a steel mill making rails.

Senator REED. We appreciate all that, but I am curious to know just how much the imports of your material were last year. Was any of it imported?

Senator EDGE. You can not tell from the tariff information.

Mr. HART. You can not tell, because of the classification.

Senator REED. It is all lumped together, with submarine cable, copper insulated wire, and all that, but you ought to know whether you lost any business to foreign concerns.

Mr. HART. We have lost some business.

Senator EDGE. Is not your application now more in anticipation of foreign competition, rather than existing competition?

Mr. HART. Well, there is existing foreign competition.

Senator REED. We are trying to find out how much. You can tell us.

Mr. HART. I am stating the matter clearly. We were absolutely licked prior to 1914 by foreign competition. When the exchange was against them they were held off, and we have had no competition until recently. We are fearful now that we will be put back in the position we were in prior to 1914, when we were practically at the mercy——

Senator EDGE. Would 5 per cent ad valorem make all that difference between success and failure?

Mr. HART. No. I did not think we were justified in asking for more than that. I am talking now not only of this paragraph, but of the general nickel schedule.

Senator REED. Your nickel costs you less than it costs the Germans. That is sure.

Mr. HART. Very little, if any.

Senator REED. It certainly does not cost any more. They have no advantage over you there. It all comes down to the labor cost.

Mr. HART. The nickel comes into the United States and pays 3 cents per pound duty. It is practically all refined in Canada. I do not know whether the Canadian nickel that goes into Germany pays any duty.

Senator EDGE. Your application is really made upon the justification of an additional process requiring additional labor costs.

Mr. HART. Yes.

Senator REED. How many pounds of this material do you think were imported into the United States last year?

Mr. HART. Probably not over five or ten thousand pounds.

Senator REED. How many did you make?

Mr. HART. We probably made in the neighborhood of 60,000 or 70,000 pounds.

Senator REED. What other makers are there?

Mr. HART. There is a concern in Detroit, the Hoskins Manufacturing Co. There are two other concerns in the Newark district, the National Harris Co., and the Gilby Wire Co.; and there is a concern in Morrisburg, Pa., the Alloy Metal Parts Co.

Senator REED. What is the total production of the country? Does it run to half a million pounds?

Mr. HART. The total production of the country runs less than that, of the insulated material—more than that of the bare wire.

Senator REED. Four hundred thousand pounds of the insulated material?

Mr. HART. Yes.

Senator REED. So that the imports are approximately 1 per cent of our production.

Mr. HART. In that neighborhood.

Senator REED. Of course, that tells particularly on you and your neighbors, who are close to the seaboard?

Mr. HART. Yes, sir; but an offer to supply determines the price.

Senator EDGE. Have you evidence, Mr. Hart, that there is an effort being made, or to be made, to capture the American market for this particular product?

Mr. HART. I refer to one of the previous witnesses, Mr. Boker. I have been connected with this industry since 1908. Prior to 1914 our chief competitor was the firm Mr. Boker represents. His present source of supply, the United German Nickel Works, was his source of supply for nickel and nickel alloys prior to 1914. Until the war interrupted it, he had probably the largest business in resistance wire—larger than that of any of the domestic concerns.

Senator REED. All right, Mr. Hart. I think we understand your problem.

Mr. HART. There is just one other thing I want to call to your attention.

Paragraph 390, in covering nickel and nickel alloys, allows a duty of 25 per cent on hot-rolled material and 35 per cent on cold worked. I have suggested a paragraph that follows, in form, some of the steel paragraphs. I have suggested graduated duties, as the diameter of the wire decreases. In other words, as there is more and more labor involved in the finer sizes of wire, we would like a higher rate of duty. In support of that I have some recent information as to the wages paid wire drawers in England, and the wages we pay.

A heavy wire drawer—and by that I mean a man who draws sizes down to 18, Brown & Sharp, or 0.040 inch, through steel plates, gets £5 for a 48-hour week. That is 50.7 cents an hour. The corresponding wages to the American laborer are 80 cents to a dollar an hour. The fine-wire drawer, who draws through diamond dies, in England, gets £2 for a 48-hour week, or 20.28 cents an hour. The corresponding wages for the American operator are 65 to 81 cents an hour.

Senator REED. They get less than the heavy-wire drawer in both cases?

Mr. HART. Yes; in both cases. You see, the heavy-wire drawer has to make up his own plates. He has to remount the hole and shape it. The fine wire drawer is given a diamond with a hole already drilled in it, and there is less skill involved in the fine wire than in the heavy wire. Of course, the production per man is very much less in the fine wire than in the heavy wire. Take a man producing, say, quarter-inch wire. He will turn out 5,000 pounds of material a day. The man drawing No. 40, Brown & Sharp, 0.003 of an inch in diameter, will turn out about 5 pounds of stuff a day.

While the volume of products involved in our industry is very small, they are very necessary to the other arts. Practically all the things that we manufacture are resold to other manufacturers and used, but in a great many things they are the key part of the industry. For instance, one of the products we make is a wire that is used in spark plugs. The success of an automobile or aviation motor depends on the ability of the wire in the spark plugs to last during that service.

Senator REED. Is that a nickel alloy?

Mr. HART. Yes, sir. Prior to 1914 this stuff was imparted largely from Germany and sold under trade names, at high prices. The price ran from $1 to $8 or $9 a pound. We are selling that to-day at prices ranging from 60 to 80 cents a pound, and our ability to do this has made it possible for the American automobile and aviation industry to make the progress they have made. Our industry was essential to the Government during the war time. We found it unnecessary to engage in the production of anything else but our regular line of products, because there was such a demand for them, and it is essential to the security of the country that this industry be preserved to America and not allowed to be transported to Europe.

Senator REED. Yet you say it is ten times larger than it was 15 years ago.

Mr. HART. The natural growth of the country and the fact that we have largely supplanted these foreign importations accounts for that. Take the automobile industry, Senator. For the sake of

argument, if there is an ounce of spark-plug wire in an automobile, there are probably from fifteen to twenty times as many automobiles made in a year now as there were 15 years ago.

Then, our product enters into electric-heating devices, and there has been a tremendous expansion in this industry. The number of homes wired and the number of homes using heating devices has multiplied enormously. We have been hard put—and when I say "we" I mean the industry—to keep pace with the demands of the country.

Senator REED. You use a resistance wire there, do you?

Mr. HART. Yes, sir.

May I leave a copy of my brief here?

Senator REED. Yes. We would like to put it in the record at this point.

(Mr. Hart submitted the following brief:)

BRIEF OF THE DRIVER-HARRIS CO.

COMMITTEE ON FINANCE,
United States Senate, Washington, D. C.

GENTLEMEN: The Driver-Harris Co., organized in New Jersey, is the oldest and largest manufacturer of nickel-chrome alloyed wire and castings and one of the leading manufacturers of other special metal alloys and pure metals for electrical, mechanical and chemical uses. Its products are used in the manufacture of containers and utensils capable of resisting high temperatures and destructive chemical action.

The items and paragraphs in which we are interested are Nos. 316 and 390.

The proposed amendments are as follows:

Paragraph 316: Amend to contain a sentence or sentences, without anything inconsistent therein, as follows:

"* * * telegraph, telephone, and other wires and cables composed of iron, steel, or other metal (except gold, silver, or platinum), covered with or composed in part of cotton, jute, silk, enamel, lacquer, rubber, paper, compound, or other material with or without metal covering, 40 per centum ad valorem; * * *."

And would restore the rate of the act of 1909.

Paragraph 390: Amend to contain a sentence or sentences, without anything inconsistent therein, as follows:

"Nickel oxide, 1 cent per pound; nickel and nickel alloy of any kind in which nickel is the component material of chief value, in pigs or ingots, shot, cubes, grains, cathodes, or similar forms, 3 cents per pound; in bars, rods, plates, sheets, castings, tubes, tubing, anodes, or electrodes, 30 per centum ad valorem; round wire not smaller than ninety-five one-thousandths of one inch in diameter, 40 per centum ad valorem, smaller than ninety-five one-thousandths and not smaller than thirty-two one-thousandths of one inch in diameter, 45 per centum ad valorem; smaller than thirty-two one-thousandths of one inch in diameter, 50 per centum ad valorem; sheets or strip thinner than one hundred thirty-nine one-thousandths and not thinner than thirty-eight one-thousandths of one inch 40 per centum ad valorem, thinner than thirty-eight one-thousandths and not thinner than twenty-two one-thousandths of one inch 45 per centum ad valorem, thinner than twenty-two one-thousandths and not thinner than ten one-thousandths of one inch 50 per centum ad valorem, thinner than ten one-thousandths of one inch 60 per centum ad valorem."

The following table shows the corresponding rates in the tariffs of 1922, 1909, and 1913:

Classification	Rates of duty		
	Act of 1922	Act of 1909	Act of 1913
Nickel, and nickel alloy of any kind in which nickel is the component material of chief value:			
Bars, rods, or plates	25 per cent	6 cents per pound	10 per cent.
Pigs or ingots	3 cents per pound	do	Do.
Sheets or strips	25 per cent	35 per cent	20 per cent.
Shot, cubes, grains, cathodes, or similar forms.	3 cents per pound	45 per cent	Do.
Strands, castings, tubes, tubing, anodes, or electrodes.	25 per cent	do	Do.
Wire	25 per cent [1]	35 per cent	15 per cent.
Nickel oxide	1 cent per pound	6 cents per pound	10 per cent.

[1] Plus 10 per cent if cold washed.

The reason for proposing this change in classification of hot or cold worked nickel or nickel alloy products is that the percentage of the total cost represented by labor is very much larger for the finer sizes than for the heavier sizes. We feel that this graduated scale of duties is necessary to afford the same relative degree of protection to the finer sizes.

STATEMENT OF REASONS FOR CHANGES

The amendments to the rates and classification concerning the products manufactured in the industry in which we are engaged are necessary to the continued success of the industry, not only the maintenance of fair wages, but to produce a reasonable degree of financial reward for capital invested in the industry.

In presenting our application for adequate protection to this Committee we feel that it would first be well to acquaint you gentlemen with the nature of our business so that in considering this application you may be in a position to differentiate between our particular needs and those of the general metal-working industry.

We produce, principally, nickel and nickel alloys of a range of compositions radically different from that usually understood by the term "nickel steel." In the iron and steel business when nickel steel or chromium-nickel-steel is referred to, an alloy containing from one-half to three per cent of nickel and from one-half to one and one-half per cent chromium with the balance iron is meant. In our particular business, when we refer to nickel steel, we mean a material with from 25 to 70 per cent nickel and the chromium content of our alloys vary from 10 to 22 per cent. These articles are used in very much smaller quantity than steel. Their manufacture presents greater difficulties than those encountered in manufacturing steel, and requires considerable skill and technical ability, and a larger proportion of their cost is represented by labor.

Our products occupy a peculiar field, inasmuch, while they usually represent but a small portion of the total cost of the completed article into whose assembly they enter, yet the life of the article depends on the quality and durability of the material which we supply.

In addition to the foregoing material we produce a nickel-chromium alloy in the shape of castings, suitable for resisting high temperatures or acids which find its utility in the shape of carbonizing boxes, retorts, and lead pots which are used in heat treating. This material during the late war was used very extensively by the Gas Defense Service and by the nitrate division of the Ordnance Department. Its use in the heat-treating plants in the country enabled them to effect considerable economies in the amount of steel required for containers.

In the sale of American goods the American manufacturer will meet with competition of extremely low-priced foreign labor compared with labor in the United States. For example, a heavy wire drawer in England receives £5 for a 48-hour week. This is equivalent to 50.7 cents per hour. The wages to an

American laborer for a corresponding rate of work vary from 80 cents to $1 an hour. A fine wire drawer in England gets £2 for a 48-hour week, or 20.28 cents per hour. The corresponding American employee receiver from 65 to 81 cents. I have confined my citation of foreign-labor rates to Great Britain, as this is the only country for which I have been able to obtain accurate information. However, I would respectfully call the committee's attention to the fact that the prevailing rates of wages for all types of industry are higher in Great Britain than in Germany, which was formerly our strongest competitor.

Hence, the American manufacturer will be unable to meet foreign competition at home without protection, and will be unable to sell abroad. The result will be lower production. There is no reason why the home market should not be preserved for the American manufacturer, so that he will receive a fair profit on what he sells at home, and so that he may be able to pay wages that will enable his employees to maintain the high American standard of living.

Prior to 1914 American industries did not produce any of the fabricated forms of nickel, viz, hot-rolled rods and sheets or cold rolled or drawn sheets or wire. The general practice was to import partly finished fabricated nickel and nickel alloys. These were worked up into different finished products, such as drawn wire, rolled sheet, and strips. When the war commenced the foreign source was eliminated, and manufacturers here were obliged to develop an American source of production similar to that of foreign supply. This we succeeded in accomplishing, and are now able completely to manufacture domestically a satisfactory commercial product.

At present the necessity of further and more substantial tariff protection for the new branches of the industry recently developed is clear.

We would like to state further that, in connection with the war-time development of American nickel products, we succeeded in meeting the demands of the different branches of the Government for material formerly made of foreign-made raw material. Among these are spark plug wires for airplanes, tractors, and trucks; alloy resistance wires used in ammunition-hoist controllers, motor control and gun-treating furnaces, alloys essential in the construction of electrically driven battleships, wires for electrical measuring instruments, sheet metal for water jackets for airplane-engine cylinders, nickel-alloy castings suitable for activating carbon used in gas masks and for use in the heat-treating industry, and many uses more or less important to the successful prosecution of the war.

In this development since 1914 this company has been obliged to equip in a very extensive way for casting, rolling, and finishing these materials, which really means the completion from the ground up of a new American industry which should now have adequate tariff protection.

It has been suggested that the iron and steel industry does not need protection. This we do not believe to be true; but if it be, at all events, the distinction should be borne clearly in mind between that industry and the smaller and newer and growing industry of special metal alloys, wires, alloy castings, etc., in which we are engaged. The industry is separate and apart from the iron and steel industry, and will hereafter require reasonable protection. The nickel alloy industry differs from the iron and steel business in that it is a highly developed specialty and is not a tonnage business. The labor costs represent a larger percentage of the total cost of the finished product in our industry than in the steel industry. We work in small units, which always has a tendency to increase costs, and the variety and complexity of our products necessitate closer supervision and control than would be required with the production of standard materials on a tonnage basis.

Respectfully submitted.

DRIVER-HARRIS CO.,
By LEON O. HART.

Sworn to before me, a notary in the District of Columbia, this 27th day of June, 1929.

[SEAL.]

MARVIN A. TYLER,
Notary Public.

BEST AVAILABLE COPY

WIRE HEDDLES

[Par. 316]

BRIEF OF F. L. CHASE, PROVIDENCE, R. I., REPRESENTING MANUFACTURERS OF WIRE HEDDLES

COMMITTEE ON FINANCE,
United States Senate, Washington, D. C.:

The undersigned, F. L. Chase, of Providence, R. I., on behalf of F. A. Chase & Co., Providence, R. I.; Howard Bros. Manufacturing Co., Worcester, Mass.; L. S. Watson Manufacturing Co., Leicester, Mass.; and Steel Heddle Manufacturing Co., Philadelphia, Pa., respectfully petition your honorable body for a revision of the present tariff on wire heddles contained in paragraph 316, Schedule 3, metals and manufacturers of, and a restoration of the rates as contained in the tariff act of 1909 so that the paragraph shall read:

"Wire heddles or healds, 25 cents per thousand and 40 per cent ad valorem."

Wire heddles are used in the weaving of textiles, and the industry is an important adjunct to and its development in the United States has been of great value to textile manufacturing.

Due to much lower costs of production in Europe, especially labor costs, the present tariff has been found inadequate to meet foreign competition, particularly from Germany, and for the past four years this competition has been very severe, and it has been impossible for American heddle manufacturers to meet the prices made by German makers, with a consequent curtailment of domestic production and unemployment of our workers.

Our information shows foreign labor costs to be approximately 25 per cent of our American costs, resulting in greatly increased imports and reduction in prices. The principal importations come from Germany, France, and Switzerland.

Owing to the absence of any trade association it is not possible to state the number of employees and the value of the American product, but they are both considerable in amount.

The Department of Commerce reports the amounts of importations on wire heddles for the following years, showing very great quantities and relatively low values, indicating to our minds that foreign heddles are imported at very low valuations, as we find the relationship between the quantity and the dollar value entirely out of line with our American values.

Importations.—1925, 112,348,000; 1926, 119,989,000; 1927, 96,456,000; January 1 to September 30, 1928, 52,652,000.

The decline in the last two years is due without question to the depressed condition of the textile industry and does not indicate any slackening of importations.

The machinery and equipment used by American manufacturers is modern and has kept pace with the development of our industry, and is equal to that used by foreign competitors.

In view of conditions now existing, and to afford our industry adequate protection, we earnestly petition your honorable body in the consideration of this schedule for the reenactment of the rates contained in the act of 1909, reading:

"Wire heddles or healds, 25 cents per thousand and 40 per cent ad valorem."

Exhibits of wire heddles are submitted herewith.

Very respectfully,

FREDERIC L. CHASE.

CITY OF WASHINGTON,
District of Columbia:

Subscribed and sworn to before me this July 10, 1929.

[SEAL.] JOHN G. SIMS, *Notary Public.*

FOURDRINIER AND CYLINDER WIRES; WOVEN-WIRE CLOTH

[Par. 318]

STATEMENT OF JOHN N. HARVEY, REPRESENTING THE ADVANCE BAG & PAPER CO. AND THE SOUTHERN ADVANCE BAG & PAPER CO., BOSTON, MASS.

(The witness was duly sworn by the chairman of the subcommittee.)

Mr. HARVEY. Mr. Chairman, and gentlemen, I appear in connection with paragraph 318, Fourdrinier wires.

Fourdrinier wire is a mechanical device which originated in Europe years ago, to facilitate the making of paper. It is an integral part of a paper machine. The machine is called a Fourdrinier machine. I call attention to this fact because I notice in some brief filed that the manufacturers of Fourdrinier wires are claiming that it is not a part of a machine. I was raised in Vermont, and when a boy I had occasion to drive oxen. If a man had told me that the bows were not a part of the yoke, I would have said that there was some trouble with his brain. If he had told me that the reins were not a part of the harness, I would have thought the same thing. To say to a paper man that Fourdrinier wire is not an integral part of a Fourdrinier machine is analogous to the bows and the yoke.

Senator EDGE. That is settled. Let us get down to business.

Mr. HARVEY. That is one point they make in their brief.

Senator REED. This is a variety of woven wire cloth, is it not?

Mr. HARVEY. Yes.

Senator REED. It has been assessed for duty under paragraph 318.

Mr. HARVEY. Thirty per cent duty. They are asking for a 25 per cent raise, or 35 per cent.

Senator EDGE. They did have 35 per cent, and the court decision brought it down to 30.

Mr. HARVEY. On this very point I am making. The court held that it was an integral part of the machine.

Senator EDGE. So the court saved 5 per cent under what the 1922 act gave.

Mr. HARVEY. Yes.

Senator REED. The court held it to be a part of a machine, did it?

Mr. HARVEY. I can not remember the exact wording, but it was a machine part, as I recall it, and took the lower schedule.

Senator REED. That is why the House has put in the provision on page 78, that Fourdrinier wires and cylinder wires suitable for use in paper making machines, whether or not parts of or fitted or attached to such machines, and woven wire cloth suitable for use in the manufacture of Fourdrinier wires or cylinder wires, shall take 55 per cent ad valorem duty, regardless of mesh.

Mr. HARVEY. Yes.

Senator REED. Proceed.

Mr. HARVEY. We are manufacturers of kraft paper, making around 200 tons per day. The cost of our wires per ton of paper produced is approximately 60 to 65 cents per ton of paper.

The American manufacturers of paper are dependent absolutely upon the American manufacturers of Fourdrinier wires.

Senator REED. You buy them all in this country, do you?

Mr. HARVEY. I think in the last five years we have bought three wires in Europe, for test purposes. The reason why we are absolutely dependent upon the American manufacturers of wires is that these wires cost anywhere from $300 to $1,000 apiece. They may go to pieces in 15 minutes after they are put on the machine. They may last five days. I believe the average is around 30 days. The American manufacturers stand behind their wires, and they make good wires. If a wire is defective, and it shows up, they make good. The European manufacturer will do the same, but you can understand that the American manufacturer of paper, for such a costly part, which has to be replaced so often, has got to buy, as a matter of necessity, the American wire. He could not be dependent upon European wires. He would have to carry too large a stock. He could not afford to take the chance not to have the guarantee on the wire carried out.

The American manufacturers know that fact. Two of the people who have filed briefs, or will file briefs—at any rate, who are scheduled to appear—are our source of supply. You realize, gentlemen, that I hesitate to appear here against our source of supply, when we have to depend upon that source absolutely.

Senator REED. That is probably to their interest as much as it is to yours.

Mr. HARVEY. I hope so.

Senator EDGE. There is absolutely no record of the importations obtainable, is there? So far as paragraph 318 is concerned, it includes all types of woven wire.

Mr. HARVEY. Yes. They are all the same, depending on the size of the wire, the width of the wire, the mesh, and so forth. They are all Fourdrinier wire.

Senator EDGE. I understand that. Of course, the importations of Fourdrinier wire are very large, but have you the figures on this particular wire?

Mr. HARVEY. I think I have.

Senator EDGE. All right. Let us have them.

Mr. HARVEY. The American Pulp and Paper Association, in 1927, made a survey of the consumption of Fourdrinier wires in the United States. The figure so supplied showed $4,478,161.73.

Senator REED. How many square feet does that represent?

Mr. HARVEY. I imagine around 11,000,000. I have ascertained, from the importers of French, English, German, and other wires, the European valuation on their wires, averaged for the years 1926, 1927, and 1928. The figures so given me, which I believe to be correct, are $237,000 and odd.

Senator REED. About 5 per cent.

Mr. HARVEY. Bearing out my statement that we are dependent absolutely upon American-made wires, I want to call to your attention the prices that we are paying for wires. In 1914, before the war—I am speaking of a 60-mesh wire, which we use ourselves——

Senator REED. Sixty to the inch?

Mr. HARVEY. That is what they call 60 mesh. That is the size. The price was 26½ cents per square foot. During the war the price went up; on 16-mesh wire we are paying 55 cents; in 1920 it was 66 cents; in 1921, 56 cents. There was a 15 per cent duty

at that time. In 1922 the duty was raised to 35 per cent, and then dropped back under that decision to 30. Immediately following that the price went to 60 cents and dropped back in 1925 to 55, which is over 100 per cent of the pre-war price. It has remained at 55 cents ever since.

Senator REED. How many manufacturers are there?

Mr. HARVEY. I think there are 10 or 12 of the principal ones. There may be some other small ones. Obviously——

Senator EDGE. They are represented here, I suppose, or some of them are?

Mr. HARVEY. Yes. Obviously, gentlemen, if this industry were not a profitable industry, and obviously, if they were bothered a great deal with European competition, they would not have maintained the same price from 1925 until now.

What has happened? On the first day of April of this year every American manufacturer of Fourdrinier wires notified the trade that they were raising their price 3 cents per square foot, because of the increased cost of copper. I venture to say there is not an American manufacturer of paper who said one word against that raise. It would not do us any good if we did. But that is the raise.

Gentlemen, if they were fearing European competition would they be raising the price 3 cents per square foot, or are they raising it 3 cents per square foot in anticipation of this tariff?

Senator REED. How much copper goes into a square foot?

Mr. HARVEY. I can not tell you, sir.

Senator REED. How much does a square foot of the material weigh?

Mr. HARVEY. I could not tell you.

Senator REED. I do not mean the copper content.

Mr. HARVEY. I could not tell you, really. I can get you those figures.

Senator REED. How much does a square foot of the wire mesh weigh?

Mr. HARVEY. I will supply that information if you desire.

An industry like the manufacturers of Fourdrinier wire is entitled to protection if the industry is in danger. We want them to be prosperous, but we do not want to have European competition thrown out.

Another significant fact is that shortly after the first day of April all the European importers raised their price 3 cents per square foot. Now, what is the kraft manufacturer going to do?

I do not think there is any collusion, but there is a significant harmony in prices.

Senator REED. Everybody is trying to get all he can.

Mr. HARVEY. Absolutely. They are entitled to it.

Senator REED. That is the way you sell your paper?

Mr. HARVEY. Absolutely; and we make no protest on this 3 cents a square foot raise. But, gentlemen, if an American industry whose raw material—copper—is produced in this country can not prosper under a 30 per cent protective tariff against European manufacturers, mind you, who obtain their raw material—copper—in this country, which is a fact. All the copper used in Fourdrinier wires in Europe, I understand, is bought in the United States——

Senator REED. Is this pure copper wire, or is it copper-coated wire?

Mr. HARVEY. There are some bronze wires, but the basis is copper.

Senator REED. They do not use steel wire at all?

Mr. HARVEY. No; copper. It is significant that if European people can take copper from this country to Europe and bring the finished product back to this country under a 30 per cent duty, our good friends in this country who are making Fourdrinier wires either are making a lot of money or else there is something the matter. We want to have them prosperous. I think they are prospering.

Senator EDGE. Is there not some similarity of price in the paper business?

Mr. HARVEY. No. I wish there were.

As I pointed out, the price of wire since the war has increased over 100 per cent. In the industries I represent our prices to-day are lower than pre-war prices. We are not making any money, and it is pretty hard for us to be asked to stand an increased cost of wires. It is an absolute fact that the kraft paper to-day is as low as pre-war levels. In January and February of this year, and December of last, kraft paper prices were the lowest ever in the history of the United States.

Senator REED. When one of these wire cloths breaks, the scrap value of the copper is there, of course.

Mr. HARVEY. Yes; but it is negligible. I have seen five wires, costing a thousand dollars apiece, break on one machine in one week.

Senator REED. What is the scrap value of one of them?

Mr. HARVEY. The scrap price of copper.

Senator REED. I am trying to find out how much copper is in them.

Mr. HARVEY. I honestly can not tell you. If I could, I would. [After conferring with a colleague.] I am told that there is about a third of a pound of copper to the square foot, and the scrap value is 8 cents per pound.

Senator REED. So that a 3-cent raise in the price of a foot of this wire, on account of a rise in the price of copper, would indicate that the rise in the price of copper had been 9 cents?

Mr. HARVEY. Yes.

Senator REED. Proceed.

Mr. HARVEY. This is material, in this way. As I said before, we do not feel it fair for our source of supply of wire to come here at this time and ask for a duty which will be a burden upon us in the kraft industry, when the kraft industry is not in a profitable position. As I told you before, we are selling kraft at pre-war prices. We are paying for wire 100 per cent more than pre-war prices.

Senator EDGE. Selling what?

Mr. HARVEY. Kraft paper. The history of the manufacturers of Fourdrinier wires is rather interesting. I have not the capitalization before me, but I have a compilation based on R. G. Dun's report as to their credit standing.

In 1922 the Lindsey Wire Co., according to this report, showed a credit rating of $621,000 and odd; in 1927, $846,000. The Eastwood, in 1913, was $50,000, and in 1923, $1,500,000. I do not assume to say that is all profits. They may have put in some more capital, but that is their credit rating.

I do want to point out that one of the signers of a brief has a Canadian subsidiary called the Niagara Wire Weaving Co. (Ltd.). The Canadian duty on foreign wires is 30 per cent, but there is a preferential in favor of France and England of 12½ per cent. The sales price of wires in Canada is 1 cent per foot under the sales price in this country.

The Niagara Wire & Weaving Co. issued a circular in connection with the sale of its convertible preferred stock, issued by the National City Co. They show total assets, March 26, 1929, of $551,716.73. Bear in mind that the price of wires in Canada is less. They represent the earnings of this company——

Senator REED. One cent a foot less.

Mr. HARVEY. One cent a foot less. For the year ending March 31, 1926, $129,165.41; 1927, $125,429.39; 1928, $152,917.26.

Senator REED. Does it give the amount of their output in square feet?

Mr. HARVEY. It does not, sir. For the 10 months ending January 31, 1929—I assume this is an estimate—$168,207.07. Apply that, gentlemen, against their total assets, plant values, and everything, of $849,000. Gentlemen, they are earning more money per dollar invested in that business than any kraft manufacturer in the United States. There is no question about it. The Eastwood people, about whom I spoke to you a few minutes ago, sold out recently. That is the company that was started at $50,000, or listed by Dun in 1913 at $50,000.

Senator EDGE. While you are looking for that, let me straighten myself out. When we consider the duty on one article, not necessarily raw material, we must also consider the duty on articles for which it is used, in passing along.

Mr. HARVEY. Yes.

Senator EDGE. As I recall your testimony a while back, you said that in any industry where the raw material came to a great extent from this country they should get along on a 30 per cent duty. I do not know whether this paragraph under the paper schedule represents the product you are producing or not; but paragraph 1411 details a number of different kinds of paper made on a Fourdrinier machine, which would be the machine we are discussing, which have a present existing duty of 3 cents a pound and 15 per cent ad valorem. In certain classes it has been raised under this bill by the House to 40 per cent ad valorem. Is that the product you represent?

Mr. HARVEY. They did not raise kraft. I think the duty on kraft is either 27, 30, or 35 per cent. I can not tell you off hand.

Senator EDGE. Don't you know the duty on your own product?

Mr. HARVEY. No; because we are manufacturers of pulp. Ninety-five per cent of our competitors in the New England States and New York are paper makers. They buy their kraft pulp, called sulphate pulp, in Canada, or in the Scandinavian Peninsula. We ourselves manufacture our own kraft pulp.

Senator EDGE. But you also manufacture paper.

Mr. HARVEY. Out of that pulp.

Senator EDGE. Through the use of these machines?

Mr. HARVEY. Yes. Our price of paper depends upon the imported price of kraft pulp which comes into this country free of duty, so the duty does not matter to us.

Senator EDGE. But your finished product, as I follow it, or at least some classes of it, are made on this machine that you are discussing now.

Mr. HARVEY. I understand.

Senator EDGE. And carry as high as 40 per cent ad valorem.

Mr. HARVEY. But the change from kraft pulp to kraft paper is only about $15 to $20 a ton, while the cost of kraft pulp would be $55 and $60 per ton. That is, the labor incidental to transferring kraft pulp to kraft paper is negligible. The kraft pulp comes into this country free of duty. There is a duty on kraft paper, but that does not help us to the slightest extent, because there are a dozen mills along the Atlantic seaboard and in the St. Lawrence Valley which can get water pulp from Europe to compete.

Senator EDGE. If that does not help you at all, should not this committee seriously consider the elimination of this duty entirely?

Mr. HARVEY. The kraft industry to-day in the United States has an estimated annual wage of $21,000,000. We have not reduced our wages since the war.

Senator REED. But you say the labor involved in turning pulp into paper is negligible.

Mr. HARVEY. Per ton.

Senator REED. If it is negligible, and your raw material is on the free list, why should you have this big tariff to protect a negligible amount of labor?

Mr. HARVEY. You do not quite get my point. Our pay roll for the industry is $1,000,000,000. That represents not only the paper but the pay roll from the woods to the pulp production. That is where our large expenditure of labor is. There are very many manufacturers like ourselves in this country who manufacture kraft pulp.

Senator REED. Then we ought to put a duty on that pulp, ought we not?

Senator EDGE. You ought to put the duty on pulp, but take the duty off this product.

Mr. HARVEY. A duty on kraft pulp would be the most wonderful thing in the world, but under the policy pursued by the Government, there have been millions of dollars expended in locating paper mills along the St. Lawrence River and the Great Lakes, and the Atlantic seaboard, which are absolutely dependent upon European pulps, and you would put those gentlemen out of business. I am not here, as a kraft manufacturer, asking a duty on pulp.

Senator REED. All right.

Mr. HARVEY. All we want to do is to be left alone.

Senator REED. To get your raw material free, and——

Mr. HARVEY. We are not interested in the raw material. We have to make our own. Gentlemen, we have never been able to sell our own kraft pulp delivered 300 miles from our door in competition with European pulp. That is how cheap European pulp is.

Senator REED. All right, sir.

Mr. HARVEY. Referring to the Eastwood Manufacturing Co., the Eastwood Wire Corporation was formed after the control of the Eastwood Manufacturing Company had been purchased by a syndicate headed by E. C. Carrington for $2,000,000.

All I ask you to do, gentlemen, is to look up the profits of these wire concerns and compare them with the profits of the paper industry. If you feel that 100 per cent increase in price since the war is not sufficient for these gentlemen to make sufficient profits, for goodness sakes, give them some more. But if you do feel that they can run $50,000 into $2,000,000 under a 15 and a 30 per cent duty, it seems to me, gentlemen, that I would leave them alone.

Senator REED. Did you talk this way to the House Committee?

Mr. HARVEY. I did not appear before the House Committee. The manufacturers of paper did not wake up in time. We are here, gentlemen, to present our case.

Senator EDGE. You are all here to-day, are you?

Mr. HARVEY. No; unfortunately I was drafted at the last moment. In that connection, I want to ask leave to file a brief.

Senator EDGE. I see you are followed by the representative of the International Paper Co.

Senator REED. If you can file that brief by noon on Monday, it will go right in in connection with your testimony here.

Mr. HARVEY. I am afraid I can not, sir.

Senator REED. Then it will go in later.

Mr. HARVEY. Very well. Unfortunately I can not do it.

I will look over my notes and see if I have anything further I want to call to your attention.

I would like to call your attention to the statement in some brief showing a cost in this country of 42 cents on Fourdrinier wires. I am assuming that their freight is three-quarters of a cent, and I will assume that their selling cost is 3 per cent, which it is not. That would make a cost to them of 44.21 cents. Their price, as I said, for five years has been 55 cents, or a profit around 20 per cent. If I can make a profit of 20 per cent, and ask for anything more, I would not look my customers in the eye. That is serious, gentlemen.

Senator REED. Do you know that your cost figures are correct?

Mr. HARVEY. I am taking them from their own figures. They show a cost of 42 cents in some brief that has been filed by American manufacturers of Fourdrinier and cylinder wires. I have added the freight and 3 per cent selling cost. Of course, they say that the European valuation is their cost, but the significant part of it is that they are all making money. They have not raised the price for five years, and instead of having a reduction on account of this competition, they have raised the price, and the Europeans raised the price at the same time.

Gentlemen, the kraft industry—and I am speaking for that industry—just asks to be left alone. We have a hard struggle. We are not making any money. Our product is moving from the North to the South. Last year, we ourselves, to enable us to go on in business, spent over $5,000,000 building a new plant in Louisiana, trying to compete with European pulp entering this country free of duty. Please, gentlemen, do not do anything to disrupt our business. This amount per mill will not be so large, but in the aggregate it means half a million dollars to the kraft industry.

I thank you very much, gentlemen.

(Mr. Harvey submitted the following brief:)

BRIEF IN BEHALF OF THE MANUFACTURERS OF PAPER

On January 14, 1929, there appeared before the Committee on Ways and Means, Wise, Whitney, and Parker, representing 8 of the 25 domestic wire-cloth manufacturers, and presented a brief asking for an increase in the tariff on woven-wire cloth for use on paper machines.

The members of the Committee on Finance of the Senate are familiar with the contents of that brief. They have heard verbal testimony on domestic wire costs, laid down price of foreign wires, description of Fourdrinier wires, method of manufacture, etc. Samples have been submitted showing better than words the class of material that is under consideration. The members of the committee are also familiar with the question that has been raised as to the proper classification of Fourdrinier wires for duty purposes.

It is not our desire to include in this brief any repetitious data, but rather to present new thoughts on the subject and ideas as to why the requested increase in duty should not be granted; however, attention is called to the verbal testimony given by the undersigned before your committee on June 29, 1929, which is hereby referred to and made a part thereof.

The wire manufacturers have gone into a great amount of detail in an effort to satisfy the Committee on Ways and Means and the Senate committee that Fourdrinier wires should not be classified as parts of a paper machine, but they neglected to point out that there is not a paper-machine builder in the United States or Canada that makes their own calendar rolls nor their own rubber-covered rolls, and in a good many instances their own winders, along with wire cloth, all integral parts of a complete machine. Nevertheless, if you were to buy a paper machine, and were to receive a machine without any one of these three items, it would be the equivalent to an automobile manufacturer asking you to accept delivery of a car without wheels.

When the collector of customs at the port of Philadelphia and the Board of United States General Appraisers held that a Fourdrinier wire was a necessary part of a paper machine, they made a fair and reasonable decision.

Our opponent's brief contains a technical description of how Fourdrinier wires are made by hand. It seems to be their intention to imply that the foreign manufacturers have some sort of an advantage in so far as the actual manufacture of a Fourdrinier wire is concerned. There is just as much detailed hand work necessary in a foreign wire manufacturer's plant as there is in a domestic manufacturer's plant. The United States manufacturers are in no way handicapped in that respect.

June 29, 1929, it was brought out in the testimony offered the subcommittee of the Senate Committe on Finance, that only eight of the twenty-five wire cloth manufacturers had subscribed to the brief submitted to the Committee on Ways and Means, that in arriving at the domestic manufacturing cost the figures of only seven of the eight manufacturers were used, and that the manufacturing costs of 18 out of 25 producers were not taken into consideration at all.

The idea in calling this testimony to your attention here is to combat the possibility of our opponents placing great stress on the fact that only 25 out of all the paper producers in the United States had subscribed to this brief. The number of subscribers would have been greatly increased had it been evident to the industry sooner that it was the intention of the wire manufacturers to ask for a higher rate of duty. Before the Committee on Ways and Means hearings had started, they intimated to some of their customers, if not almost directly stated, that they were satisfied with the present rate of duty. A good many of the producers of paper in the United States, relying upon the word of the wire manufacturers, were astounded when they discovered that a request for increased duty had been submitted to the committee on Ways and Means and reported upon favorably by that committee.

Our opponents have devoted a great deal of space, time, and effort to prove to the satisfaction of those interested what the imports of foreign wires amount to in the course of a 12-month period. They lay great stress on the fact that they are unable to secure exact figures and they have had to estimate the value and the number of square feet imported.

There have been no estimates made whatever in connection with these figures. They are exact. The volume was approximately $237,000 in European valuation, about 11 per cent of the total yearly value of the fourdrinier wires consumed in this country.

In the brief submitted by our opponents to the Committee on Ways and Means, page 26, they set forth an example of the cost per year to a reader of American

daily newspapers. If anyone has a penchant for statistics, the figures are interesting. It seems almost unnecessary, however, to state in this brief that the manufacturer of newsprint has nothing whatever to do with the selling price of the American dailies. That is governed almost entirely by whatever revenue the publishers can secure from their advertising. There is more than 5 cents worth of newsprint paper in a Sunday paper before it is even run through the printing press.

One of the largest manufacturers of paper in the United States had a cost of $0.86 per ton of paper for fourdrinier wires during the year of 1928 and for the first five months of this year, the cost has increased to $0.86 per ton of paper, a direct reflection of the increase that the domestic wire manufacturer has already made in the price of his product.

Regardless of how the increase in duty would work out to the reader of a daily newspaper, there is no gainsaying the fact that the manufacturers of fourdrinier wires are asking for an increase in duty of aproximately 80 per cent. This increase in duty, if the Senate Committee should take such unfavorable action, when passed on to the paper producer, together with the already increased price of wire cloth is going to mean to the paper industry an added burden, regardless of whether their wire cost per ton be $0.46 as represented by our opponents (page 26 of brief submitted by wire manufacturers to Committee on Ways and Means), or $0.88 as reported by one of the subscribers to this brief.

While on page 28 of the same brief they state that there is no intention to increase the price of wires if their demands are met, they have gone to great pains, on page 27, to show in their opinion how trifling the extra cost will be, an indication, despite their many fair words on the subject, that higher priced wire cloth, under a higher protective tariff, is not the last thing in the world to look for. A recent increase in copper of a few cents per pound resulted in an increase in fourdrinier wire cloth way out of proportion to the copper advance.

It is general knowledge that the paper industry is finding it extremely difficult to make ends meet, the reason for existing conditions being as well known to the members of this committee as it is to the producer of paper. American manufacturers have had to invest in mills in the Dominion of Canada and Newfoundland in order to exist and not place the publishers of American dailies absolutely at the mercy of foreign producers of newsprint. They ought not to be further burdened by higher prices for wire cloth.

There are petitions before your committee for increases in duty on salt cake, a necessary ingredient in the manufacture of Kraft paper, for increase in duty on English China clay, without which large manufacturers of specialty papers would be unable to operate, for increase in the duty on other raw materials that paper makers require. When it comes to the fourdrinier wire industry in which Mr. Lindsay testified he ran up an initial capital of almost nothing to over a million dollars in a few short years, and in which industry all other manufacturers are prosperous, we do not feel that the paper producers should be called upon to contribute to their already healthy condition.

Respectfully submitted.

J. N. HARVEY
(For Advance Bag & Paper Co. (Inc.) and
Southern Advance Bag & Paper Co. (Inc.)).

Dated July 8, 1929.

The following manufacturers, having an average daily output of 7,300 tons, approximately 25 per cent of the total United States daily production, join in and also subscribe to the foregoing brief:

York Haven Paper Co., York Haven, Pa.
Crown-Willamette Paper Co., San Francisco, Calif.
Hummel-Ross Fibre Co., Hopewell, Va.
Allied Paper Mills, Kalamazoo, Mich.
Continental Paper Co., Bogota, N. J.
Falls Mfg. Co., Oconto Falls, Wis.
St. Regis Paper Co., Deferiet, N. Y.
Union Bag and Paper Corporation, New York, N. Y.
Continental Paper & Bag Corporation, New York, N. Y.
Hinde & Dauch Paper Co., Sandusky, Ohio.

Champion Coated Paper Co., Hamilton, Ohio.
Marinette & Menominee Paper Co., Marinette, Wis.
Crocker, Burbank & Co. (Inc.), Fitchburg, Mass.
St. Helens Pulp & Paper Co., St. Helens, Oreg.
Yellow Pine Paper Mill Co., Orange, Tex.
Bogalusa Paper Co. (Inc.), Bogalusa, La.
Calcasieu Sulphate Paper Co., Elizabeth, La.
Great Northern Paper Co., Boston, Mass.
International Paper Co., New York, N. Y.
National Paper Products Co., Port Townsend, Wash.
Sutherland Paper Co., Kalamazoo, Mich.
Manistique Pulp & Paper Co., Manistique, Mich.
Washington Pulp & Paper Corporation, Port Angeles, Wash.
Watab Pulp & Paper Co., Sartell, Minn.
Oregon Pulp & Paper Co., Oregon City, Oreg.

DISTRICT OF COLUMBIA, *ss:*

Louis Titus, being duly sworn, deposes and says that he is attorney for a number of the corporations or firms whose names are signed to the foregoing brief; that he has read the foregoing brief and knows the contents thereof and verily believes the same to be true.

LOUIS TITUS.

Subscribed and sworn to before me this 9th day of July, 1929.

[SEAL.] BERYL W. ROBERTS,
Notary Public.

My commission expires January 7, 1933.

STATEMENT OF H. A. SHEESLEY, REPRESENTING THE INTERNATIONAL PAPER CO., PORTLAND, ME.

(The witness was duly sworn by the chairman of the subcommittee.)

Senator REED. Who do you represent?

Mr. SHEESLEY. I am vice president of the International Paper Co.

Senator REED. Did you testify before the Ways and Means Committee?

Mr. SHEESLEY. I did not.

Senator REED. Did you file a brief there?

Mr. SHEESLEY. I did not.

Senator REED. You expect the Senate to pick up the pieces, do you?

Mr. SHEESLEY. Mr. Harvey covered this case pretty thoroughly. We were called into this case—we expected it to be covered, and the paper industry was more or less asleep in connection with it. And I have had very little time to prepare myself for this. In fact he and I came here and arrived in Washington this morning.

Senator REED. Can you give us any information in addition to what he has given to us?

Mr. SHEESLEY. No. I think he has covered it very thoroughly. Other than this, that as being the largest producer of, we will say, kraft paper, newsprint and other wrapping papers in the industry, our bill for the last year for Fourdrinier wires was somewhere in the neighborhood of $465,000. During the fall of the year, new mills coming in, one in Mobile, Ala., I would say it would run around $500,000 per year. This increase in duty, if it goes into effect, will effect us to the extent of about $65,000.

Senator EDGE. Are you applying for any raise in duty in your product that you produce?

Mr. SHEESLEY. Why, there are some things in wrapping papers, and so forth, that are covered by the industry that appeared before the different committees.

Senator EDGE. That is, you are applying for an increase?

Mr. SHEESLEY. Yes, and God knows we need it, because we are not even earning our preferred dividend. And to-day in the kraft industry I would say we manufacture about 20 per cent of the total wrapping paper consumption of the country. That comes under my jurisdiction of manufacture and sale.

Senator EDGE. Do you mean to infer by your emphatic expression that the paper business has been very bad in recent years?

Mr. SHEESLEY. Well, I do not know what else you could call it.

Senator EDGE. Well, that is for you to say. We are asking for information.

Mr. SHEESLEY. Well, I will put it that way.

Senator EDGE. Have you lost money?

Mr. SHEESLEY. We are not making the return on the investment that we should in any of our mills.

Senator REED. What are you making on your invested capital?

Mr. SHEESLEY. I can not tell you that. I have not got the figures here.

Senator REED. Have you a bond issue?

Mr. SHEESLEY. A number of them.

Senator EDGE. Any stock dividends?

Mr. SHEESLEY. The increase in our stock that has been put out has been paid for. It was put out the last year and paid for and put into plants.

Senator REED. All right, Mr. Sheesley. We are very much obliged.

STATEMENT OF LOUIS TITUS, WASHINGTON, D. C., REPRESENTING NEUMEYER & DIMOND, NEW YORK CITY

(The witness was duly sworn by the chairman of the subcommittee.)

Senator REED. Whom do you represent, Mr. Titus?

Mr. TITUS. Importers of wire, Neumeyer & Dimond, of New York. Neumeyer & Dimond filed a brief before the House Ways and Means Committee, but they had no representative appearing before that committee. I shall not repeat anything that is in that brief, which is already on file, but I do desire to add a very short brief on some points that were not covered by that brief which was filed with the House Ways and Means Committee.

Now the Chairman stated there would be some facts in here. Of course, I do not pretend to have any facts of first-hand knowledge of this business, but I have read the records of the department and records of the hearings before the House Ways and Means Committee, and I desire to comment on a few of the facts which appear there, and they are undoubtedly true and undisputed.

For example, it appears from the hearings before the House committee that the domestic production of this wire is about 8,000,000 square feet per year. And that there are imported something like 1,000,000 square feet per year. That did not appear so much in the

House committee because at that time there was no one that seemed to have any definite information as to the amount of imports. It was stated in the brief of Neumeyer & Dimond to be about 800,000 square feet. Since then I am informed that they have made a very careful check of all the imports coming into this country, and they find that for the last three years the imports have averaged almost exactly a million square feet per year, which is somewhat more than they had thought before they made the investigation.

Senator REED. About 12 per cent of the domestic production.

Mr. TITUS. About 12 per cent.

Senator REED. Can you tell us the average invoice value declared on those imports?

Mr. TITUS. The importer's cost for the 60-mesh wire, which is the great bulk of all the wire used, is 32.07 cents per square foot.

Senator REED. Delivered at New York?

Mr. TITUS. Yes, sir. That is the importer's cost. Now, what the costs are in Europe we have no information on. We know what we pay for wire, but we do not know what it costs the European manufacturer.

Senator EDGE. That includes duty?

Mr. TITUS. Yes.

Senator REED. That 32 cents includes duty; so that at 58 cents there is a pretty handsome profit?

Mr. TITUS. The importers are making a handsome profit; there is no doubt about that. They are making a good profit. But of course they are only selling and only able to sell apparently a million square feet a year. That is all they can sell in this country, I suppose for the reasons that the witness who just left the stand stated.

Senator REED. They probably could sell more if they did not put their price up so quick.

Mr. Titus. Yes. They evidently followed the raise in price of the domestic producers.

Senator EDGE. In other words, they would prefer to sell 12 per cent with a good profit rather than absolutely fight with the American producers for a smaller profit.

Mr.. TITUS. Well, I should judge there is apparently very little competition so far as price is concerned in the selling of these goods.

The 1922 act did not specify Fourdrinier wire as a separate product, but put it right in with wire cloth, and the duty there was provided at 25 per cent, 35 per cent, and 45 per cent, according to the mesh. And on this particular 60-mesh wire the duty would have been 35 per cent, but as you have already heard, the General Board of Appraisers held that this was a part of a machine, and therefore took the same duty as the rest of the machine, which was 30 per cent, and not 35 per cent. Now, whether that was right or wrong, that is the ruling. And I do not know whether it is material. Obviously it seems to be a part of the machine.

I notice in their brief they state it was not a part of the machine because it was made in a different factory; made by entirely separate factories. But that would not seem to be the test at all. For example, the wheels of an automobile may be made in an entirely separate factory from the carburetor, but it is still a part of the automobile just the same. However, whether it is a part of the machine or not does not seem to be very material.

Senator REED. The fact remains that it is taxed at 35 per cent?

Mr. TITUS. Yes.

Senator REED. And after paying that the landed cost in New York is 32 cents?

Mr. TITUS. Yes.

Now I want to say something about the domestic cost. There seems to be no satisfactory information—or at least what I would call satisfactory information—in the record anywhere as to what the domestic costs are. It is true that it was stated in this brief that was filed with the House committee on behalf of eight manufacturers that their costs were 42.21 cents per square foot for 60 mesh. The only detail which was given of that cost was the cost of labor, and it was stated that the entire cost of all labor used in the manufacture of that 60-mesh wire was 16.08 cents per foot. No other details were given. We have no way of knowing what the material cost, what they charged in for overhead, how they figured their taxes, how they figured their depreciation—no details whatever were given. And no details apparently are given anywhere.

It is a fact that in 1925 the manufacturers—the same ones who signed this brief and who gave their costs at 42.21 cents per square foot—applied to the Tariff Commission for an increase in duty. They made that application representing, of course, that they needed an additional duty to protect them. The Tariff Commission made an investigation and declined to recommend any increase. Now, there was the place for them to prove their costs and to prove, if their costs were so high, that they needed additional tariff on this article. The Tariff Commission was in a better condition to get the facts as to cost than this committee is, unless it can ask some of these gentlemen what their detailed costs are. But there is absolutely nothing in the record to show what the details of those costs are. And there are so many methods of bookkeeping, so many ways of figuring costs.

For example, a great many of these companies are what might be called close corporations, held by a few stockholders, no stock on the market. Who knows what salaries the officials of these corporations get? If they choose to pay out their profits in salaries, and thus run up their costs, I think this committee is entitled to know that. In other words, there ought to be a detail of those costs, and not just say, generally speaking, that "our costs are so much, so many cents per pound."

Senator REED. What do they state their cost is?

Mr. TITUS. Forty-two and twenty-one one-hundredths cents per square foot for the 60-mesh which is mostly used. That is what they state in their brief. Now again that is stated to be the average cost of seven manufacturers. It is also stated in those hearings that there are 25 manufacturers in the United States.

Senator EDGE. What page?

Mr. TITUS. The costs are stated on page 1975, volume 3, and the labor cost is segregated on page 1976, and no other detail of that cost is given. Forty-two and twenty-one one-hundredths cents per square foot.

Now again the cost is given as an average cost of seven manufacturers. And curiously enough, in the brief they state they refuse to

include the cost of the eight manufacturers signing the brief because his costs were unreasonably high. Now of course everybody knows that in all manufacturing business some factories can produce goods at a lower rate than others. Some manufacturers by reason of favorable locations or other reasons can produce cheaper than others. Sometimes bad management enters into it. Sometimes bad machinery, out-dated machinery. Why, the committee of which Senator Edge was chairman heard the other day that in the making of glass there were two big companies operating under the same tariff, one of them made absolutely enormous profits and the other one made a loss operating under exactly the same tariff. Why? Because one of them had antiquated machinery and the other one had more modern and more efficient machinery.

So when you take an average and say the average cost is such, it means very little, and especially when they have deliberately taken out one of the manufacturers and said, "We do not count him, because his costs are too high." How do we know but what some of the other costs are also very high? And where are the other 17 manufacturers that are not appearing on this brief and are not asking for any increase?

Senator EDGE. The brief that you are speaking of quotes seven or eight manufacturers. You say there are 25?

Mr. TITUS. It appears there that there are 25 manufacturers. Of course, I have no knowledge of that personally, but that is what the statement in that record says. I merely call attention to that. I am not attempting to swear that I know of my own knowledge any of these facts. Of course you understand that.

Now again on cross-examination the man who presented that brief, Mr. Lindsay—I believe he is going to testify here to-day—upon examination by members of the committee did testify that as a whole and on the average the industry was profitable to a small extent. He qualified it in that way. Well, if the whole industry is profitable to a small extent, it must be that some one of them are doing very well, because some of these companies are undoubtedly losing money.

Senator REED. The wire-weaving companies are losing money?

Mr. TITUS. I say possibly some of them are. It would be strange if they were not.

Senator REED. You say undoubtedly they were.

Mr. TITUS. Undoubtedly. I mean that. I do not mean to testify that they are, but I say that doubtless some of them are, because that is true in most lines of business. Some factories through various reasons lose money, while others prosper.

Now, the question is whether this committee should raise the cost of this wire. The importers must sell to paper manufacturers. They have no other customers. There is no one else that they can sell to. Anything that you do to injure the paper industry, of course, injures the people whom I am appearing for. Because it lessens their customers to just that extent.

Now, the paper industry is a great industry. It employs, according to the record here, 200,000 people. In this industry, according to the record which you have before you, there are 1,500 men employed. In other words, here you have one industry which employs 1,500 men, which seems to be prosperous, which apparently is pros-

perous, and you have another industry which employs 200,000 men, and which confessedly is not prosperous. Now, it does not seem to be the right thing to do to try to help the 1,500 men at the expense of the 200,000.

Senator REED. Well, we will try as far as we can to be fair to both of them.

Mr. TITUS. Exactly, sir. Now, that is all I have to say, excepting I would like to read a few lines from some letters which I will place in the record. This is a letter from the American Paper and Pulp Association to Senator Reed, the chairman of this committee. This is a copy of the letter. It contains this sentence:

This association is representative of the entire industry, and wishes to enter its protest against any increased tariff on Fourdrinier wires, which are a large component in the cost of the manufacture of paper.

* * * * * * *

With no intention of submitting this as a brief, we would like to call your attention to the fact that our industry employs over 200,000 men, all of whom are intensely interested in the action of your committee.

Senator EDGE. Who is that from?

Mr. TITUS. That is from the American Paper and Pulp Association.

Here is a letter also to Senator Reed from Congressman James S. Parker, of New York. This appears to be the original of the letter. Just how I happen to have the original of the letter addressed to you, I do not know, Senator, but in any event I would like to put it in the record.

Senator REED. Very well.

Mr. TITUS. And another letter from the Penobscot Chemical Fiber Co. I read an extract from this letter as follows:

We understand that there is a bill to increase the duty on Fourdrinier and cylinder wires for paper machines and we are writing this letter asking that no increase of duty be made.

As you gentlemen know, the past sessions of Congress have deemed it unwise to put any duty on pulp. Therefore, while we believe in protecting the American workmen, we think in all fairness that if your body deems it best to give no protection to the State of Maine and other American pulp-mill workmen that in equal fairness they should not increase the duty on the raw materials that enter into the cost of pulp manufacture. We can not see how the higher wages paid the American paper and pulp workmen are going to be maintained if our finished product is kept on the free list and the raw materials we buy are going to have the duty increased on them.

Mr. TITUS. I offer these letters for the record.

Senator REED. Very well, they may be put in at this point.

(The letters referred to are as follows:)

AMERICAN PAPER AND PULP ASSOCIATION,
June 22, 1929

Hon. DAVID A. REED,
United States Senate, Washington, D. C.

DEAR SIR: The executive committee of the American Paper and Pulp Association, at a meeting just held, had brought to its attention the fact that your committee is considering a proposed increased duty on Fourdrinier wires in the preparation of the pending tariff bill.

This association is representative of the entire industry and wishes to enter its protest against any increased tariff on Fourdrinier wires, which are a large component in the cost of the manufacture of paper.

We desire representation at the public hearing which you are courteously extending to the public, and we respectfully ask, if consistent with your plans,

that this hearing (which we understand is now fixed for Wednesday, June 26) be postponed for a week, so that we can prepare our statement and collect our witnesses. The gentleman who was to have presented our case is unfortunately taken very sick and it will take us a few days to arrange to have the proper representation before your committee.

With no intention of submitting this as a brief we would like to call your attention to the fact that our industry employs over 200,000 men, all of whom are intensely interested in the action of your committee.

Trusting to have a favorable reply, which I would like you to address to the writer at the Bedford Pulp & Paper Co., Richmond, Va.

I have the honor to be, sir,

Yours very sincerely,

M. E. MARCUSE, *Vice President.*

SALEM, N. Y., *June 21, 1929.*

HON. DAVID A. REED.

Senate Chamber, Washington, D. C.

MY DEAR SENATOR: I wish to protest against any increase of the tariff on Fourdrinier wires.

The use of these wires is essential to the paper-making industry.

My information is that the domestic manufacturers of these wires control about 90 per cent of the domestic market, so that only about 10 per cent of the total number of wires consumed in this country are imported.

My further information is that the domestic manufacturers of this article are on the whole prosperous, that an increase of the tariff on this article would necessarily mean the extinction of its importation, and that it would be a tariff, not of protection, but of exclusion.

In view of the present condition of the paper-making industry in this country and the fact that there is no tariff on any kind, or practically any kind, of paper, it seems to me to be particularly unfair to make any increase in the tariff on an article that is so essential to the paper industry.

My interest in this matter is because Finch-Pruyn & Co., independent paper manufacturers, of Glens Falls, N. Y., uses to some extent the imported wire. As I have said, there is practically no tariff on paper, so it seems an undue hardship to increase the tariff on Fourdrinier wires.

I request that this letter be made a part of the record of the hearing of your committee that has this matter before it for consideration.

With kindest regards, I remain,

Very sincerely yours,

JAMES S. PARKER.

JUNE 15, 1929.

FINANCE COMMITTEE.

United States Senate, Washington, D. C.

GENTLEMEN: We understand that there is a bill to increase the duty on Fourdrinier and cylinder wires for paper machines and we are writing this letter asking that no increase of duty be made.

As you gentlemen know, the past sessions of Congress have deemed it unwise to put any duty on pulp. Therefore, while we believe in protecting the American workmen, we think in all fairness that if your body deems it best to give no protection to the State of Maine and other American pulp mill workmen that, in equal fairness, they should not increase the duty on the raw materials that enter into the cost of pulp manufacture. We can not see how the higher wages paid the American paper and pulp workmen are going to be maintained if our finished product is kept on the free list and the raw materials we buy are going to have the duty increased on them.

Very truly yours,

PENOBSCOT CHEMICAL FIBRE CO.

Senator EDGE. Mr. Titus, before you go. You doubtless heard one of the previous witnesses, Mr. Harvey, state that only recently he had received—and I understood him to intend to convey the thought that they had generally received quotations from importers of this wire raising the price 3 cents, which practically put it on the same

basis as the American producer. In other words, as if there was some international understanding. I know nothing about it. That was apparently the thought he intended to convey. I notice in this brief in the House—and I would like to have one of you representing this side answer before the others come on—the brief of American domestic manufacturers of Fourdrinier and cylinder wire, filed before the Ways and Means Committee that they make actual quotations of an Austrian company, the Fez Co., of Vienna, Austria, a large manufacturer offering Fourdrinier wire, as follows: Mesh 60, 65, 70, and 75, 27 cents per square foot; mesh 80, 29 cents per square foot; mesh 90, 31 cents per square foot. Then go on to repeat the same information we have had from various sources that the American price for the first quotation of 27 cents foreign, 60-mesh, averaged from 50 to 55 cents, and the others in proportion. Now, if that is correct, it would not seem as if there was any understanding so far as imported wires are concerned.

Mr. TITUS. I think there is a complete understanding. Those letters are entirely misleading. W. R. Grace & Co., I suppose, as everyone knows, import a tremendous variety of articles, and some smart person in their employ thought he might make a little money in importing these wires. He thought he would try it, but he apparently made no success of it.

Senator EDGE. Well, would not the company that you represent and all these other paper companies gladly buy this mesh at 27 cents a square foot if you can get it?

Senator REED. He does not represent the paper companies. He represents the importers.

Senator EDGE. Yes; I realize that.

Mr. TITUS. The information I have, Senator, about that is that while he quotes the ordinary wire there, 60-mesh, that as a matter of fact they had practically none to sell, and what they did have to sell was an unusual and odd size that nobody wanted. It is well enough to quote a low price, but when it came to delivering the wire, my information is that they practically could not deliver it, and that must be true, because the fact remains that the people I represent are selling and quoting the same price that the American manufacturers get for their wire.

Senator EDGE. You admit that the price is on a parity?

Mr. TITUS. On a parity.

Senator REED. Thank you, Mr. Titus.

(Mr. Titus submitted the following brief:)

BRIEF OF NEUMEYER & DIMOND

The importers of Fourdrinier wires protest against the increase of duty as proposed in the House bill, viz, from 30 to 55 per cent, upon the following grounds:

1. Fourdrinier wire is an essential part of a paper-making machine. Paper can not be made without it and it is used in large quantities by all manufacturers of paper. To increase the duty on Fourdrinier wire will add to the burdens of the paper manufacturers, who employ 200,000 people, as against 1,500 in the entire Fourdrinier wire industry.

2. The total consumption of Fourdrinier wire in this country is about 9,000,000 square feet per annum. Of this amount 8,000,000 square feet is manufactured in domestic factories and 1,000,000 feet imported. (See testimony of Mr. Titus before the Senate committee.) The domestic manufac-

turers, therefore, make approximately 80 per cent of the 9,000,000 feet consumed in this country.

3. The costs of making wires was stated by the American manufacturers, in a brief filed before the House committee, to be 42.21 cents per square foot for 60-mesh, which is the wire mostly in use (p. 1975). The only figure they submitted to build up their cost is, total labor, 16.08 cents per square foot. If you will add copper at 18 cents per pound, all metals will amount to 7.9 cents per foot, or a total of all labor and raw material of 23.98 cents—this shows a difference of 18.23 cents per foot, or 43 per cent of their total cost not accounted for. Domestic manufacturers testified that their cost, excluding sales expense, is 42.21 cents per square foot. This does not balance with figures they have submitted, as Lindsay has testified before the Senate committee that his profit of $137,000 was earned on 900,000 square feet of wire. This would make a profit of 15.22 cents per foot; deducting this profit from their selling price of 55 cents, it would show a gross cost of 39.78 cents, which no doubt includes all labor, material, and other manufacturing costs, overhead, salaries, taxes, selling expenses, etc.

4. The selling price of Fourdrinier wires by domestic manufacturers for the last five years has been uniformly 55 cents per square foot for the 60-mesh, and they recently raised it to 58 cents, which price still prevails. (Mr. Harvey's testimony before Senate committee.) At the old price of 55 cents, the domestic mills became prosperous, which is substantiated by the testimony of Mr. Lindsay before the Senate committee, who stated that his company's net worth, end of 1928, was $1,200,000, and that his company showed a net profit in 1928 of $137,000 on the manufacture of 900,000 square feet of wire, which was sold at an average of 55 cents a square foot, amounting to $495,000; deducting their profit of $137,000, would establish their total cost—including everything—of $358,000, which shows a net profit on their cost of over 38 per cent. The financial statements of the other manufacturers would indicate that their cost and profits derived are proportionately the same.

5. The testimony submitted before the Senate committee has created a false impression as to the profits made by the importers of Fourdrinier wire. This is due entirely to a lack of complete information as to how the business of the importers is transacted. We import about 50 per cent of the entire amount of Fourdrinier wire imported into this country. We do not act as agents on commission. We buy the wire, paying cash therefor, as well as for the duty. We sell the wire to our customers in this country, and carry the accounts. Our cost is as follows:

	Per square foot
Cost in foreign countries	23.80
Duty	7.14
Ocean freight, insurance, and dockage	1.13
Total cost	32.07

We have other expenses which are not included in the above cost. That other expense consists of the following items:

(*a*) Maintenance of office and warehouse.
(*b*) Necessary executives and employees.
(*c*) Salesmen's salaries and traveling expenses.
(*d*) Advertising.
(*e*) Freight to point of destination.
(*f*) Rebates for damaged wires.

Referring to the items of rebates, this sometimes runs as high as 50 per cent of the invoice. It is, of course, true that the domestic manufacturers also have some loss on rebates, but the loss of the domestic manufacturers on rebates is not nearly so great as the loss of the importer. This is due to the longer distances which the wire has to travel and the fact that it has to be handled in transit many more times than the domestic wire. All of these items taken together, aggregate over 12 cents per foot, which makes our total cost of foreign wire over 44 cents per foot, which leaves only a fair margin of profit on the amount invested.

6. In 1925, the domestic manufacturers appealed to the Tariff Commission for a raise in the tariff. The Tariff Commission made a survey of this commodity, both in the United States and foreign countries, as a result of which, the commission did not grant their request. It is true that the Tariff Commission did

not issue any formal order denying this request but the failure of the commission, after the lapse of four years, to present to the President a request for an increase, was as effectual a denial as if a formal order had been made to that effect.

7. Mr. Lindsay, testifying before the Senate committee, (pp. 2233-2234) attempted to justify the proposed increase in tariff on the ground that some of his competitors were not doing as well as he; to which Senator Reed remarked: "We have to frame this tariff bill on the basis of the most efficient domestic producer. There would be no limit if we did not."

And Senator Edge remarked:

"You understand perfectly well, as Senator Reed has indicated, that the protective system would absolutely fail if we, through it, put a premium on inefficiency so we must absolutely base everything on proper management."

If this condition exists in the industry, there can be no possible excuse for increasing the tariff and thus raising the cost to the consumer for the purpose of encouraging inefficiency.

8. The domestic manufacturers of Fourdrinier wires have made wonderful progress and prospered in the face of its small foreign competition under present duty, and could still make a normal profit if they sold at lower prices. It is, therefore, unfair to request Congress to increase present rate of duty, which can only have for its purpose, so far as the domestic manufacturers are concerned, exclusion and not protection, which ultimately must be at the expense of the consumer.

Respectfully submitted.

NEWMEYER & DIMOND,
By C. BASCOM SLEMP,
LOUIS TITUS,
Attorneys.

DISTRICT OF COLUMBIA, *ss:*

Louis Titus, being duly sworn, deposes and says he is one of the attorneys for Newmeyer & Dimond to present the above brief. He has read the foregoing brief, and knows the contents thereof, and verily believes the same to be true.

LOUIS TITUS.

Subscribed and sworn to before me this 9th day of July, 1929.

[SEAL.] BERYL W. ROBERTS,
Notary Public.

My commission expires January 7, 1933.

STATEMENT OF A. M. FERRY, CHICAGO, ILL., REPRESENTING THE WIRE CLOTH MANUFACTURERS' ASSOCIATION

(The witness was duly sworn by the chairman of the subcommittee.)

Mr. FERRY. I am secretary of the Wire Cloth Manufacturers' Association.

I will produce a sample for your inspection, Senators.

Senator REED. Let us have a look at this sample.

Mr. FERRY. Senators, this is a miniature Fourdrinier wire of about 70 mesh, packed as you see it as we pack them for shipment. It is a very delicate fabric, as you can see, made of very fine wire, and takes a great deal of accuracy in the manufacture.

Senator REED. Is this the usual width?

Mr. FERRY. Oh, no, this is a miniature. The width, sir, is a very great deal larger than that, of course.

Here, by the way, Mr. Chairman, is a sample of a small piece, and in order to get an idea of the size of the wires that go into the composition you can pull them off. They are in appearance but a little larger than a human hair; actually about twice the size of a human hair.

I have been secretary of the Wire Cloth Manufacturers' Association or associated with them for approximately 10 years. We appeared before the Ways and Means Committee. Our testimony begins at page 1963 of the green book. Our brief begins at page 1972. The clause in the bill as passed by the Houses is at page 78, paragraph 318.

We could of course go into a great deal of detail as to this proposition. We tried very hard to make our story before the Ways and Means Committee complete, and I think you will find answers to practically all the questions that have been raised by the importers and the few manufacturers present, in the brief that we filed.

Senator EDGE. Let me ask you this question. I see Mr. Watson who appeared and made the statement you just referred to before the House Ways and Means Committee represented eight companies. He said, "I speak for eight of these companies," although he has stated that there were 25 companies. Who represents the other 17? Are they not in sympathy with this presentation?

Mr. FERRY. Very much, Senator. They are very much in sympathy. But the fact of the matter is that those other 17 companies, being very small companies, have not felt that they could afford to go to the expense of doing this job. As a matter of fact, some of them—I will say this—some of them do not belong to the association. They are very friendly to it. They do not belong to it because they do not feel that they can stand the expense of attending meetings, which is, of course, a very small item as compared to the preparation of a case of this kind.

Senator REED. Is this sample copper or brass, Mr. Ferry?

Mr. FERRY. That is brass wire. Phosphor-bronze wire. That is exactly the same proposition as is imported for the most part. The American manufacturers find it somewhat more expensive to make phosphor-bronze wire. Their wire that is sold to the mills is largely brass wire, but as far as these comparisons go they are made on the basis of the phosphor-bronze wires.

Senator REED. Is that what these quotations are on?

Mr. FERRY. That is what these quotations are on; yes, sir.

Senator REED. Is that what Franck & Co. make in France?

Mr. FERRY. Yes; as we understand it, yes.

Senator REED. Are you sure of it?

Mr. FERRY. Yes; because the quotations in our brief you will find take the form of actual letters of those companies.

Senator REED. They do, but they do not say they are phosphor-bronze. "Old or new standard meshes, brass or bronze wires."

Mr. FERRY. Brass or bronze. They make it, either one. But there is not a differential there in the cost.

As far as the testimony of Mr. Harvey was concerned, Mr. Harvey did us a very good turn and made us feel friendly toward him when he said he had to buy American wires. There are mills in this country—paper mills—who buy American wires for this reason. A double-headed reason. They buy the wires because, in the first place, they feel that they want the American manufacturers to stay on the map. They buy the wires, in the second place, because they feel that if the American manufacturers are not allowed to stay on the map—stay in business, in other words—a situation will arise

such as arose during the war. The paper industry of this country was absolutely flat, or would have been absolutely flat for wires during the war had it not been for these American manufacturers. But there are 2 paper manufacturers out of approximately 1,000 in this country represented here.

The importer witness left the implication, perhaps—I would say, that he represented some paper mills. Of course, we do not know anything about that. The statement that the paper mills or the paper people were not aware of this situation is peculiar. As a matter of fact, I know several paper mills of rather large size who received copies of our brief.

The object of this industry, this wire-cloth industry, has been fair right straight through. I think that is indicated by the fact that they put three of the manufacturers on the stand before the Ways and Means Committee, and except for the request that you gentlemen made, we would put three on the stand here to-day, exposed to questions, not as professional advocates or anything of the sort.

Senator REED. Mr. Ferry, do you agree with the statements of fact made in this brief which was filed with the House Ways and Means Committee by Wise, Whitney, Parker & Parker?

Mr. FERRY. Yes, sir.

Senator REED. You agree, then, that the American manufacturing cost of 60-mesh screen is 42.21 cents?

Mr. FERRY. Yes, sir.

Senator REED. And is it correct that the present price of that material is 58 cents?

Mr. FERRY. Yes, sir.

Senator REED. Recently increased from 55?

Mr. FERRY. Yes, sir. I want to explain that increase. I believe the witness was asked what the rise in the copper price was to justify that increase. I haven't the exact figures, but it is my impression, and a very strong impression, that that rise was from 13 to 24 cents. It later receded to 18 cents.

Senator REED. And was the price reduced when it receded?

Mr. FERRY. It has not been as yet that I know of.

Senator REED. It receded some time ago?

Mr. FERRY. I imagine around the middle of May, something like that. It was a fluctuating market. There is no question about that.

Senator REED. It was only 24 cents for a few days.

Mr. FERRY. That is all.

Senator REED. When did you increase the price?

Mr. FERRY. Well, one of the manufacturers sent out a letter to the trade, I thing slightly before April 1st, stating that they were increasing the price and would protect at the old price. Some of the manufacturers followed, as they naturally would under those conditions, and others did not follow and stayed low. I mean stayed below that market thus created. In other words, there was not any particular uniformity of action in that respect.

Senator REED. I am not implying that it was a conspiracy.

Mr. FERRY. Well, one of the witnesses, I thought, did.

Senator REED. Are they on a 58-cent basis now?

Mr. FERRY. I think they are, practically; yes.

Senator REED. And are the importers?

Mr. FERRY. No; the importers I think are quite a bit lower than that. But I am not vouching for that.

Senator EDGE. Is it not a very important matter to this committee?

Mr. FERRY. You say it is a very important matter to this committee?

Senator EDGE. Is it not a very important matter to this committee when we are considering the range of duty to know what the foreign manufacturer is charging and getting in this country for his product?

Mr. FERRY. I think it is, Senator, but what I meant to imply was this. There are two things. In the first place, as secretary of the association, peculiarly enough I pay practically no attention whatsoever to prices. My work is along the lines of labor relations, tariffs, and matters of that sort.

Senator EDGE. Well, of course, it would be plainly a robbery of the consumer to raise this rate and simply to put the price still farther up and the importer following along, would it not? Nobody would be protected.

Mr. FERRY. There is no question about that. I feel this way about it, that frankly I much prefer to have the Tariff Commission or the importers give those figures. Probably some of our members have them. I do not happen to. But the general practice has been in times past—and this is a matter of experience, not theory—for the importers to follow up within a certain range.

Senator REED. Now the statement is definitely made to us that the importers promptly raised their price to 58 cents at the same time that the American manufacturer did. And if that is the kind of competition that you are meeting, if you are making a 15-cent profit on an article that costs 42 cents to make, you have got lots of room to pay overhead and you do not need much protection.

Mr. FERRY. In that connection I would say this in connection with costs. We did not file detailed costs. We not only would be willing but we would be very anxious, indeed, to file those detailed costs within 24 hours, or better yet, have the Tariff Commission go into our books as individuals.

Senator REED. I do not think we need it. We would be willing to take your word for it that it is 42 cents.

Senator EDGE. You are under oath here.

Mr. FERRY. Yes, it is under oath here. That is the cost. Of course, it might be said further that the cost which we filed in that brief is not the cost after the increase in the copper price, and, of course, after the increase in the selling price of the wire.

Senator EDGE. Well, the increase in the copper price was more or less a market fluctuation. You buy your copper in advance, do you not, on contract?

Mr. FERRY. Yes.

Senator EDGE. Like every other manufacturer.

Senator REED. Do you know any of your members that bought copper at the 24-cent price?

Mr. FERRY. I do not offhand; no, sir.

Senator REED. I do not think many people did.

Mr. FERRY. I very much question it.

Senator EDGE. I notice [illegible]tations for copper companies went down very rapidly shortl[illegible]after.

Senator REED. Copper is 18 cents.

Mr. FERRY. It has gone back to 18 cents, yes, sir. I have no way of knowing whether the wire price is going down or not. There is no way to know.

Now there is a question here as to the amount of material that comes in from abroad, that is, that is imported. There was a time when we could tell fairly definitely what foreign material in the way of wire was coming into this country. In May, 1926, I think it was, one of the branches of the Customs Court decided that Fourdrinier wire was a part of a machine. Immediately the duty was dropped and at the same time it absolutely prevented anyone picking out from these shipments Fourdrinier wire. In other words, it was lumped with wire below our mesh and above such as poultry netting, fly screen, and so on. You will note that in our brief we show that the imports apparently dropped off tremendously in 1926. Now to the best of our knowledge, and these figures are made in this way—we know certain paper mills in this country, I regret to say in opposition to the statement of Mr. Harvey, that are buying nothing but foreign wire, and there are quite a few of them.

Senator EDGE. Are they paying the same price at which they could get it from the American companies?

Mr. FERRY. Probably not. They are paying less.

Senator EDGE. That seems to be so confusing.

Mr. FERRY. I leave it to the ability of you gentlemen to judge the situation. If the paper mills in this country can get wires at their front door at the same price, of equal quality, is it logical to suppose that they are going to pay the same price for foreign wires?

Senator EDGE. You mean if they can get them at a less price?

Mr. FERRY. I mean if they can get them at a less price from the foreigner than they could from the American mill.

Mr. Harvey spoke truly when he said these wires had a habit of breaking down suddenly. Very frequently a paper mill will wire or telephone for a new wire, and our people will have to work nights in order to get that wire out. Now, if they can get service at an equal price from plants in this country, does it seem reasonable that they are going to go to foreign wires?

Now, I started to cover that $500,000 figure that we had in our brief because one of the opposition has raised that point. The way we arrived at that figure was this. There were certain mills in this country that we knew were using nothing but foreign wires, and from past experience we knew how many wires they used. We checked up on the port of New York—and you will notice in the brief that the figures were how many wires came into the port of New York in a week. They know approximately the foreign values of those wires. We also know on the basis of the actual value in this country what the American value of those wires is. Now, we put in our brief $500,000, which is approximately, I think, 25 per cent of the volume. Those figures, of course, if we have this special classification for which we have asked and to which we think we are entitled—those figures in the next 18 months or 2 years will come out. At the present rating there is no way to take them out. The Tariff Commission themselves can not get them.

Senator REED. We understand that.

Senator EDGE. You inferred in the early part of your testimony that the paper companies as an industry were not opposed to this raise in tariff. I do not say that you made the direct statement. You rather inferred it, saying that there were only a few represented, and that they had known all about it, and had made no strong protest. That is rather interesting. I have a telegram from a manufacturing concern that happens to be located in New Jersey, and I assume that it is a public telegram. I want to get the facts, and I will read it anyway. [Reading:]

Received word yesterday from several large paper companies including Oxford Paper Co., West Virginia Pulp & Paper, New York & Pennsylvania Co., they will not oppose schedule. Think we need extra protection.

That is from the Eastwood Wire Corporation, one of the companies that you represent, that happens to be located in New Jersey. Now, can you enlarge on that? Are the companies satisfied to pay more, as they probably would, under an increased tariff?

Mr. FERRY. I can answer that this way, Senator. There are many American paper companies to-day who, for the reasons I have stated before, are paying more for the American product. They are doing it for two reasons. First, because they believe in supporting the American manufacturers, and second, because they know full well of their own knowledge that the American manufacturers of Fourdrinier wire are in such shape that if they do not get protection they will eventually go out of business.

Senator REED. They are not going out of business on a 58-cent market price, are they?

Mr. FERRY. No; they are not going out of business on a 58-cent market price with the copper at 18 cents. But there is another thing in that connection. As I say, we will file those costs in detail if you wish them. There is no argument about that.

Senator REED. What price of copper was assumed in this 42-cent cost which was stated in your brief?

Mr. FERRY. I think it was 13-cent copper, if I am not mistaken.

Senator REED. Oh, no. Surely it was not. The price was not 13 cents for copper when the Ways and Means Committee was having its hearings?

Mr. FERRY. I think it was 13-cent copper. Around 13 and 14 cent copper.

Senator REED. So there would be a difference of about a cent and a half to that cost in order to bring it up to the 18-cent copper?

Mr. FERRY. About that.

Senator EDGE. Have we any definite figures as to the foreign cost?

Senator REED. The foreign cost is stated in that same brief as being 20 cents.

Senator EDGE. Where did you get the foreign cost that you produced in the brief in the House?

Mr. FERRY. We investigated abroad and got those figures from foreign manufacturers; that is, through investigation.

Senator EDGE. We appreciate that it is difficult to get foreign costs, but I just wanted to know how you did proceed.

Mr. FERRY. Yes. For instance, there were two of our members in Germany within the last three years, and they got those figures while they were over there. And they checked pretty well considering that

it is a well-known fact, I think, that the German labor at the present time in this line of work is around $12 a week. That is high.

Senator REED. What is the invoice cost stated by these importers? On what basis do they pay duty, do you know?

Mr. FERRY. I do not know whether it is covered in our brief or not. I do not think it is. I do not think it is. I do not know, Senator. I can not answer that.

Senator REED. What is the average invoice cost on this 60-mesh wire?

Mr. FERRY. Twenty-four cents.

Senator REED. That is the estimated cost of import. I am looking for the invoice value.

Senator EDGE. That should be easy enough to state.

Mr. FERRY. I think one of the importers stated that.

Senator REED. The Bureau of Customs certainly has it. (Addressing one of the officials:) Can you have that for us Monday morning?

Mr. FERRY. The importer can give us that. He is present, I believe.

Senator REED. Is there an importer here who would know?

Mr. TYLER. I think twenty-three and a fraction cents is the invoice. That is the European value.

Senator REED. That corroborates the statement in this brief.

Mr. FERRY. Generally speaking, we are pretty careful about those figures.

Senator EDGE. I read from the Summary of Tariff Information, page 677, discussing paragraph 318: "In 1928, according to this table, the import value per unit was 18.05 cents per square foot, with an importation of some 232,473 square feet, and an ad valorem duty of 35 per cent."

Mr. FERRY. There is another point that was raised here on which we are a little sensitive.

It was stated here, more or less in cold blood, that the Tariff Commission was appealed to by this industry, and refused to act. I was on the job at the time; we made that application to the Tariff Commission, filed our papers, and all the rest of it. The Tariff Commission did not act, but it did not decline to act. If so, we were not so notified. In other words, as you probably know, the Tariff Commission is pretty badly behind in its schedule, and nothing happened; but there was the implication there that we were investigated, and that the facts caused them to decline to act. That was not the case.

Senator REED. When was that application made—in what year?

Mr. FERRY. About three years ago, Senator. I can not give you the exact time.

Mr. TYLER. It was made in 1925.

Mr. FERRY. A little more than three years ago. I have not the exact date of that.

Senator EDGE. There was quite a little testimony by one of the previous witnesses as to the financial condition of these various companies. Do you want to discuss that at all?

Mr. FERRY. In a general sort of way. One in my position does not know very definitely the financial condition; but, as I said before, we would be glad indeed to furnish the complete statements of every company.

It must be recalled that of these eight companies there are approximately, I think, four of them who have other lines of business.

Senator EDGE. That is what I was going to ask you.

Mr. FERRY. Take the Eastwood Co., which was mentioned in open meeting. The Eastwood Co. has a very substantial line of other manufactures. The Eastwood Co. has recently been, you might say, refinanced. It has changed hands, at least.

The W. S. Tyler Co., down at Cleveland, have an extremely large line of other manufactures. In fact, the Tyler Co. tell me that only about 10 per cent of their business is fourdrinier wire.

Mr. Lindsay, who was named as having a Canadian branch—which, after all, does not enter into this situation; Canadian labor is very much cheaper than ours, and other expenses are lower—Mr. Lindsay started, as I recall, in 1903. For 12 years Mr. Lindsay worked on the job at a compensation of $100 a month, and spent 18 hours a day; and yet he has said to me several times that if it had not been for the war he would have gone out of business. His prosperity to-day is due to two things: The war gave him a running start; the other thing is that Mr. Lindsay is an extremely capable manufacturer.

Senator EDGE. You spoke of the Eastwood Co. I think it is fair to insert in the record at that point that their line seems to be quite extensive, not confined at all to this particular output. They make brass and copper wire cloth and cylinder moulds; they cover and repair moulds and dandy rolls; they are founders in bronze, brass, and iron; they make valves, cocks, and fittings in Perfection bronze, and brass for acid and steam blow-off valves, lubricators and damper regulators, and babbit metals. That would seem to be quite an extensive line.

Mr. FERRY. Quite a line; yes.

Senator EDGE. This factory, I believe, was founded in the early seventies. You say it was refinanced recently?

Mr. FERRY. The information that was given by another witness in general is correct—that a syndicate headed by Mr. Carrington, I believe, purchased a heavy interest in the company.

Senator EDGE. Had it shown a falling off before that time and needed refinancing? Is that your point?

Mr. FERRY. That is my point.

Senator EDGE. I did not know that.

Mr. FERRY. As far as the Cheney-Bigelow Co. is concerned, which was also mentioned, two very elderly men were in control of that company; and that company has also been refinanced, and they also have large other lines.

I do not want to take any more of your time, gentlemen. I just want to say, in behalf of these manufacturers, that they are not only willing but anxious to show up everything they have, at any time, in any shape. We are asking here not for monopoly. We can not get a monopoly. If we had 75 per cent tariff, we still feel convinced that the importers could undersell us. We are asking, however, for sufficient protection to meet them reasonably on a parity—that is, to get within shooting distance of them—and to that end we will show up any figures that you want.

Senator REED. Can you tell us, or can any of your associates tell us, the number of square feet of screen produced annually by that Canadian plant at Niagara Falls?

Mr. FERRY. Mr. Lindsay, can you answer that question?

Mr. LINDSAY. About 800,000 square feet a year.

Senator REED. Their profits run about $150,000?

Mr. FERRY. The conditions over there are different, Mr. Chairman.

Senator REED. Why?

Mr. FERRY. They have lower labor costs—much lower—lower power costs, and lower taxes.

(Mr. Ferry subsequently submitted the following correspondence:)

LETTER FROM THE WIRE CLOTH MANUFACTURERS' ASSOCIATION,
WASHINGTON, D. C.

JULY 11, 1929.

SENATE FINANCE COMMITTEE,
Washington, D. C.

GENTLEMEN: During the recent hearings one of the witnesses made the statement that eight wire cloth manufacturers were appealing for a higher tariff and that the remainder, some 17, did not seem interested.

While on the stand the writer explained that these 17 companies were very small and few, if any of them, could afford to participate in a project of this kind. In fact some of them, although very cordially invited to join the association, had frankly stated they did not feel they could stand the expense and the time attendant upon going to meetings.

Shortly after the hearings we sent out a bulletin to our members asking them to canvass their neighbors who are not members of the association to find out what their real attitude is. The four letters inclosed will undoubtedly be supplemented by many others. We are, of course, assured that the attitude in every case will be the same, but we realize that you want evidence rather than our statement.

May I reiterate my assurance that if there is any information whatever no matter how intimate which you would like to have from these manufacturers, I will guarantee to get it for you in the shortest possible time.

Sincerely yours,

A. M. FERRY, *Secretary.*

GREEN BAY, WIS., *July 9, 1929.*

Mr. A. M. FERRY,
Washington, D. C.

DEAR SIR: We have been advised that the committee on tariff regulations have been informed that we are not interested in the tariff revision and are satisfied with conditions as they are now.

Although we are not members of the manufacturers' association, due to the fact that we are only a small company and not in a position to take on any more obligations at present, we are vitally interested in the tariff regulations, as we are confident that at the present rate foreign wires are entering this country, it is only a question of time before the American manufacturers will be obliged to close, as it is impossible to compete with foreign competition at their present prices.

In our calls on the mills we find more and more of them switching partly if not entirely to foreign-made wires.

Hoping that this letter will show where we stand on the tariff question and that you may be successful in securing a reasonable rate on wire cloth, we remain,

Very truly yours,

CENTRAL WIRE CLOTH CO.,
EUGENE G. FOX, *Secretary.*

HOLYOKE, MASS., *July 8, 1929.*

Mr. A. M. FERRY,
Secretary Wire Cloth Manufacturers' Association,
Washington, D. C.

DEAR SIR: We are writing to you to express our heartiest approval of the steps you are taking for tariff revision on behalf of the Wire Cloth Manufacturers' Association.

As a company we feel that we are too small to bear the expense of joining the association, but you most certainly have our moral support in your present undertaking.

We know that the present tariff standard on Fourdrinier wire cloth is absolutely wrong, and we believe that unless the proposed new standard is adopted, that it will be only a matter of time before the Fourdrinier wire-weaving business will disappear from the United States and deprive hundreds of skilled workmen of their means of earning a livelihood.

We find this foreign competition an ever-increasing menace and one which we can not possibly overcome under the present tariff standard, and although we are not in the manufacturers association we want you to know that we are with you in your efforts to obtain this new tariff standard, without which we can not hope to sell wires on an equal footing with foreign competitors.

Yours very truly,

HOLYOKE WIRE CLOTH CO.,
EDWARD DOCHERTY, *Treasurer.*

HOLYOKE, MASS., *July 8, 1929.*

Mr. A. M. FERRY,
Care of Wire Cloth Manufacturers' Association, Washington, D. C.

DEAR SIR: We have been much more interested in the efforts of your association to obtain a more equitable tariff and classification on paper machine wires and brass wire cloth, and we feel you should have the encouragement and assistance of all manufacturers of this material in the United States, as it is a matter vital to the industry.

Our plant at present is operating at less than 50 per cent capacity, and we attribute this condition almost wholly to loss of business through foreign competition, with the prospect of further losses unless the present tariff is revised.

We shall be glad to cooperate with you, and if there is anything we can do please advise us.

Yours very truly,

BUCHANAN & BOLT WIRE CO.,
By F. A. SNYDER.

NEW HAVEN, CONN., *July 9, 1929.*

Mr. A. M. FERRY,
Secretary Wire Cloth Manufacturers' Association,
Washington, D. C.

DEAR MR. FERRY: We, although not a member of your association, are in full accord with your efforts to make effective the new classification on Fourdrinier wires, as covered in the House bill, paragraph No. 318, making Fourdrinier wire dutiable at 55 per cent ad valorem.

We believe such a tariff, as is proposed is essential to the maintenance of Fourdrinier wire industry in this country.

Although we have not appeared either in person or through agents at the hearings held on this matter, we have previously stated our position by letter to our Representatives and Senators in Washington.

Very truly yours,

H. & T. MCCLUSKEY & SONS (INC.),
H. T. MCCLUSKEY, *President.*

LETTER FROM THE WIRE CLOTH MANUFACTURERS' ASSOCIATION, WASHINGTON, D. C.

JULY 18, 1929.

SENATE FINANCE COMMITTEE,
Washington, D. C.

GENTLEMEN: During the course of the hearings before the subcommittee, of which Senator Reed is chairman, there were one or two points brought out

which seem to require a bit of explanation. We realize fully that the hearings are closed, but when statements are made that from our standpoint are somewhat in error, it is difficult to resist a come-back.

Mr. Titus, counsel for the importers, implied at least that because only eight manufacturers appeared, the remainder of the twenty-five domestic manufacturers is not in sympathy with the plea for a really protective tariff. We frankly asked all of these outside manufacturers, whose names and addresses we knew, to express themselves to us as to their experience and the letters which have come to you heretofore and which are inclosed, answer that statement. Frankly, we know of no domestic manufacturer who is not intensely interested in a degree of protection that will at least give them a fighting chance with the importers.

Mr. Titus also laid considerable stress on a letter purporting to be an official communication from the American Paper & Pulp Association, which stated that 200,000 men in the paper-making industry were greatly interested in this tariff plea, and implied that they were interested in a low tariff. The inclosed carbon copy from the secretary of the international Brotherhood of Paper Makers seems to answer this insinuation rather frankly.

Let me repeat what was said during the hearing to the effect that the association and every individual member of it is more than willing to give you any facts whatever in an effort to give the Senate committee a clear picture of the situation.

Sincerely yours,

A. M. FERRY, *Secretary.*

MENASHA, WIS., *July 11, 1929.*

Mr. A. M. FERRY,
Secretary Wire Cloth Manufacturers' Association,
Washington, D. C.

DEAR SIR: With respect to the recent hearing before the Senate Finance Committee on tariff readjustment, with particular reference to section 3, paragraph 318—Fourdrinier and cylinder wire-woven wire cloth.

We understand that in the briefs filed and testimony offered it was emphasized that the appeal for an increase in the present tariff on foreign wires is the work of only a small percentage of the domestic Fourdrinier wire manufacturers. The contention that only 8 out of the 25 signed the brief proposing an increase in the present tariff rates and that the other 17 are satisfied and content with the tariff as now existing is baseless and without merit. The fact of the matter is that the 8 manufacturers who developed this appeal were financially able to do so and realizing and appreciating the deplorable condition of the rest of us, through kindness, saved us this expense.

The fact of the matter is that we are in hearty accord and in full sympathy with this procedure and, in view of the deplorable condition of the industry, it is our sincere hope that the relief thus prayed for will be promptly forthcoming.

Yours very truly,

INTERNATIONAL WIRE WORKS,
GEO. E. FORKIN, *President.*

GREEN BAY, WIS., *July 12, 1929.*

Mr. A. M. FERRY,
Secretary Wire Manufacturing Association,
Washington, D. C.

DEAR SIR: It has been our intention for some time past to write you regarding the importation of foreign wire cloth for paper-manufacturing purposes, and the effect it has had on our business, but as we are not a member of your manufacturers association, it seemed rather out of place to address you, especially at this time, when the foreign importation of wires has depressed our business to such an extent as it has done recently. We think it would be of mutual interest to both your members and those of the industry who are not members to work along lines that would probably help in getting tariff protection so we would have a more equal or fair competitive business with foreign industries of a like nature. Our workmen should have a fair living wage, and the matter of labor in the weaving wire cloth is an important item in the cost of weaving of wire cloth, and we would think it would be a step backward to try and equalize the wage scale as paid our weavers compared to that which is paid to the foreign weaver, and as a result of this unfairness, many of our men are idle as well as

our looms, and the only possible relief would be through tariff legislation, which we hope, will be forthcoming very shortly; otherwise we will be unable to carry on our business as the matter of competition now stands.

We regret very much our not being a member of your very well meaning organization. Any benefits obtained through your efforts naturally will reflect on the nonmembers, for which we are very appreciative, but at the present condition of business it would be impossible to add any expenses to our business just now.

Very truly yours,

GREEN BAY WIRE WORKS,
H. L. SCHOLL,
Secretary-Treasurer.

JULY 16, 1929.

Mr. A. M. FERRY,
Wire Cloth Manufacturing Association,
Washington, D. C.

DEAR SIR: We have just been approached by Mr. Peterson, of the Cheney Bigelow Wire Cloth Co., of Springfield, concerning our view of the tariff bill on wire cloth.

We are strongly in favor of a much higher tariff. In fact to meet foreign competition it is absolutely necessary that the tariff should be raised if we are to keep going. It is impossible, as you know, to meet the foreign price and quality on the present basis, principally owing to the great difference in wages, rent and other higher obligations which must be met to be able to conform to the higher standards of living in this country. We will be glad to cooperate with you in this vital matter.

Truly yours,

TROTMAN MACHINE WIRE CO. (INC.),
By ANDREW PURNES, *Vice President.*

APPLETON, WIS., *July 15, 1929.*

Mr. A. M. FERRY,
Secretary Wire Cloth Manufacturers' Association,
Washington, D. C.

DEAR SIR: We note from our copy of "Hearings before the Committee on Ways and Means, House of Representatives," that the foreign wire cloth manufacturers (Fourdrinier and cylinder wires) have claimed that only eight of the wire-cloth manufacturers in the United States are asking for tariff revision. And our attention is further called to the fact that the foreign manufacturers are still using this argument to their great advantage.

Now, this is a gross misrepresentation, as we have long felt the dire necessity of further protection and were under the impression that we were considered as among the concerns petitioning.

We beg that you use our name at the hearing as a wire-weaving firm desiring further tariff protection, not to enable us to make more money, but that we might have some chance of making a living.

Very truly yours,

FOX RIVER WIRE CLOTH WORKS (INC.),
W. W. ELSNER, *Secretary and Treasurer.*

INTERNATIONAL BROTHERHOOD OF PAPER MAKERS,
Albany, N. Y., July 10, 1929.

Mr. JOHN F. CURLEY,
203 Beech Street, Holyoke, Mass.

DEAR SIR AND BROTHER: This will acknowledge receipt of your letter of July 8, addressed to President Smith, and which has been referred to me for attention.

Please be advised that our organization is not organizing nor even contemplating doing so to oppose any action leading to an increase in the tariff rate on Fourdrinier wires. The fact is that we favor an extremely high duty on wires, and we have always opposed employers purchasing the foreign-made wires.

It is impossible to conceive where your informant received any information or indication that we want to oppose an increase in the tariff rate.

It is true that some leaders of the labor movement have organized a protective association for boosting tariff on foreign goods that are shipped in in competition with American products. We were requested to become affiliated with this association. The affiliation fee or dues were to be $50 per year, and as we could conceive of no benefit coming to us, due to the fact that most of the grades of paper where it would be possible to secure a tariff are made in open shops and most of the employers are bitterly opposed to our organization, we could not see the value of fighting their battle for them.

There is no tariff on newsprint paper and we do not believe that one could be secured as the daily press would annihilate any Member of Congress who staunchly advocated a newsprint tariff.

Trusting that the above covers the information desired and again assuring you that we will not oppose an increase in the tariff rate for Fourdrinier wires, but on the other hand would be glad to cooperate with you to secure an advance of the rate, I am, with best wishes,

Fraternally yours,

ARTHUR HUGGINS, *Secretary.*

STATEMENT OF HAMILTON LINDSAY, REPRESENTING THE LINDSAY WIRE WEAVING CO., CLEVELAND, OHIO

(The witness was duly sworn by the chairman of the subcommittee.)

Senator REED. Mr. Lindsay, I am anxious to give all necessary protection, but I am troubled about the necessity. How many square feet of this mesh does your company make in a year?

Mr. LINDSAY. Probably 900,000 square feet.

Senator REED. Have you any objection to talking about the finances of your company?

Mr. LINDSAY. No, sir.

Senator REED. How much did you make last year?

Mr. LINDSAY. I think it ran around about $137,000.

Senator REED. That is, after payment of any bond interest?

Mr. LINDSAY. There was no bond interest.

Senator REED. You have no bonds?

Mr. LINDSAY. No.

Senator REED. Any bank loans?

Mr. LINDSAY. Not now.

I should like to give you a little history in connection with our business, Mr. Chairman.

Senator REED. Very well.

Mr. LINDSAY. I started back in 1903. I was a mechanic then. I saw them making Fourdrinier wires on hand looms. I got very much interested, being a mechanic, and I thought it looked rather crude; so I got busy, and I perfected an automatic power loom which was the first successful fly-shuttle loom in the United States or Canada.

I do not intend to make any elaborate statement, because I know your time is valuable; you are trying to do a certain amount of work to-day; but, in justice to our business, I want to explain everything.

Senator REED. It is more important to us to come to a right conclusion than it is to get through quickly.

Mr. LINDSAY. Yes, sir.

I got busy, as I say, and perfected this automatic power loom, which was the first successful automatic fly-shuttle loom on the American continent, and, in fact, in the world.

Senator REED. You mean, using metal wire?

Mr. LINDSAY. Using an automatic power loom. Before that time it required a right-hand weaver, a left-hand weaver, and a puller.

Senator REED. They have used automatic power looms in the textile industry.

Mr. LINDSAY. That is different entirely.

Senator REED. The principle of the thing had been established?

Mr. LINDSAY. It is somewhat similar, but yet there is considerable difference.

As I say, I got this one loom perfected. I had some money. I had always had a fairly responsible position, and I had saved a little money. I took out my own patents, but I did not have money enough to start the business. I had some friends that put money in with me, and we organized the Lindsay Wire Weaving Co. As I say, I had a little money on the side. I started in at $100 a month, just merely to exist, with the assistance of what I had on the side.

We had a struggle, as Mr. Ferry said. I worked 18 hours out of 24 for 12 years, from 1903 to 1915. I worked from early morning, 6 o'clock, until midnight. I could not do it to-day. I was younger then. We built up a fairly successful business. We had 45 per cent duty in those days, and then it was reduced to 15 per cent. Along came the war, and saved the situation absolutely.

Senator EDGE. The duty was reduced to 15 per cent under the Underwood bill?

Mr. LINDSAY. Under the Wilson administration; yes, sir.

We began to get pinched. Then the war started, and we had representatives from Europe come here and offer me a dollar a square foot for 60-mesh, for every foot we could turn out. Did we charge a dollar a square foot? No, sir; we did not. The highest price on 60-mesh, I think, reached 67 cents.

We helped the foreigners out, because they cleaned out our factory. They took all the samples. We put two or three remnants together, put two and three of those seams in the wire belt, and they took that, and were glad to get it and pay 67 or 66 cents a foot.

During the war we made large profits. The Government, some years, took the biggest half of them; but, at the same time, we had a share.

Senator REED. You saw the money go by? [Laughter.]

Mr. LINDSAY. We were perfectly satisfied; and it put us in such a good position after the war that we were able to stand the slump. During one of the bad years that we had we did not make 5 per cent, in the slump after the war; but with the surplus that we had, and had made during the war, and with my efforts in the earlier years of the business, putting my salary into the business, I feel that we are entitled to the surplus that we have to-day.

Senator REED. How much money is actually invested in your business to-day, including earned surplus?

Mr. LINDSAY. $450,000—Oh, you mean the total assets of the business to-day?

Senator REED. Yes.

Mr. LINDSAY. I should imagine it is around $1,200,000—a little over a million; from $1,000,000 to $1,200,000.

Senator REED. What are your liabilities?

Mr. LINDSAY. The liabilities are about $30,000, I imagine.

Senator REED. Then your net worth is about $1,200,000?

Mr. LINDSAY. I should say about $1,200,000.

Senator EDGE. What was your gross business last year on which you made a profit of $137,000?

Mr. LINDSAY. I think it was around—I had the figures, but at noon you wanted the Fourdrinier-wire manufacturers to get together and have one spokesman, so that is the reason I am not prepared to give you some figures that you want to know, because we arranged with Mr. Ferry to present our case.

Senator REED. We appreciate that.

Senator EDGE. Did your business fall off from the preceding year?

Mr. LINDSAY. It is falling off now.

Senator EDGE. Was the business of 1928 greater or less than that of 1927?

Mr. LINDSAY. It was a little less; but I want to state here that we are one of the successful companies. There are several companies right now on the edge of bankruptcy, some of the 17 other companies that have been mentioned; and there are some companies represented here of the 8 companies that are not as well off as we are.

Senator REED. I can imagine that; but we have to frame this tariff bill on the basis of the most efficient domestic producer.

Mr. LINDSAY. I understand that.

Senator EDGE. On the basis of good management.

Senator REED. There would be no limit if we did not.

Mr. LINDSAY. As I say, if I put money in the bank—if I started 26 years ago and put $25,000 in the bank, and left it there—I should expect to have a big surplus to-day, through compound interest. I not only did that, but I put in my 18 hours a day for 12 years; and then, when the war started, I could not do it any more. I could not stand it; so I went out and sold my own product. I designed the machinery. Everything that is in our plant was designed by myself—special tools, stretching machines, looms, and everything else. We saved that profit.

Senator EDGE. In other words, you think you are a little plus 100 per cent in efficiency?

Mr. LINDSAY. Well, I would not say that.

Senator EDGE. I think you are, myself, from your description.

Mr. LINDSAY. I would not say that, Senator. I do not mean to say that. I am just explaining frankly the condition of our business, and why we have a surplus.

Senator EDGE. You understand perfectly well, as Senator Reed has indicated, that the protective system would absolutely fall if we, through it, put a premium on inefficiency, so we must absolutely base everything on proper management.

Mr. LINDSAY. Yes, sir.

Senator, to-day the wire industry is living on charity. We are not trying to compete with the foreign producers. We can not do it. The costs on the brief show 42 cents—that is, without selling cost—when wire was 14 cents. To-day our cost is around 49 cents a square foot.

Senator REED. Including overhead?

Mr. LINDSAY. Including overhead. That is the total cost—49½ cents.

Senator EDGE. What is your explanation—we have asked the same question of previous witnesses—as to why the foreign producer is not satisfied to make a smaller profit and have a very much larger gross sale, rather than to charge practically the same price that you do?

Mr. LINDSAY. Well, the German manufacturer makes a larger profit in his own country. He sells to the broker here at 24 cents. He will probably get 30 cents and more, 32 to 35, in his own country; but he sells to the broker at 24 cents; and 30 per cent duty added makes it around 32 cents.

Senator REED. How many manufacturers are there in Germany—a good many?

Mr. LINDSAY. Well, I imagine there are about as many as there are here, Mr. Chairman.

Senator EDGE. I did not get that explanation. I got it as far as you have gone, but that does not explain the matter fully.

Senator REED. He sells cheaper here than he does at home in Germany.

Senator EDGE. He does not sell cheaper, according to the testimony.

Senator REED. He sells cheaper to the importer.

Mr. LINDSAY. He sells cheaper to the importer.

Senator EDGE. Then the importer makes the money? Is that correct?

Mr. LINDSAY. It does not cost him 20 per cent in Germany to sell his goods.

Senator EDGE. Well, he is selling through the importer on a commission basis, of course, like any other importer?

Mr. LINDSAY. Yes.

Senator REED. I should think you could buy the imported stuff and fill your orders with that and make more money?

Mr. LINDSAY. We could, absolutely.

Senator REED. It must be a great temptation.

Mr. LINDSAY. It is, sometimes. It is a business that keeps us on edge at all times. We have got to keep up with the times, or we will get behind. That is the reason why I was interested in the Canadian company; but that is a different proposition. I got so disgusted with the business that I sold out my stock, and I am practically through over there.

Senator REED. With the Canadian business?

Mr. LINDSAY. With the Canadian business, and the same with the business here.

Senator REED. Why did you get disgusted with it here?

Mr. LINDSAY. Because it is hard work all the time, and I have been away from home a good deal. I had too much work to do, and my wife did not know what it was to have a husband for over 12 years. You know what that means. I feel that the success of our business to-day is on account of these early years of hard struggling.

Senator REED. I can see that.

Mr. LINDSAY. I am not asking for anything that is out of the way. I think we need an increase in duty. We deserve it. We have been loyal to the paper manufacturers in this country. I have

never taken advantage of them. Personally, I like to give a man his money's worth every time; and when we charge a paper mill a certain amount for our goods, we stand behind them. If the goods do not fill the bill, if they only get half service on a wire we charge them full price for, if it is our fault we are willing to give them a rebate of 50 per cent; and that is where the losses come in in our business.

Senator REED. What sticks in my crop, though, is this recent increase in price. If the competition is so great, how did you do that?

Mr. LINDSAY. I will explain that. Copper went up to 25 cents We are all human. We got scared.

Senator REED. It went up to 24 cents for a few days.

Mr. LINDSAY. Of course we are human, and we got a little scared. One fellow sent his prices out to the mills—one of the companies that had been financed recently and could not stand the increase. They sent quotations out to the paper mills—new quotations. These people are selling at a certain price to a certain mill, and I go into that mill, and I learn what they are selling at. If my goods are as good as theirs, I want to get the same price.

Senator REED. Of course.

Mr. LINDSAY. Suppose I go in there and quote 5 cents a foot less, and I get an order for a dozen wires. Inside of a week he would learn what I had done, and go me one better, and the first thing I would know we would all be selling at a loss. I do not want to be guilty of starting any such foolish stuff as that. We are all entitled to a profit.

Senator REED. So, if anybody raises the price, everybody has to come up? Is that it?

Mr. LINDSAY. Not necessarily. There are probably a dozen different prices per square foot for our goods to-day in the United States. There 17 concerns outside of us, and they are all selling at different prices.

Senator REED. Why did the importers go up at the same time?

Mr. LINDSAY. I can not understand. I never met one of them. I do not know who they are.

Senator REED. I am not accusing you of conspiracy with them.

Mr. LINDSAY. I never met any of these gentlemen—Mr. Neumeyer or Mr. Dimond. I met Mr. Harris one time. He used to be purchasing agent for the Laurentide mill in Canada.

Senator REED. They did raise their price; did they not?

Mr. LINDSAY. I guess so. I have heard they did.

Senator REED. That is pretty tender competition; is it not?

Mr. LINDSAY. It seems so; but they still have a large leeway. They did not have to raise their price. The importers were making enough without raising their price. They had a big leeway. The importer, I might say frankly, makes more profit than the German manufacturer and the American manufacturer combined.

Senator REED. I can see that.

Senator EDGE. If this duty were raised over the present 30 per cent, is it your judgment that the price would again go up?

Mr. LINDSAY. No, sir; I think it will go down.

Senator EDGE. Will you guarantee that?

Mr. LINDSAY. I would be willing to guarantee it; yes, sir; yes, sir. I think the prices will go down. Right now, as representing our own company, when copper went down to 18 cents again after we had made an increase just two weeks previously, we protect the paper mills for 60 days, so that we are not to-day getting any benefit from the increased price. We are always slow in increasing our prices, because we always get stung, because if copper stays high—suppose copper had stayed high the entire year; after a while we would have got stocked up with high-priced copper, and we would have a lot of money invested in it. Then, when copper went down, the paper mills would demand a decrease immediately, and probably get it, and here we would be left with high-priced copper throughout our factory. That has happened in the past.

Senator REED. That has happened to lots of people.

Senator EDGE. I have listened to many tariff arguments but this thing is about as confusing as any I have faced. If the price keeps up, and the importer continues to raise his price as fast as you do, if a duty is put on to protect you under the theory that the cost of production would justify it, the net result of it is just as it has been in the past—we raise the price, and there is no particular protection. We do not meet the solution that we are trying to meet.

Mr. LINDSAY. I started to explain something there, and I got off the point.

When copper went down to 18 cents, personally I was in favor of cutting our price to meet that 18-cent copper; but we thought, "If we make a decrease now, the opposition will think we are just making that decrease for effect"; but if copper does not go up again I feel that the price of Fourdrinier wires will go down, and if this duty goes through it will go down further, because lots of the factories are only running 40, 50, or 60 per cent of their capacity to-day; and they could increase their production and get some of this foreign business and lower the cost of production, and give the benefit of it to the paper mills.

Senator EDGE. Is there a sufficient market to increase their production?

Mr. LINDSAY. There is.

Senator EDGE. With only a million square feet being imported?

Mr. LINDSAY. There is; if they get some of this foreign business.

Senator EDGE. Do you mean export business?

Mr. LINDSAY. No; we have never exported a foot.

Senator EDGE. I assume that; but with only a million square feet coming in——

Mr. LINDSAY. In the brief filed by Neumeyer & Dimond they admit that the wire is laid down in New York at 32 cents a square foot, duty paid. Take that against our 49½ cents total cost.

Senator REED. It makes a strong contrast. Do you draw your own wire?

Mr. LINDSAY. Yes, sir—that is, from fifty thousandths in diameter—but it does not pay us to draw wire. We do it for the quality we can produce. If we can break even in our wire-drawing department, and increase the quality of our goods, and get more business in our wire-weaving factory, we consider that it makes up for the investment in our wire factory.

Senator EDGE. Here is a significant thing that you might explain: In the case of wire with meshes not finer than 30 wires to the linear inch, I notice that the importations increased immensely last year over 1927. Of course, that is a cheaper grade wire. According to the Tariff Information Summary, the importations were 815,890 square feet in 1927, and they jumped to 16,826,326 square feet in 1928. They were twenty times as great.

Mr. LINDSAY. That is not paper-mill wire.

Senator REED. That is poultry netting.

Mr. LINDSAY. We do not make poultry netting. We specialize entirely on paper-mill wire.

Senator EDGE. I thought probably you made that larger mesh, too.

Senator REED. All right, sir; we are very much obliged to you.

Mr. LINDSAY. You are perfectly welcome.

STATEMENT OF JOHN F. CURLEY, HOLYOKE, MASS., REPRESENTING THE WIRE WEAVERS' PROTECTIVE ASSOCIATION

(The witness was duly sworn by the chairman of the subcommittee.)

Senator REED. Mr. Curley, you represent the Wire Weavers' Protective Association?

Mr. CURLEY. Yes, sir; I represent labor. I feel like a little toad in a big puddle, after all this talk about millions, to get down to a pay envelope.

Senator REED. This is not a very big puddle. We are interested.

Mr. CURLEY. I appeared before the Ways and Means Committee, and my testimony is in the record there. I do not propose to inflict that on you again, so I shall not be very long.

Senator REED. Tell me, first, out of all the men engaged in wire weaving, what proportion are unionized?

Mr. CURLEY. In the Fourdrinier-wire business, 100 per cent.

Senator REED. You have a complete organization?

Mr. CURLEY. Complete organization. I want to say that the complete organization is just what the name implies—an absolutely American organization. It goes nowhere but in the United States; and every man is an American citizen, or has declared his intention of becoming one, before he is allowed in the organization.

Senator REED. That is fine. You do not include, then, the workmen in this Canadian plant?

Mr. CURLEY. We do not include anyone but the Fourdrinier-wire weavers in the United States—just the weavers alone. We do not have anything to do with any other trade, any other craft, or any other force in the factory.

Senator REED. How many members are there in your organization?

Mr. CURLEY. Five hundred.

Senator REED. How many hours constitute your week?

Mr. CURLEY. Sometimes it is 50; sometimes it is less.

Senator REED. Not over 50?

Mr. CURLEY. Never over 50, unless in case of emergency, like during the war. In the event of anybody going into the service, all those who were too old to go to the war or those who had families agreed to work overtime; and there was not a man who did not work at least 59 to 65 hours a week during the whole extent of the war, without

one penny of overtime wages; and when our men came back they went into the jobs they left.

Senator REED. That is pretty fine.

I want to ask you something about pay scales. You have been in this business a long time; have you not?

Mr. CURLEY. Fifty-six years; and I am working still.

Senator REED. What was your pay scale for a weaver in 1914, before the war?

Mr. CURLEY. In 1914, on 60 mesh, it was 5⅜ cents per square foot.

Senator REED. How high did it get in the war time?

Mr. CURLEY. In the war time it got as high as 10½ cents.

Senator REED. Just about double?

Mr. CURLEY. Yes.

Senator REED. And then what?

Mr. CURLEY. At the present time it is 9½ cents, plus 8 per cent, for the warp. You put a warp on the loom and thread it in. If you figure out a warp, we will say, to make it an even figure, 10 feet in width, that is 120 inches, with 60 wires to the inch. You see, you have got over 7,000 wires; and each one must be placed in separately by hand; and there are two operations. The man puts it through the heddles, through the eyes, and then a boy or a girl takes it and puts it through a rod; and everyone must be placed exactly in its proper place, or your work is spoiled, and you have to go back and go over it again.

At the present time the price for 60-mesh to the wire weaver is 9½ cents per square foot. That is paid by every Fourdrinier manufacturer in the United States. There is absolutely no distinction.

Senator REED. Plus 8 per cent?

Mr. CURLEY. Plus 8 per cent for the warp.

Senator REED. Eight per cent of what?

Mr. CURLEY. Eight per cent of 9½ cents.

Senator REED. Oh, yes.

Mr. CURLEY. You see, that brings it over 10 cents per square foot.

Senator REED. You get about 10¼ cents?

Mr. CURLEY. A little over 10 cents. I do not know the exact fraction.

Senator REED. Just about the same as it was during the war time?

Mr. CURLEY. No. During the war time we got the 8 per cent for warping also, but the price dropped back. I did not mention the 8 per cent for warping.

The 70-mesh at the present time pays 10¼ cents, plus 8 per cent for warping.

That is the standard rate paid by every wire manufacturer in the United States.

Speaking of the different wire manufacturers, a lot of questions have been asked as to the other manufacturers besides those who appeared here. I wish to state that some of those have one loom—one of them has one loom; one of them has four looms; a couple of them have two looms.

Senator REED. How many has the biggest one?

Mr. CURLEY. The biggest one has almost 100 looms.

You people probably never saw a wire loom; but they are ponderous affairs. You can imagine a loom that weaves a piece of work 240 inches wide—that is, 20 feet—out of brass or copper or bronze

wire; and the work is so exacting that if you put in one shoot, and there is anything wrong with that shoot, and it doubles up in any way, and you do not see it, and you get two shoots on top of it, that part is absolutely spoiled for a fourdrinier wire. It is a waste. They have to take it and cut it up and use it for some other purpose, if possible.

Senator REED. So this is a very highly skilled trade?

Mr. CURLEY. The men in that trade have to serve at least a 4-year apprenticeship before they will be accepted as journeymen.

Senator REED. How many feet can a man make in an 8-hour day?

Mr. CURLEY. It varies. For instance, if you have a perfect day—what I mean by a perfect day is, if nothing breaks, or anything like that, on an ordinary width, we will say 120 inches, a 10-foot width, on a 60-mesh—a man may run 10 feet or a little bit over that. He may run 12 feet. He may run 4 yards. Everything is figured in square feet. He may run 12 feet.

Senator REED. When you say 12 feet, you mean——

Mr. CURLEY. Running feet.

Senator REED. Twelve feet in length for the whole screen?

Mr. CURLEY. For the whole width; yes. That would give him 120 square feet.

Senator REED. One hundred and twenty square feet; about $12 pay?

Mr. CURLEY. Yes; but that is a lucky day. Suppose the next day he has what we call a crash; an end breaks, and crosses in the heddles. You are cut down a whole lot, and you have to take time to fix it up, and you may only get 4 or 5 feet. It is a question of—well, of farmers' luck, bugs, and so forth. You do not always get a perfect day; and then we take the bad with the good.

Those are the actual weaving prices paid in this country to every Fourdrinier-wire weaver. I have been the president of this organization for over 15 years. I appeared before the Ways and Means Committee in 1921. We were represented in 1913. I appeared before them this year; and I work for a living. This is not a salaried position. I worked Tuesday night, and took a night train to Washington, and I have been here ever since, hanging around just to say these few words.

Senator EDGE. You would not call these perfect days; would you?

Mr. CURLEY. Not by a long shot [laughter]; and when I listened to all the millions, it made me tired. I would not have come, only for the fact of the brief that was placed in the record by one of the importers; and I want to draw your attention to some few little facts in that brief.

On page 1993, in the brief of Neumeyer & Dimond, our friends Neumeyer & Dimond were kind enough to figure out the costs both in Europe and in America. You will notice in the cost there that they have weaving cost for the German wire of 1.91 cents. They have the American cost 5.91 cents. First they have it 10, and in the next column they have it corrected. I do not know how they get at those figures; but I can assure you that any Fourdrinier weaver in this country who accepted less than the scale price would not weave any more.

Senator EDGE. What is the idea of having two answers?

Mr. CURLEY. I do not know.

Senator EDGE. Is that explained at all in their brief?

Mr. CURLEY. That is in their brief.

Senator EDGE. I see the figures; but, I mean, is there an explanation?

Mr. CURLEY. They probably explain it by what they figured or estimated to be the amount of wire cloth manufactured in this country, and then figured an arbitrary figure, that a man should do so many hundred square feet a day, and divided it up; but it is immaterial what their figures are. Those are the prices that we get.

There is a very illuminating thing there. If you will look at the top of page 1995, you will see a heading, "Workmen's welfare." There is a little clause there at the top which says that the German Government compels a payment of 10 per cent on the total labor cost of the product; and that 10 per cent amounted to seventy-four one-hundredths of a cent per square foot. Do you see that? If that is 10 per cent, then the total labor cost for the whole operation, all through, for producing that wire, is only 7.40 cents per foot. That is easily figured; is it not?

Senator REED. Yes.

Mr. CURLEY. And that is official, because I do not think they would endeavor to fake a thing like that that they have to pay to the German Government. Now, if their total labor costs are 7.41 cents, and our price just for weaving alone, for the weaver, is over 10 cents, and when we put on this warp we have to have a helper who gets from $12 to $15 per week, and it takes from 6 to 10 days to put the warp on, you can see the difference in the costs.

Senator REED. How often does that have to be done?

Mr. CURLEY. It depends on the length of the warp. In some of the warps they put on, you will get a thousand or 1,200 running feet, and in some of them you will only get 500 running feet, according to what they have orders for; and the 8 per cent figures on the weaving value of that all the way through. Sometimes you warp once in three months, or maybe once in six months; but the 8 per cent counts in there just the same.

Senator REED. All right.

Mr. CURLEY. There is a little thing here I want to draw your attention to.

The intimation has been given to the Ways and Means Committee that Hoden & Schwartz, of Austria, have bought American wires as a sort of a sample, and they are putting in machinery to be in a position to produce the size of wires for the American trade. I have here a Senate document—Document No. 9—which gives the actual wages paid in every foreign country as of December 30, 1928. That is a little over six months ago. I see that in Austria there is not a mechanic in the whole city of Vienna that receives $10 a week—not one mechanic who receives $10 a week—and the socialistic government there had decreed that no rent for working people shall be more than 20 per cent of pre-war rent.

Senator REED. Anybody who has been in Vienna in recent years knows that they are just about down and out.

Mr. CURLEY. You can understand what that competition would amount to. I am not talking of the business end; I do not know anything about it, but I am talking to preserve our pay roll.

AUTOCLAVES, REACTION CHAMBERS, ETC.

[Par. 319 (b)]

STATEMENT OF FREDERICK SCHWERTNER, WASHINGTON, D. C., REPRESENTING THE SEAMLESS STEEL EQUIPMENT CORPORATION, NEW YORK CITY

(The witness was duly sworn by the chairman of the subcommittee.)

Mr. SCHWERTNER. I do not have first-hand information, but I do have certain information, and I should like to make a brief statement.

Senator REED. You will repeat it truthfully, whether it was true when you got it or not.

Senator EDGE. You are addressing yourself to paragraph 319 (b)?

Mr. SCHWERTNER. That is right, Senator.

I appear on behalf of the Seamless Steel Equipment Corporation of New York City. This company is engaged in the business of buying and selling imported seamless steel products described in subdivision (b) of paragraph 319, such as reaction chambers, containers, drums, vessels, and so forth.

Senator REED. What is meant by a reaction chamber?

Mr. SCHWERTNER. As I understand, Senator, a reaction chamber is a steel seamless cylinder which is used by fertilizer, oil, and chemical companies, and the article is designed primarily to withstand a very high pressure. It is used by oil companies in making high-test gasoline, and cracking, and so forth, to withstand a high pressure and high temperature. It is a seamless article.

Upon these articles the House has given an ad valorem duty of 40 per cent, as against a duty of 25 per cent provided under the present tariff act, under paragraph 328. In other words, there has been an increase of 60 per cent on those articles.

Senator EDGE. You mean 15 per cent; do you not?

Mr. SCHWERTNER. There has been a 15 per cent increase; and, considering the 25-cent present rate, the increase amounts to a 60 per cent increase. I think the figures are correct.

Senator REED. Is there no separate paragraph here for seamless tubing? Do these articles come under this provision for lap-welded, butt-welded, seamed, or jointed iron or steel tubes?

Senator EDGE. The old rate has been 25, 30, and 40.

Mr. SCHWERTNER. Senator, as I understand, those articles have been coming in under paragraph 328 of the 1922 act as tubes not otherwise provided for, and so forth.

Senator REED. Do you contend that it is just that a very expensive article like a seamless high-pressure chamber of that sort should come in under the same rate as lap-welded and butt-welded pipe?

Mr. SCHWERTNER. I should like to make certain statements here; and I do believe that any increase over the present rate would be unconscionable, considering the conditions.

Senator REED. All right.

Mr. SCHWERTNER. An increase of 15 per cent, as provided in the House bill, would absolutely eliminate all competition and create a monopoly.

There are only two domestic companies in this country engaged in the manufacture of these products, and they are not in need of any additional protection.

Senator REED. What companies are they?

Mr. SCHWERTNER. The two companies are the Midvale and the Bethlehem. Those are the only two companies in this country that manufacture those articles. Competition from abroad is necessary to stabilize prices here and to improve the art of manufacture. To increase the duty would not only destroy competition but it would also impede future improvement of the art.

The duty of 25 per cent ad valorem under the present act is much more than is necessary from a protective standpoint, and it certainly should not be increased.

Senator EDGE. You are making a general statement. Is that based on difference in cost, or do you have any facts? That is the ordinary statement of an importer who does not want to pay any duty.

Mr. SCHWERTNER. I have a brief here which I am going to ask permission to file, which is sworn to by the officers of the corporation; but there are certain facts that I should like to call to your attention.

Senator EDGE. Cut out the generalities and let us have the facts. That is what we call an antiprotection speech.

Mr. SCHWERTNER. The articles which I have enumerated, which are imported into this country, on the average, amount to $350,000 per year.

Senator REED. Imports?

Mr. SCHWERTNER. Imports.

Senator REED. And the domestic production is how much?

Mr. SCHWERTNER. The domestic production is approximately $3,500,000 of these articles.

Senator REED. That $350,000 is foreign valuation, of course?

Mr. SCHWERTNER. As I understand, it is the invoice price. In other words, the method of doing business of this company is to secure specifications from the American customer, transmit the same to a German manufacturer, secure a bid, and then quote a price to the American consumer. That is the way the business is done. This company is not an agent of a German manufacturer.

This company has been in business since 1926. The average net profits of this company since that time have been 5 per cent—5 per cent of gross sales since that time.

Senator REED. That is a pretty good profit for a man who is not engaged in manufacturing.

Mr. SCHWERTNER. It is a fair profit, under the 25 per cent tariff rate, and there is no doubt that if that rate is increased that company will have to go out of business. There is no question about it.

I have here a brief which is sworn to by the active officer of the corporation, which I ask permission to file, and I hope it will be spread on the minutes of the committee.

Senator REED. It will go in the record at this point.

Senator EDGE. The brief is sworn to?

Mr. SCHWERTNER. It is sworn to.

(The brief above referred to is as follows:)

BRIEF OF SEAMLESS STEEL EQUIPMENT CORPORATION, NEW YORK CITY

The Seamless Steel Equipment Corporation is a corporation organized under the laws of the State of New York in 1926, specializing in the importation of seamless-steel products.

This company imports the articles described in subdivision (b) of paragraph 319 of the House bill, upon which the House has given an ad valorem rate of 40 per cent. The rate under the 1922 tariff act was 25 per cent ad valorem, under paragraph 328.

Subdivision (b) of paragraph 319 of the House bill reads as follows:

"Autoclaves, catalyst chambers or tubes, converters, reaction chambers, scrubbers, separators, shells, stills, ovens, soakers, penstock pipes, cylinders, containers, drums, and vessels, any of the foregoing (not provided for in paragraph 327) composed wholly or in chief value of iron or steel, by whatever process made, wholly or partly manufactured, if over twenty inches in diameter and having metal walls one and one-fourth inches or more in thickness, and parts for any of the foregoing, 40 per cent ad valorem."

This is an increase of 15 per cent ad valorem.

Our purchases as importers are from the Press & Walzwerk Co., located at Reisholz, near Dusseldorf, Germany.

These imported products are used in the United States in the fertilizer, chemical, oil, power, and other industries.

Our method of doing business is to receive from our American customer specifications of the particular chamber or other product which he may require in his business. We then submit the specification to the German manufacturer and obtain the cost to us and make our bid based upon that cost. Our sales of these imported articles since the organization of the corporation in 1926 have not exceeded an average of $100,000 a year.

There is no evidence before the committee as to the comparative cost of production between the domestic and foreign products. The importers know what they have to pay for the imported product, and their very modest profits and the comparatively meager importations, show that they are unable to make any serious inroad into the American markets.

Our average profit up to the present time is less than 5 per cent.

From the best information we can obtain, the entire importations of these products into the United States for the last four years have not exceeded an average of $350,000.

From the same source of information we believe that the importations of these articles into the United States during the past four years will not exceed 10 per cent of the domestic production.

Domestic manufactured chambers for oil refineries have been exported.

For any period prior to the year 1926 (mainly on account of the depressed value of the mark and consequent business depression in Germany) the comparative cost of production in Germany and the United States is worthless. The comparison should be based upon present conditions. During the past four years the German price has risen very materially, while the domestic price has either been lowered or remained stationary.

To show clearly that the two domestic producers of these products are not suffering any diminution in the volume of their business or in the profits therefrom because of any importations, we submit a brief statement of the condition of these domestic manufacturers.

BETHLEHEM STEEL EARNINGS ON COMMON STOCK, $5.25 PER SHARE IN THE CURRENT QUARTER

The Wall Street Journal of June 13, 1929, published, from the statement of the Bethlehem Steel Co., the earnings of that company. Among other things, it shows, "net income, Bethlehem Steel Co., in the current quarter is likely to approximate $11,200,000. Allowing $1,750,000 for preferred dividend requirements, there would be a balance of about $9,450,000 for the common stock, equal approximately $5.25 a share." This means for only a quarter; and the year, at the same rate would be $21 per share on the common.

Again, the article states: "These excellent earnings are the direct result of increased operations in the current quarter, the average since the beginning of April having been in excess of the rated capacity of the plants."

Mr. E. G. Grace, president, at a special stockholders' meeting of the Bethlehem Steel Corporation, said: "The second quarter earnings will be at least as satis-

factory as those of the first quarter. Business has been holding well. The first two months of the second quarter have shown in excess of rate capacity operations and June should do as well. There has been little, if any, let-up in demand."

MIDVALE STEEL INCREASES ITS DIVIDENDS 200 PER CENT IN TWO AND ONE-FOURTH YEARS

To show the progress of the Midvale Steel Co.:

On October 1, 1926, the company paid initial dividend of 25 cents per share, $1 annual basis.

On October 1, 1927, the rate was increased to 50 cents quarterly; and

On January 1, 1929, the rate was further increased to 75 cents quarterly, or $3 a year, or an increase in dividends in two and one-fourth years of 200 per cent. These earnings are on 200,000 shares of no par value stock, of which the Baldwin Locomotive Works owns more than 50 per cent.

The following table from the Standard Statistical Co. shows the wonderful growths in the earnings of this company during the past five years:

Financial statements—earnings years ended December 31

	Sales	Net increase	Earnings per share
1924	5,411,185	190,862	$0.95
1925	6,163,752	394,156	1.97
1926	6,878,302	642,462	3.21
1927	7,727,692	803,029	4.01
1928	(1)	981,292	4.90

[1] Not published.

Earnings have increased fourfold in this period.

These figures show that the ratio of profits or income to sales has increased from 3½ per cent in 1924 to nearly 10½ per cent in 1927, having been lower each year than in the preceding year in this period.

These splendid financial showings of these companies certainly do not indicate a necessity for a greater protective tariff.

Compare these earnings with the very meager earnings of our importing company and then compute an additional cost of 15 per cent ad valorem upon these imports and you can easily spell bankruptcy or exclusion from business of this company. Is there any legitimate demand for the sacrifice of this small importing company?

Our experience in competing with the domestic companies, for the little business which we obtain, indicates to our mind clearly that there is but little competition between the Bethlehem Steel Corporation and the Midvale Steel Co. on these products, and these two companies are the only domestic producers.

While a complete monopoly would undoubtedly add to the financial showing in the statements made by these two domestic companies, would such monopoly inure to the benefit of the many American consumers?

The domestic producers are basing their request for an increase of duty on the ground that the making of these steel reaction chambers, containers, drums, vessels, etc., is a new or infant industry. These products are fabricated from forged steel, and the fabrication of forged steel is certainly not a new or an infant industry. If instead of making a cannon by boring a heavy piece of forged steel, you make a drum or chamber by forging and machining it, you certainly need no protection on the new or infant industry basis.

The argument for increased protection from an economic or financial standpoint being exceedingly weak, these domestic producers desiring the monopoly use the time-worn argument, the war scare. With three-fourths of the greater nations of the world, exclusive of the United States (and practically all of those who could conduct a war worth mentioning), hugging close to the line of bankruptcy, with enormous debts which those people can not hope to meet in a hundred years, and with the vast wealth and power of the United States, we fail to see any danger from the war standpoint that would require sacrifice of any American industries or compel the public to purchase their product at a monopolizing price.

Again, these great American producers have as competent mechanics, engineers, and chemists as can be produced anywhere in the world. They therefore will be able to perfect their methods of manufacture and perfect the product produced by them without charging up to the American public what they may call the initial cost of investigations or experimentations.

Recalling the cost-plus charges made to the American public during the war, we could hardly feel that the American public should be charged this experimental or initial cost. Such costs are made because of the future profits to be obtained from it; and the financial statements of these companies show that they are not only absorbing all these costs but have a mighty balance left after the absorption.

With the 1929 enactment of the cruiser program—with the vast amount of steel products and guns which will be required by the act of February 13, 1929—we think the horizon for the future shows a halo of great brightness for the American producers of steel products. This cruiser program will probably give ample business for their two munition plants.

We may well sum up our conclusion in the very words of President Hoover, relating to this tariff bill. He says:

"In considering the tariff for other industries than agriculture we find that there have been economic shifts necessitating a readjustment of some of the other tariff schedules. * * * Economic changes have taken place during that time (since 1922) which have placed certain domestic products at a disadvantage and new industries have come into being, all of which creates the necessity for some limited changes in the schedules and in the administrative clauses of the laws as written in 1922.

"It would seem to me that the test of the necessity for revision is in the main whether there has been a substantial slackening of activity in an industry during the last few years and a consequent decrease of employment due to insurmountable competition in the products of that industry."

From all the evidence in this case, and what you gentlemen know of the business of the country, and from the reports of these domestic concerns as to their present activities, and their future prospects, has there "been a substantial slackening of activity" in their industry during the past few years? Has there been a "decrease of employment due to insurmountable competition in the products of that industry?"

The position of these two companies is something of an anomaly. The Bethlehem Steel Corporation declare in substance that they want a higher rate of duty upon their steel products because there is a duty upon the manganese which enters into such products; and they plead for a reduction of the duties on manganese.

The owners of the manganese properties in the United States plead for an increase in the duties on manganese; and one of the principal reasons is that there is sufficient manganese ore in the United States to supply all of our demands and we should develop the industry in the United States to the end that we may not be found without sufficient manganese in case of war.

The Bethlehem Steel Corporation wish to exclude foreign importations of these particular products under subdivision (b) that the industry therein in the United States may be prepared for any emergency war, but seriously object to any preparation for war in the matter of the development of the manganese properties in the United States.

We respectfully submit that there is no just reason for any increased duty upon the products covered by subdivision (b) of paragraph 319; and considering the very meager importations as compared with domestic production, there is no justification for granting a domestic monopoly.

Respectfully submitted.

SEAMLESS STEEL EQUIPMENT CORPORATION,
By CHARLES B. KARLSON, *Vice President.*

I, Charles B. Karlson, vice president of the Seamless Steel Equipment Corporation, 39 Broadway, New York City, hereby certify and swear that the statements made in the annexed brief in so far as they relate to the company of which I am vice president, are true, and that the other facts therein set forth are to the best of my knowledge true and correct.

CHARLES B. KARLSON,
Vice President, Seamless Steel Equipment Corporation.

STATE OF NEW YORK,
County of New York, ss:

I, Herbert I Shaw, a notary public in and for the county and State aforesaid, hereby certify that Charles B. Karlson, whose name is signed to the foregoing, and who is known to me, personally appeared before me this 27th day of June, A. D. 1929, and being first duly sworn, deposes and says that the statements contained in the above are true and correct. Given under my hand and seal the day and year last above written.

[SEAL.] HERBERT I. SHAW,
Notary Public.

STATEMENT OF A. C. DINKEY, REPRESENTING THE MIDVALE CO., PHILADELPHIA, PA.

(The witness was duly sworn by the chairman of the subcommittee.)

Senator REED. Did you testify before the House committee?

Mr. DINKEY. I did not, but two of the officers of the company did.

Senator REED. Did they file a brief there?

Mr. DINKEY. They did.

Senator REED. On this same subject?

Mr. DINKEY. Yes. This is new material, however.

Senator REED. You are connected with the Midvale Company?

Mr. DINKEY. Yes.

Senator REED. Have you had any practical experience in the steel business?

Mr. DINKEY. I think so; yes.

This will illustrate the article [exhibiting photographs to the subcommittee].

Senator EDGE. That looks like a cannon.

Senator REED. It looks like a cannon with no muzzle.

Mr. DINKEY. It is. The same tools are used.

Senator EDGE. What do you call these things?

Senator REED. Reaction chambers.

Mr. DINKEY. The list of names that follows there comprises the names that are commonly used for the same article.

Senator EDGE. Before you commence your testimony, I should like to ask you a question. The previous witness stated that this article had been coming in under the old law at 25 per cent. As you have just indicated, paragraph 319 (b) is an entirely new paragraph. Our information is that the articles now under paragraph 319 (b) have been transferred from three different paragraphs—the one that the previous witness mentioned, paragraph 328, page 81, which carry 25 per cent, as he mentioned; a number from paragraph 372, which carried 30 per cent; and still others from paragraph 399, which carried 40 per cent. Am I correct in that?

Mr. DINKEY. That happens in this way: These articles were not made. These are new articles entirely, and were not covered by the old tariff bill; so they seek clauses——

Senator EDGE. Where all are used?

Mr. DINKEY. Yes.

Senator EDGE. Which paragraph does this particular product come under?

Mr. DINKEY. They chiefly come under paragraph 328. It would depend on the port where they came in, and the appraiser. He

would not know which paragraph to put them under, because they are highly specialized things, and only a few are made. Seeking to find a place to assess them, he would hunt up the paragraph that came closest to them in his mind.

Supplementing the statement and brief given to the Committee on Ways and Means of the House of Representatives and recorded in the hearings on Schedule 3, Volume III, pages 2487 to 2491, inclusive, we urge for your consideration the fact that these forged drums and reaction chambers are not articles of ordinary manufacture that are made in any great quantities, but are produced as special units, the larger sizes taking 3 to 4 months to go through the casting shop, forge and machine shops.

Our cost for manufacturing a complete typical drum of plain carbon steel is 10 cents per pound. Our best information is that the same articles of German manufacture have been sold in this country at 6.3 cents per pound (duty to be paid by purchaser). Our higher costs are due chiefly to the difference in the rates of wages paid to machinists, forge men and steel melters and to those having charge of supervision, as against wages paid in Germany for similar services.

House bill 2667 has included these drums and reaction chambers in the tariff schedule by adding subparagraph b to paragraph 319. Our purpose in coming before you is to point out that the rate this bill has provided (40 per cent ad valorem) is not enough to enable us to successfully compete with manufacturers abroad. We should have the rate first asked for, viz, 2 cents per pound and 50 per centum ad valorem, which would give our costs a 14½ per cent protection against the foreign selling price. We modified our request before the Ways and Means Committee to the basis of 60 per cent ad valorem, which would put our costs on almost a parity with the present foreign selling price. We may be able to continue in this manufacture with a 60 per cent ad valorem rate; but we submit that the necessity of a self-sustaining situation in this country requires your most careful consideration.

The business of making these large forgings, besides keeping available equipment necessary for making guns and armor, has a direct relation to our national resources other than for national defense. These large drums and reaction chambers have been and are developing economies and improvements in gasoline production, in the manufacture of nitrogen compounds and fertilizers, in power and in chemical industries. The new products being developed from the use of these reactors are possibly more important than the economies being secured. These products are the bases of entirely new chemical industries, in which this country is gradually becoming independent of European sources of supply.

A group of photographs illustrating various types of these large forgings is attached as Exhibit A.

A photostatic reproduction of a portion of a pamphlet issued by Krupp's, of Essen, Germany, with description and destination of drums furnished from July, 1922, to December, 1925, is also attached as Exhibit B.

Senator EDGE. Is not the freight-rate across the ocean pretty high on a large and heavy product like that?

Mr. DINKEY. They are glad to move it at around $5 a ton.

Senator REED. And this price of six and a fraction cents was delivered?

Mr. DINKEY. Delivered.

Senator REED. Duty paid?

Mr. DINKEY. No; except duty.

Senator REED. You are going to put this brief in the record; are you not?

Mr. DINKEY. Oh, yes.

Besides the letter from the Secretary of War on this subject which was filed with the Committee on Ways and Means, we herewith file a letter from the former Secretary of the Navy.

Senator REED. Mr. Wilbur?

Mr. DINKEY. Yes, sir.

Senator EDGE. Do you know of any sales actually made over here on those prices? You say it costs the Germans $6\frac{5}{10}$ cents per pound to make these articles?

Mr. DINKEY. Yes; this is the sales price that we have knowledge of.

Senator EDGE. That you have knowledge of?

Mr. DINKEY. Yes.

Senator REED. Was that sale made by the Seamless Steel Equipment Corporation?

Mr. DINKEY. I think it was made by a man by the name of Kellogg.

Senator REED. Mr. Dinkey, you see our dilemma. If we do not put this duty down to 25 per cent ad valorem, they go out of business. If we do not put it up to 60, you go out of business. Apparently, there is a catastrophe ahead, whatever we do. [Laughter.]

Mr. DINKEY. Well, I think they are drawing a long bow. I do not think they will go out of business. There is a long catalogue of what Krupp has been selling, and he does not sell it in this country. It does not look as though he is going to be very poor.

Senator REED. I read that.

Senator EDGE. The manufacturers of this particular product do not follow the policy of the wire and copper mesh men, who immediately insist on securing the same price and more profit than you do?

Mr. DINKEY. The trouble is, these are not sold in great quantities.

Senator REED. Do the oil companies use a large number of these?

Mr. DINKEY. Yes; they have been the principal users. Well, I will not say that, either; the nitrogen companies have used nearly as many.

Senator EDGE. These things resemble large cannon in their appearance.

Mr. DINKEY. The same tools are used, exactly, and all the motions are the same as making a big cannon.

Senator REED. Are these jacketed in the way a cannon is?

Mr. DINKEY. No; this is a single piece.

Senator REED. You do not shrink anything on them?

Mr. DINKEY. We do not shrink anything on most of them. There are some kinds of engineering on a few in which some rings have been shrunk on.

Senator EDGE. Have you any competitor except the Essen people?

Mr. DINKEY. I think that is the chief competitor. It is perfectly practicable to make them in a gun-making plant. That is the reason he is in it, too.

Senator REED. That is the reason Krupp makes them?

Mr. DINKEY. Yes; that is the reason Krupp makes them.

Senator REED. Do you use the same lathes that you used on your large guns?

Mr. DINKEY. The same tools exactly, and the same methods are followed.

Senator REED. So there is a certain element of advantage to the Nation in keeping these plants up?

Mr. DINKEY. The Secretary of War has a very strong letter on that subject.

Senator REED. Is that in the brief?

Mr. DINKEY. That is in the other brief that was filed; and this one is from the Secretary of the Navy.

Senator REED. Is there anything else?

Mr. DINKEY. Nothing else.

Senator REED. The brief will go in the record at this point. We can not put in the photographs, you understand.

Mr. DINKEY. Oh, yes; certainly. I just had them here so that you could see them, and I thought I might answer any questions that might be asked about them.

(Mr. Dinkey submitted the following brief:)

BRIEF OF THE MIDVALE CO., NICETOWN, PHILADELPHIA, PA.

LARGE STEEL VESSELS AND CYLINDERS

COMMITTEE ON FINANCE,
United States Senate, Washington, D. C.

SIRS: Supplementing the statement and brief given to the Committee on Ways and Means of the House of Representatives and recorded in the hearings of Schedule 3, Volume III, pages 2487 to 2491, inclusive, we urge for your consideration the fact that these forged drums and reaction chambers are not articles of ordinary manufacture that are made in any great quantities but are produced as special units, the larger sizes taking three to four months to go through the casting shop, forge and machine shops.

Our cost for manufacturing a complete typical drum of plain carbon steel is 10 cents per pound. Our best information is that the same articles of German manufacture have been sold in this country at 6.3 cents per pound (duty to be paid by purchaser). Our higher costs are due chiefly to the difference in the rates of wages paid to machinists, forge men and steel melters and to those having charge of supervision, as against wages paid in Germany for similar services.

House bill 2667 has included these drums and reaction chambers in the tariff schedule by adding subparagraph b to paragraph 319. Our purpose in coming before you is to point out that the rate this bill has provided (40 per cent ad valorem) is not enough to enable us to successfully compete with manufacturers abroad. We should have the rate first asked for, viz, 2 cents per pound and 50 per cent ad valorem, which would give our costs a 14½ per cent protection against the foreign selling price. We modified our request before the Ways and Means Committee to the basis of 60 per cent ad valorem which would put our costs on almost a parity with the present foreign selling price. We may be able to continue in this manufacture with a 60 per cent ad valorem rate but we submit that the necessity of a self-sustaining situation in this country requires your most careful consideration.

The business of making these large forgings, besides keeping available equipment necessary for making guns and armor, has a direct relation to our national resources other than for national defense. These large drums and reaction chambers have and are developing economies and improvements in gasoline production, in the manufacture of nitrogen compounds and fertilizers, in power and in chemical industries. The new products being developed from

the use of these reactors are possibly more important than the economies being secured. These products are the bases of entirely new chemical industries, in which this country is gradually becoming independent from European sources of supply.

A group of photographs illustrating various types of these large forgings is attached as Exhibit A (not reproduced in hearings).

A photostatic reproduction of a portion of a pamphlet issued by Krupp's, of Essen, Germany, with description and destination of drums furnished from July, 1922, to December, 1925, is also attached as Exhibit B.

Besides the letter from the Secretary of War on this subject which was filed with the Committee on Ways and Means, we herewith file a letter from the former Secretary of the Navy.

Respectfully submitted.

THE MIDVALE CO.,
By A. C. DINKEY, *President.*

PHILADELPHIA, PA., *June 25, 1929.*

NAVY DEPARTMENT,
OFFICE OF THE SECRETARY,
Washington, March 2, 1929.

THE MIDVALE STEEL CO.,
Woodward Building, Washington, D. C.

SIRS: In reply to your letter dated March 1, 1929, requesting information regarding the attitude of the Navy Department as to the necessity of having available in time of war machinery and trained personnel capable of producing heavy gun forgings and armor, you are informed that the Navy Department considers it essential to the Navy's needs in time of war that commercial industry should be capable of producing heavy gun forgings and armor.

Very truly yours,

CURTIS D. WILBUR,
Secretary of the Navy.

EXHIBIT B

List of solid forged drums and boiler shells supplied from July, 1922, up to December, 1925

Description	Dimensions (mm.)	Working pressure atm. (kg. sq. cm.)	Material	Destination
1 drum	800/43/2510	60	Mild steel	Germany.
4 upper boiler drums	1440/18/40/2651	16	do	Do.
1 high pressure tank	2000/65/100/3600	40	Nickel steel	Do.
6 boiler shells	1288/31,5/5410	21	Mild steel	Do.
24 boiler shells	1288/45/5480	32	do	Do.
5 drums	900/48/4900	60	do	Do.
18 boiler shells	1290/36,5/4190	25	do	Do.
2 upper boiler drums	1440/18/40/2654	16	do	Do.
4 upper boiler drums	1400/18/35/9600	16	do	Do.
1 drum	780/60/1750	120	Nickel steel A	Do.
2 drums	1000/44/2440	35 (425° C.)	Nickel steel D	Holland.
4 drums	1200/27/5500 (3' 11¼"/1⅛"/18' ½")	25	Mild steel	England.
4 boiler shells	1200/41/5250	35	do	Germany.
2 drums	900/25/3940	17	do	Do.
6 boiler shells	1288/26/4100,7100	17	do	Do.
1 cylinder	965/70/12795 (3' 2"/2¼"/41' 11¾")	50 (350° C.) (711 lbs./sq. in. [662° F.])	Open-hearth steel	America.
6 cylinders	1320/102/13646 (4' 4"/4'/44' 9¼")	50 (350° C.) (711 lbs./sq. in. [662° F.])	do	Do.
4 cylinders	965/70/12795 (3' 2"/2¾"/41' 11¾")	50 (350° C.) (711 lbs./sq. in. [662° F.])	do	Do.
1 drum	914/30/4400	60	Nickel steel D	Germany.
2 boiler shells	1288/45/5480	32	Mild steel	Italy.
4 boiler shells	1285/41/5815	28	do	Germany.
1 drum	914/65/2500	60	do	Do.
3 upper boiler drums	1350/18/61/2749	18,5	do	Do.
2 drums	1000/73/4400	60	do	Sweden.
1 drum	1100/25/8500	16,5	do	Germany.
2 boiler shells	1285/41/5815	28	do	Do.
1 drum	1500/35/10000	18	Nickel steel D	Do.
2 drums	1500/25/4000	15	Mild steel	Do.
1 drum	1200/21/3000	15	do	Do.
2 drums	1200/21/2700	15	do	Do.
Do	1500/25/4000	15	do	Do.

List of solid forged drums and boiler shells supplied from July, 1922, up to December, 1925—Continued

Description	Dimensions (mm.)	Working pressure atm. (kg. sq. cm.)	Material	Destination
1 drum	1200/21/3000	15	Mild steel	Germany.
2 drums	1200/21/2700	15	do	Do.
1 drum	1288/26/7470	17	Mild steel II	Do.
1 boiler shell	1500/42/6700	35	do	Do.
Do	900/25/5000	35	do	Do.
3 boiler shells	1500/50/8600	33	Nickel steel D	Do.
6 boiler shells	800/27/8600	33	do	Do.
3 boiler shells	800/26/5500	33	do	Do.
4 boiler shells	1200/36/6400	35	do	Do.
2 boiler shells	1000/38/4400	38	do	Do.
Do	800/24/2500	35	do	Do.
1 drum	900/73/3500	110	Nickel steel A	Switzerland.
Do	700/53/2400	110	do	Do.
2 drums	1200/35/7500	35	Nickel steel D	Germany.
Do	900/25/6500	35	do	Do.
4 cylinders	965/70/12795 (3' 2"/2½"/41' 11¾")	50 (350° C.) (711 lbs./sq. in. [662° F.])	Open-hearth steel	America.
1 drum	1200/40/6900	40	Mild steel II	Germany.
1 boiler shell	900/31/5000	40	do	Do.
4 drums	1300/50/4525	35	Nickel steel D	Do.
12 boiler shells	1300/59/4855	35	Mild steel II	Do.
4 boiler shells	900/41/4000	35	do	Do.
6 drums	1300/68/7040	40	Nickel steel D	Do.
2 drums	900/45/5900	40	do	Do.
Do	1500/50/2850	35	do	Do.
4 drums	800/27/3300	35	do	Do.
2 drums	800/26/2000	35	do	Do.
5 upper boiler drums	1350/18/51/2749	37 (test pressure)	Mild steel	Do.
Do	1350/18/51/3855		do	Do.
Do	1350/18/51/4002		do	Do.
1 cylinder	670/60/4600	150	Open-hearth steel	Do.
1 boiler drum	440/78/1510	110 (Test pressure)	Nickel steel A	Do.
6 boiler shells	518/78,5/12000		Chrome steel	Do.
6 drums	1300/78/2650	40	Mild steel I	Do.
2 drums	1300/79/1600	40	do	Do.
Do	900/55/1300	40	do	Do.
2 cylinders	1320/89/13646 (4' 4"/3½"/44/ 9¾")	50(350°C.) (711 lbs./sq. in. [662° F.])	Open-hearth steel	America.
4 boiler shells	1000/36/9550	35	Mild steel II	Italy.
Do	600/20/6800	35	do	Do.
1 drum	1500/61/2650	48	Mild steel III	Germany.
Do	600/26/1850	48	do	Do.
Do	400/30/1600	48	do	Do.
20 drums	1300/57/10700	36	Mild steel II	Do.
3 drums	1500/49/10700	36	do	Do.
1 drum	1400/15/10700	36	do	Do.
Do	900/30/6000	35	do	Do.
Do	1000/44/85/2400	35 (450° C.)	Nickel steel D	Holland.
2 cylinders	1320/89/13646 (4' 4"/3¼"/44' 9¾")	50 (350° C.) (711 lbs./sq. in., [662° F.])	Open-hearth steel	America.
1 drum	1300/54/10680	38	Nickel steel D	Hungary.
5 drums	1300/60/10680	38	Mild steel II	Do.
2 boiler shells	1300/60/9080	38	do	Do.
Do	1200/55/11180	38	do	Do.
Do	1200/55/9580	38	do	Do.
Do	900/42/8800	38	do	Do.
Do	900/42/9580	38	do	Do.
4 drums	1100/41/4600	40	Nickel steel D	Austria.
Do	900/33/3700	40	do	Do.
2 drums	1500/62/5070	120	Mild steel II	Germany.
1 drum	900/42/1450	35 (150° C.)	Nickel steel D	Do.
10 boiler shells	745/18, 5/11500		Mild steel	Do.
1 drum	1200/42/5360	120	Low nickel steel	Do.
3 cylinders	1320/89/13646 (4' 4"/3½"/44' 9¾")	50 (711 lbs./sq. in.)	Open-hearth steel	America.
2 cylinders	965/70/12795 (3' 2"/2¾"/41' 11¾")	50 (711 lbs./sq. in)	do	Do.
2 boiler shells	1500/40/13500	30	Mild steel	Germany.
2 cylinders	1320/89/13646 (4' 4"/3½"/44' 9¼")	50	Open-hearth steel	America.
2 drums	900/30/5500	40	Nickel steel D	Hungary.
Do	1400/45/9200	40	do	Do.
Do	1400/38/9200	40	do	Do.
4 cylinders	1320/102/13646 (4' 4"/4"/44/'/9¾")	50 (711 lbs./sq. in.)	Open-hearth steel	America.

BALL AND ROLLER BEARINGS

[Par. 321]

BRIEF OF THE BALL BEARING AND ROLLER BEARING MANUFACTURERS

COMMITTEE ON FINANCE,
United States Senate, Washington, D. C.

GENTLEMEN: The undersigned manufacturers of ball bearings and roller bearings desire to call the attention of the committee to paragraph 321 of the tariff act of 1922, which reads as follows:

"PAR. 321. Antifriction balls and rollers, metal balls and rollers commonly used in ball or roller bearings, metal ball or roller bearings and parts thereof, whether finished or unfinished, for whatever use intended, 10 cents per pound and 45 per centum ad valorem."

H. R. 2667 made no change in the above provision and we respectfully request that you permit the law to remain unchanged.

II. IMPORTANCE OF INDUSTRY, CAPITAL INVESTMENT, NUMBER OF EMPLOYEES AND WAGES

Ball bearings or roller bearings are used to reduce mechanical friction to a minimum. They are chiefly used in automobiles. The bearings are produced from the highest-grade alloy steel specially manufactured and tempered. Great precision is reqired in the grinding of the balls and in forming and grinding the "races" or steel rings in which the balls are contained. In the manufacture of antifriction bearings a great variety of costly machinery is required but the extensive use of machinery does not, as in some industries, decrease the number of workmen, for these machines must be operated by expert mechanics in order that the quality of the product may be assured and waste of material prevented as far as possible.

The manufacturing plants are located in seven States as follows: Connecticut, Illinois, Michigan, New Jersey, New York, Ohio, and Pennsylvania.

The amount invested in lands, buildings, and machinery is $73,750,000.

The employees number 23,700.

III. COMPETITIVE CONDITIONS IN THE UNITED STATES

Competition between the various American manufacturers has served to keep prices low and to stimulate the producers to exercise the greatest possible ingenuity in devising methods to improve their bearings and at the same time cheapen production. The domestic industry is constantly menaced by importations and by threatened importations from Germany, France, Italy, Switzerland, and Sweden. In each of these countries are large manufacturing establishments fully equipped with the latest and most improved machinery, with unlimited supplies of alloy steel and great reservoirs of cheap skilled and unskilled labor.

IV. WAGES

To-day the average American wage rate in this industry, taking into consideration all factory employees, skilled and unskilled, is 58¾ cents per hour. We are unable to state the average factory wage rates covering all employees in foreign bearing manufacturing establishments, but the wage rates for skilled metal workers are as follows:

	Cents per hour		Cents per hour
Sweden	30	France	17
Great Britain	26	Switzerland	17
Germany	22	Italy	15

The foreign average factory wage rates, taking into account unskilled labor, would be lower than the figures above set forth.

V. UNDERVALUATIONS AND EVASION OF CUSTOMS LAWS AND REGULATIONS

Foreign producers employ three methods to evade the customs duties prescribed by the Congress:

First. By undervaluation of their product, which operates to lower the ad valorem duties.

Second. By importing bearings "knocked down" or in parts so that the parts can be quickly and cheaply assembled in the United States. In such cases the importer's value for ad valorem duty purposes can not be compared with any other prices or values because incomplete bearings or parts of bearings are not sold at wholesale either in the foreign country of exportation or in the United States and no foreign cost of production figures can be obtained.

Third. By constructing and importing into the United States special inferior bearings which in size and outward appearance simulate standard bearings. Bearings of this character are constructed at less expense and can be sold at prices below those of standard bearings of approved quality.

The above statements can be verified by reference to the records of the customs administrative officers and the records of trial proceedings had before the Board of General Appraisers, now the United States Customs Court. Below we set forth one decision by a General Appraiser in a case involving the dutiable value of ball bearings imported from Italy.

"35463. *Ball bearings.*—From Officine di Villar Perosa. Invoices dated Turin, Italy, June 1, 1923, etc. Certified June 1, 1923, etc. Entered at New York, June 18, 1923, etc. Reappraisement Nos. 17089–A, etc. Entry No. 905026, etc.

"Fischer, G. A.: Decided February 10, 1925.

Opinion: The sole question to be here determined is the foreign market value of certain ball bearings manufactured by the Officine di Villar Perosa of Italy for export.

"Inasmuch as I am satisfied from the evidence that these bearings are neither similar to nor comparable in value or construction with the ball bearings which are sold in Italy for home consumption, I deem it unnecessary to here detail at length the numerous individual items covered by the invoices.

"It is sufficient to state that it is fully established of record that the ball bearings which are sold for home consumption in Italy are of the notched type, the mechanical construction of which permits of the insertion in the bearings of a greater number of balls of equal size than the present unnotched bearings could possibly contain; that due to such fact the notched bearings are the more valuable, since the more balls of equal size a bearing contains, the greater is its efficiency in sustaining heavy loads and in general carrying power.

"Other differences are claimed by importers. For instance, they contend that the imported bearings are likewise inferior in material and workmanship to the notched bearings. Be that as it may, I need not necessarily base my decision upon alleged claims of inferiority in the particular respects mentioned, especially as I am otherwise well satisfied of the utter lack of similarity and comparability between the two classes of bearings, and am equally convinced that the notched bearings which are sold for home consumption in Italy are the more valuable of the two classes.

"I therefore sustain the invoice values, with allowance for inland freight."

Ball bearings	Invoiced, United States dollars	Entered,[1] United States dollars	Appraised,[2] Italian lire	Reappraised,[3] United States dollars
	Each	*Each*	*Each*	*Each*
3 A, 30 by 62 by 16	0.6175	0.6175	11.25	0.6175
5 A, 40 by 80 by 18	.845	.845	13.50	.845
7 B, 30 by 72 by 19	.8125	.8125	14.60	.8125
8 B, 35 by 80 by 21	.9425	.9425	[4] 17.10	.9425

[1] Less transport Turin-Genoa.
[2] Plus 60 per cent, less 10 per cent. Cases included. Plus sales tax, 1 per cent.
[3] Less inland freight.
[4] Per 100.

Packing, transport Turin-Genoa, included.
Balance similar merchandise.

The above decision was published in the official report of reappraisements on February 24, 1925 (Reappraisement Circular No. 3541). Subsequently it was affirmed on appeal (see Reappraisement Circular No. 3547, April 6, 1925).

In the above case the merchandise was invoiced and entered in United States currency. The United States port appraiser compared the bearings with what he regarded as similar bearings sold at wholesale in Italy and made his appraisement in Italian currency. The value found by the port appraiser was higher than the value stated on the importer's customs invoice and entry and the importer appealed from the decision of the port appraiser to a general appraiser. The general appraiser, after considering a voluminous record of evidence, found that the bearings shipped to the United States differed from those made for the Italian trade; that the imported bearings contained fewer balls and consequently had a lower load-carrying capacity. On this showing the importer's entered value was sustained. In this case the importers strenuously contended that the workmanship and material in the imported bearings were inferior to the workmanship and material in the bearings used in Italy. The general appraiser made no finding on this point, but it is not unfair to the importer to accept his contention as in the nature of an admission.

VI. EXPORTS

There are no exports from the United States for general commercial purposes. That is to say, bearings made in the United States can not be shipped to foreign markets and there sold in competition with like bearings made in European factories. Such exportations as have been made consist almost wholly of bearings transferred by one automobile manufacturing company in the United States to its branch manufacturing plant in Canada. The remaining small export items consist of repair parts or replacement bearings shipped to foreign countries to be used in repair service work on American-made automobiles.

Respectfully submitted.

De Witt Page, chairman tariff committee (care of the New Departure Manufacturing Co., Bristol, Conn.); Atlas Ball Co., Philadelphia, Pa.; Bearings Co. of America, Lancaster, Pa.; Fafnir Bearing Co., New Britain, Conn.; Gurney Ball Bearing Co., Jamestown, N. Y.; Hess-Bright Manufacturing Co., Philadelphia, Pa.; Hoover Steel Ball Co., Ann Arbor, Mich.; Hyatt Bearings Division of General Motors Corporation, Newark, N. J.; New Departure Manufacturing Co., Bristol, Conn.; Skayef Ball Bearing Co., Hartford, Conn.; Standard Steel and Bearings Co., Plainville, Conn.; Strom Bearing Co., Chicago, Ill.; Timken Roller Bearing Co., Canton, Ohio.

CITY OF WASHINGTON,
District of Columbia, ss:

Edwin R. Wakefield, being first duly sworn, states that he is the attorney of the firms and persons whose names are signed to the foregoing and annexed brief; that on information and belief the statements set forth in said brief are true; that the sources of affiant's information are public records and documents, statements made by the United States manufacturers of antifriction bearing, and personal study and investigation by affiant over a period of several years.

EDWIN R. WAKEFIELD.

Subscribed and sworn to before me, a notary public in and for the District of Columbia, this 9th day of July, 1929.

[SEAL.] TRAVERS J. CROCKER, *Notary Public.*

My commission expires March 11, 1932.

CAST-IRON PIPE

[Par. 327]

STATEMENT OF HERBERT KENNEDY, REPRESENTING HERBERT KENNEDY CO., NEW YORK CITY

(The witness was duly sworn by the chairman of the subcommittee.)

Senator REED. Mr. Kennedy appears in connection with paragraph 327, page 81. Did you testify before the Ways and Means Committee, Mr. Kennedy?

Mr. KENNEDY. Yes, sir.

Senator REED. Did you file a brief there?

Mr. KENNEDY. Yes, sir; I did.

Senator REED. Of course, we have the advantage of that brief and that testimony at the present time.

Mr. KENNEDY. Yes. I appreciate that fact. I am president of the Herbert Kennedy Co., New York, which company imports from 70 per cent to 80 per cent of the cast-iron pipe now imported into this country, and I am here to oppose, or rather, to protest, any increase of duty on that commodity which at the present time carries a rate of 20 per cent ad valorem under paragraph 327, Schedule 3.

The Ways and Means Committee on this schedule completed their report under the caption "Iron and Steel" with the words: "We have also increased the rate on cast-iron pipe. They made a decided increase over the act of 1922 with these very few words. They increased the tariff by the enormous amount of 50 per cent—that is to say, increasing it from 20 per cent ad valorem to 30 per cent ad valorem.

The exact situation in regard to that remark can be visualized very clearly in the summary of tariff information compiled by the United States Tariff Commission; and I would refer you gentlemen to pages 694 and 695. It carries on 694 the production of cast-iron pipe during a number of years in tons, and on 695 the imports of cast-iron pipe in tons.

Senator KING. The production in short tons for 1927 is——

Mr. KENNEDY. The total is 1,970,282 tons.

Senator KING. Is that correct?

Mr. KENNEDY. That is correct, but that includes soil and plumbers' pipe.

Senator KING. For my own information, I notice under the heading of gas and water 1,436,288.

Mr. KENNEDY. Yes, sir. That is tons of gas and water pipe produced in this country during that year.

Senator REED. That is what is called "pressure pipe," is it not?

Mr. KENNEDY. Yes.

Senator KING. You are speaking about that now, are you?

Senator REED. Yes; that is what the witness is talking about. I understand.

Mr. KENNEDY. Yes; that is what I am speaking about.

Senator KING. Fittings, 52,356 tons, soil and plumbers' pipe, 347,940 tons, and fittings under that heading 133,698 tons.

Mr. KENNEDY. That is the total, Senator. The last line is the total column.

Senator KING. The total would be 1,970,000 tons of the three.

Mr. KENNEDY. If you will permit me to point out, Senator, that is the total pipe and fittings for the whole cast iron pipe industry. I have no doubt those figures are correct.

Senator REED. Let us see if we can summarize this. In 1927 the imports of pressure pipe were about 92,000 tons.

Mr. KENNEDY. Yes, sir; 92,000 tons.

Senator REED. Roughly, 92,000 short tons; and the domestic manufacture was about 1,500,000 short tons.

Mr. KENNEDY. Yes; of pressure pipe.

Senator REED. So that the imports were about 6 per cent of the domestic consumption of that article.

Mr. KENNEDY. Yes, sir. Now, gentlemen, on pages 694 and 695 they have given us the tables, and you will see that there were no imports of any consequence at all until 1924, when importation in any reasonable volume began, and continued until 1926, when they amounted approximately to 93,000 tons. Since that time they have gradually decreased, until in 1928 there were something like 68,000 tons imported. That means that there has been a gradual decrease of imports since the peak was reached in 1926.

I have here official figures for the first four months of 1929, which amounts to 16,195 tons, and which if adopted and multiplied by 3 would give an annual amount of 48,585 tons, which is 20,000 tons, approximately, less than last year's imports.

Senator REED. The price seems to me to have come down very much since the imports began in quantity.

Mr. KENNEDY. Yes, Mr. Chairman. I think in our brief we show the prices.

Senator REED. The tariff summary shows that.

Mr. KENNEDY. Yes; the summary of tariff information shows it also. The peak was reached, I think, in 1926, when the price was $33.68. In 1923 the price was $60.57, and in 1924, when we entered the market, it was $59.40. There has been a gradual decrease since then.

Senator REED. Your foreign invoice prices were about $26 a short ton, I should say, and the domestic price was $37.11.

Senator KING. I see the exports for 1928 are 49,248 short tons, as shown by the summary of tariff information.

Mr. KENNEDY. What page is that, Senator—page 695? Yes, yes.

Senator KING. And they were exported to Cuba, Mexico, Canada, and various Central and South American countries. You are familiar with the fact that there are exports, are you?

Mr. KENNEDY. Oh, yes; quite.

Senator KING. Do you know what the domestic production for 1928 was?

Mr. KENNEDY. I think I have that.

Senator KING. The summary of tariff information on page 694 gives figures only as far as 1927.

Mr. KENNEDY. I think I have it here, Mr. Senator. I am sorry I have not got the exact figures. However, gentlemen, I have endeavored to show that the imports reached a certain peak in 1926, when prices were comparatively high; and since then they have, under the present tariff, diminished, until this year, as I have already

quoted you, the first four months show that the annual imports probably will be in the neighborhood of a little over 48,500 tons; but the evidence is against even this, because in the last few months we have not been in a position to compete with the domestic producers of cast-iron pipe. Just recently, right in this district——

Senator KING. What do you mean by "this district"?

Mr. KENNEDY. The District of Columbia. Bids were taken about two weeks ago in Washington, D. C., and our price was $4.25 above the lowest United States price.

Senator KING. What was the lowest United States price?

Mr. KENNEDY. The lowest United States price was $33.70, for a short ton, from which is to be deducted $3.70 freight from foundry, which gives an f. o. b. foundry price of $30 a ton.

Senator KING. Where are they shipped from?

Mr. KENNEDY. Shipped from Warren, N. J.

Senator KING. What company got the bid?

Mr. KENNEDY. R. D. Wood & Co. were the low bidders.

Senator REED. Do I understand that this 30 per cent duty that has been put into the House bill, paragraph 327, raises all classes from 20 per cent, or were there some classes of cast-iron pipe or fittings that were higher than 20 per cent under existing law?

Mr. KENNEDY. No, sir; there was nothing higher previously, Mr. Chairman.

Senator REED. Then it is a raise for the whole product.

Mr. KENNEDY. It is a raise for the whole cast-iron pipe industry.

Senator BARKLEY. I notice that a decline in price set in before these imports reached their peak.

Mr. KENNEDY. Yes, sir.

Senator BARKLEY. In 1923 the average price was $60.57. In that year there were 1,500,000 pounds came in.

In 1924, the average price was $59.46; and in that year there were imported 106,000,000 pounds.

Mr. KENNEDY. Yes, sir.

Senator BARKLEY. In 1925, 113,000,000 pounds were imported, and the price was $51.65 per short ton.

The imports have declined from 187,000,000 in 1926 to 136,000,000 in 1928; and at the same time, during the same period, the price decrease was from $60.57 to $37.11.

Mr. KENNEDY. Yes, sir.

Senator BARKLEY. What has produced this decrease in price in view of the decline in the exports?

Mr. KENNEDY. I do not really believe, gentlemen, that imports have very much bearing on the price of cast-iron pipe. The price of cast-iron pipe in this country is governed primarily by the law of supply and demand. The second factor entering into it is the price of pig iron; and another very pertinent factor which I do not think has been discussed before is that in the last few years the United States cast-iron pipe industry has introduced a patented process of producing cast-iron pipe by the centrifugal method, which has undoubtedly reduced their costs very, very considerably; and we are not—I am talking of my French principals—these patents are not available to us in this country. Therefore, if they continue as they

are doing, it is very evident that they will not and do not at the present time need any protection whatsoever. This is further substantiated by the fact that the largest company in the industry, namely, the United States Cast Iron Pipe Co., which supplies between 50 and 60 per cent of the total consumption of the country, is in very fine financial condition, has showed an average earning on the common stock in the last five years of 32 per cent, and is presently paying, and has paid for some time past, 10 per cent dividends on the common stock.

Senator KING. Which company is this?

Mr. KENNEDY. The United States Cast Iron Pipe Co.

Senator KING. Whose company is that?

Mr. KENNEDY. The name of the company is the United States Cast Iron Pipe & Foundry Co., of which Mr. Russell is the president.

Senator KING. Where is that?

Mr. KENNEDY. They have plants all over the country. The largest plant might be at Burlington, N. J.; but in their brief before the House Mr. Russell states where his plants are. This is to be found at page 2031.

Senator BARKLEY. The stock of that corporation has gone up two or three hundred per cent in the last three or four years; and they had a split of 4 or 5 to 1 last year.

Mr. KENNEDY. Five to one; yes, sir.

Senator KING. What is their cast-iron pipe used for?

Mr. KENNEDY. For water and gas practically exclusively. For the supply of water to cities and gas to municipalities.

Senator KING. Then it is of very great importance to the people of the United States.

Mr. KENNEDY. It is of very great importance to the people of the United States.

Senator KING. I notice that the Tariff Commission says that a centrifugal method of casting pipe has recently been introduced in the United States and abroad, but over 75 per cent of the output is still manufactured by sand-cast method. Is the centrifugal method being used more extensively than in the past?

Mr. KENNEDY. Very much more. It is increasing every year. The consumption of centrifugal-cast pipe is increasing; and the costs are very much lower; but these patents are not available to the French.

Senator KING. I have a memorandum here that the cost in France, f. o. b. France, is $22.91; foundry to Antwerp, $2; Antwerp to New York, $3.40; duty, $4.50; inspection, $1; sales commission, $2.50; cartage, $1.50; making a total of $37.89, compared with our domestic price of $35.60. Is that correct?

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

Senator KING. And you just stated that a bid had been accepted in the District of Columbia from one of the domestic firms, wherein the latter agreed to furnish it for $30 a ton.

Mr. KENNEDY. $30 f. o. b. their plant; $33.70 delivered here.

Senator REED. You are talking about a short ton.

Mr. KENNEDY. Yes.

Senator REED. Mr. Kennedy, on page 2034 of the House hearings, the statement is made by the United States Cast Iron Pipe & Foundry Co., or by Mr. Russell in behalf of the whole industry, that the aver-

age cost per ton in American of sand-cast pipe in 1928 was $33.67. Do you believe that to be correct?

Mr. KENNEDY. It is a very difficult question for me to answer, Mr. Chairman.

Senator REED. You have studied the industry; you have observed their quotations and their competition.

Mr. KENNEDY. What year is that for?

Senator REED. 1928.

Mr. KENNEDY. I will say this, Mr. Senator, that if that is so, they were selling very, very considerably under cost.

Senator REED. What do you believe the French cost to be?

Mr. KENNEDY. Of course, our costs are rather difficult to obtain, due to the fact that we own our own coal mines, make our own coke, and we own our own iron mines, and mine our own ore, and blast it; and we are self-contained in every respect.

Senator REED. You are speaking of the French concern when you say "we."

Mr. KENNEDY. The Pont-a-Mousson Co.

Senator EDGE. You represent Pont-a-Mousson?

Mr. KENNEDY. Yes, sir; but our costs have never, to my knowledge, dropped below $20 a ton f. o. b. foundry.

Senator REED. I find that in October last there was a report of a shipment of 2,200 tons to Los Angeles where the foreign invoice value was declared to be $16.57.

Mr. KENNEDY. Yes. I think, Mr. Chairman, if you will turn to our brief—that was an error—possibly an error on the part of the person who transcribed Mr. Russell's brief, because we never had such an entry. I have not got the exact figure here, but it was right up to the average price at that time.

Senator KING. What was that?

Mr. KENNEDY. Cast-iron pipe—I do not remember the exact figures, Mr. Senator, but I can produce the actual entry for you.

Senator KING. I wish you would do so.

Senator EDGE. What is your estimate of the French cost?

Mr. KENNEDY. My estimate is [there was a pause].

Senator EDGE. You represent the company: you should know something about it.

Mr. KENNEDY. Yes, sir; it is rather difficult. It has never been below $20 a ton f. o. b. foundry.

Senator EDGE. Is this correct in the tariff summary that the average foreign invoice value (foreign port), 1928, was $25.44?

Mr. KENNEDY. I should say cost, Mr. Senator, I mean actual strict cost, without adding any profit at all.

Senator EDGE. This is the invoice value.

Mr. KENNEDY. Yes. But invoice value should be—I wish to state here that remarks have been made of the difficulty of securing information from the books of foreign industries. Our books have been laid open a great number of times to United States agents, and in all cases found correct—and to agents of other countries as well.

Senator EDGE. That has been discontinued, as I understand, completely, by France. That is the understanding I received from the State Department.

Mr. KENNEDY. Yes. That has just recently been revoked.

Senator EDGE. Since 1927 we have made no further efforts to get costs. Is not that correct?

Mr. KENNEDY. I understand that that is correct; but I understand it is going to be revoked.

Senator EDGE. What is going to be revoked?

Mr. KENNEDY. The French stand asking that their books be not examined.

Senator EDGE. And they are going to withdraw that present embargo, or whatever you might term it?

Mr. KENNEDY. Yes, sir; I understand they are.

Senator REED. I notice from this table of imports a very large one, 4,000 tons, to South Carolina, in December of 1926. The invoice price was $18.93 a ton. At that time we are told that the American cost was $38.55. Of course, we are not given the sizes of pipe, and that makes a little difference.

Mr. KENNEDY. It makes a great deal of difference. In our brief it says that the declared value of $18.75 cited in the first paragraph, page 1488, applied to 30 and 48 inch pipe, while the price of $26.90 in New York applied to small diameter pipe. Large pipe is sold considerably cheaper than small pipe.

Senator BARKLEY. These figures here are based on 6-inch pipe.

Mr. KENNEDY. Yes, sir.

Senator KING. But the price is much lower on the large pipe.

Mr. KENNEDY. It is much lower on the large pipe.

Senator KING. Assume an $18 price for the large pipe; what would be the domestic price for pipe of the same size?

Mr. KENNEDY. That was $18, Senator, f. o. b. factory. Costs amounting to $11.50 have to be added in order to bring that to a delivered price in New York. That includes the cost necessary to lay it into the yards here.

There is one point in the comparison on page 2030 of the green book that I wish to call attention to. Mr. Bacharach gives figures of $22.91 per short ton, and only adds to that $3.40 approximate ocean cost and $4.58 duty. As a matter of fact, we have got to add to that. The $22.91 is f. o. b. our foundry. To that, in order to bring it to stock in New York, we have got to add $11.50.

On the other hand, 6-inch domestic cast-iron pipe delivered at New York is $35, but that is delivered in New York City and not f. o. b. their foundry. There is the element of freight in that, which would bring that price back by $3 or $4 a ton.

From this comparison it would look as though you could compare the $22.91 with $35.60, but you can not, because the one is a price with freight from foundry to destination and the other is a price to which freight from foundry to our yard in New York must be added.

Senator KING. So there would be a difference there in respect to that item of $3.35.

Mr. KENNEDY. Approximately so, Senator. Of course, I do not know just how much the Belgians ship, but they ship some. The Germans ship very, very little, and it would be approximately commensurate with the other prices.

Senator REED. Mr. Bacharach assumed a figure of $3.40 for ocean transportation. The Tariff Commission tells us that the total trans-

portation and other charges from Pont-a-Mousson to New York are about $5 per short ton. Is that right?

Mr. KENNEDY. From Pont-a-Mousson to New York the charges are $5.40 per short ton.

Senator REED. And the duty is about $5?

Mr. KENNEDY. The duty we estimate at about $5.

Senator REED. Which makes the total cost $10.40 to be added to the French invoice price in order to get the laid-down cost in Newark or New York.

Mr. KENNEDY. No, sir; we have got another factor. The figures are all shown, Mr. Chairman, on page 2041 of the House hearings.

Senator KING. These last figures have to be added to the invoice price.

Mr. KENNEDY. There is customs and brokerage; there is a small amount of breakage, and all pipe is delivered in this country absolutely perfect. It has to be inspected on the wharf, and then we have got to carry it from the wharf to our storage yard in Newark. There is also a sales commission and wharfage to be added.

Senator REED. That is where you come in—on the sales commission.

Mr. KENNEDY. Yes, sir.

Senator KING. What is the commission, approximately?

Mr. KENNEDY. About $1.75 a ton.

Senator KING. In percentage that would be what?

Mr. KENNEDY. It depends on the price of the pipe.

Senator KING. Well, averaging one year with another.

Mr. KENNEDY. It would be around 3 per cent.

Senator KING. Three per cent of the sales cost?

Senator BARKLEY. It would be more than 3 per cent, would it not?

Mr. KENNEDY. It depends, Senator.

Senator BARKLEY. On an item of $20 a ton, 3 per cent would be only 60 cents.

Mr. KENNEDY. If you figure at $20 a ton that rate is too low.

Senator BARKLEY. Three per cent of the sales price to-day, if it sold at $25, or $35——

Mr. KENNEDY. $40 a ton has been the average price for the last number of years.

Senator BARKLEY. That would be only $1.20.

Mr. KENNEDY. Well, it must be rather more than that. I made a mistake.

Senator BARKLEY. It would be nearer 5 per cent than 3.

Senator EDGE. You refer to page 2041 as authority for the various costs. I also noted on the same page this statement:

> It has already been shown by Mr. Bacharach that the price in October which the French manufacturers were securing in France, was $22.91.

Have you found that paragraph?

Mr. KENNEDY. Yes, sir; I have that.

Senator EDGE. There is not any doubt that even with this transportation from the factory added to it, that there would be a greater profit on the French product quoted at the price of the American product than there would be to the American producers.

Mr. KENNEDY. I do not quite appreciate that, Senator, $29.91?

Senator EDGE. After adding these other costs to your foundry price——

Mr. KENNEDY. Referring to page 2030 where Mr. Bacharach's statements are shown, their price is $22.91, to which we submit we have got to add $11.50, making a price of $34.41 as against their delivered price f. o. b. New York on 6-inch pipe of $35.60.

That price is taken from a trade journal, and is not an actual bid, but is taken from a journal.

Senator EDGE. But the same ton costs them to produce $35.91.

Mr. KENNEDY. This business, Mr. Senator, is quoted on a basis delivered in New York; and this price was taken from a trade journal, and not from an actual bid.

Senator EDGE. This includes profit, does it not?

Mr. KENNEDY. But it includes freight also.

Senator EDGE. It includes profit, if there is any profit.

Mr. KENNEDY. If there is any, of course it includes it, but it includes freight also.

Senator EDGE. Then, tell me what it does cost the American manufacturer to produce, actually costs him?

Mr. KENNEDY. I am not in position to make a statement in that regard.

Senator EDGE. Of course, we have that evidence.

Mr. KENNEDY. These figures alone, Mr. Senator, show that they are in a position to quote a price of $35.60 in a trade journal, delivered at New York. That means that the trade journal price is always higher than the actual price, at which you could buy it; and that fact, coupled with the freight rate to New York City would necessitate a reduction from that price of from $3 to $4, which indicates to me that they would be satisfied with getting $3 or $4 less than their quotation in the trade journal. In other words, they would be satisfied with $32 f. o. b. France.

Senator EDGE. I am under the impression that they are quite dissatisfied with it as per their statement.

Mr. KENNEDY. In this particular instance they have quoted that price.

Senator EDGE. They may be compelled to accept it.

Mr. KENNEDY. On the other hand, our invoice, the foreign price, was $22.91, to which, to bring it to Newark, N. J., before we can ship it out we have got $11.50 to add, which would make our price the same as f. o. b. the domestic foundry.

Senator EDGE. Then the question of freight enters into it.

Senator KING. You said your price was what?

Mr. KENNEDY. Our price f. o. b. foundry is $22.91, to which we have to add, to bring it to Newark, N. J., and lay it down in our stock—we carry a 15,000-ton stock there.

Senator KING. You have to add what?

Mr. KENNEDY. We have to add $11.50.

Senator KING. That makes $34.41.

Mr. KENNEDY. $34.41, yes; laid down ready to go to any consumer.

Senator BARKLEY. How does that compare with the domestic price?

Mr. KENNEDY. Domestic price delivered—it is higher in this particular instance, it is higher. There is no point near enough New

York to ship for $1.60 from foundry to New York, which would bring them down to $34.

Senator EDGE. There is no considerable difference in that, because it is what is called a warehouse price, or shipped direct to buyer.

Mr. KENNEDY. Yes. It makes a difference of $1.50 a ton.

Senator EDGE. Which were you figuring on when you gave us those figures, direct to buyer or warehouse price?

Mr. KENNEDY. $11.50 includes shipping to stock; and then it goes out.

Senator EDGE. That is, to the warehouse.

Mr. KENNEDY. To Newark, N. J. At least 50 per cent of our business is such that we are a long distance from the consumer, and the consumer usually desires his pipe urgently. Therefore we have to ship at least half of it out of stock to satisfy him.

Senator EDGE. It makes a difference of $1.50.

Mr. KENNEDY. In that case it makes a difference of 75 cents a ton.

Senator KING. You mentioned one company to Senator Barkley a while ago which you said paid stock dividends of a large sum, 30 per cent, during a number of years.

Mr. KENNEDY. No, sir; 31 per cent for the last five years. Recently their stock was divided 5 to 1, I think in 1927, and they are paying 10 per cent on their common stock now, and have.

Senator BARKLEY. On the new stock?

Mr. KENNEDY. No; I think it is 10 per cent on the old stock Senator.

Senator BARKLEY. Is Mr. Russell connected with that company?

Mr. KENNEDY. He is president.

Senator BARKLEY. And which company is Mr. Wood connected with?

Mr. KENNEDY. He is president of R. D. Wood & Co.

Senator BARKLEY. What proportion do they make?

Mr. KENNEDY. United States Cast Iron Pipe makes from 50 to 60 per cent of the total production of the country, and Mr. Wood's production is only——

Senator BARKLEY. What proportion does he make?

Mr. KENNEDY. I am not sure of that. I would rather not state it.

Senator BARKLEY. Have you seen the balance sheet of his company?

Mr. KENNEDY. No; I have not. It is a private corporation, I understand.

Senator BARKLEY. Is it a partnership or a corporation?

Mr. KENNEDY. I am not quite sure, Senator.

Senator EDGE. He is the next witness, and is present.

Senator KING. However, the fact is that the imports are 6 per cent.

Mr. KENNEDY. They were in 1927; but they are gradually decreasing at a greater rate than the production in the country is increasing.

Senator KING. You gave us the figures for the imports for the first five months of this year.

Mr. KENNEDY. The first four months, Senator. I have the official figures for the first four months of this year.

Senator KING. You said it would amount to 48,000 tons in the year.

Mr. KENNEDY. The figures show there were 16,195 tons for the first four months, which, if multiplied by 3, would give you 48,585 tons.

Senator BARKLEY. That is less than it was for 1927.

Mr. KENNEDY. Very much less.

Senator BARKLEY. And less than 1926.

Mr. KENNEDY. It was less for 1928 by far. It reached a peak in 1926, and has gradually been decreasing.

Senator BARKLEY. So instead of saying there is a gradual increase you mean there has been a gradual decrease.

Mr. KENNEDY. Yes.

Senator KING. You said increase.

Mr. KENNEDY. I beg your pardon.

Senator EDGE. Talking of financial conditions, what is the present condition, generally speaking, of the Pont-a-Mousson Co.; is it prosperous?

Mr. KENNEDY. Very prosperous.

Senator EDGE. Very prosperous?

Mr. KENNEDY. Well, I mean quite prosperous. They are able to continue in business.

Senator EDGE. Able to sit up and take notice.

Mr. KENNEDY. Able to sit up and take notice; but you must remember that they are producing—their imports this year have gone down to 48,000 tons and they are producing about 550,000 tons a year.

Senator EDGE. And still finding a market for it.

Mr. KENNEDY. They are reaching South America and sell all over the world, in fact.

Senator KING. And we are exporting 48,000 tons principally to South America and Central America.

Mr. KENNEDY. Yes, sir.

Senator KING. That is all, Mr. Witness, as far as I am concerned, unless you have something else you wish to add.

Mr. KENNEDY. I am here in rather a dual rôle, because of the fact that about five or six months ago a company was formed, incorporated, called the Intercontinental Pipe & Mining Co., a Delaware Corporation, with the object of producing cast iron pipe in this country. I happen to be president of that company.

Senator KING. You are a manufacturer, then.

Mr. KENNEDY. I am an American manufacturer, or will be very shortly. We are entirely satisfied with 20 per cent duty. We think that we can produce pipe—and we made our plans before we had any idea that the duty would be increased; and we made our plans on the basis of a 20 per cent duty, which we consider ample to protect us from foreign invasion. We have now bought 35 acres of land near Boston, and the work is under way right now, and we expect to be producing in February or March of this next year. We figure the market in New England, where we are settling, is approximately 70,000 tons. We contemplate making 150,000 tons. Therefore, we will have an excess of tonnage; and we hope to export that excess.

Senator BARKLEY. As a manufacturer, you are going to compete with yourself as an importer.

Mr. KENNEDY. We are going to do the best we can and each business will have to take care of itself. To show you how the increased tariff would affect the proposed manufacturing business, I would call your attention to an article which appeared in the New York Times, quoting the London Times—and there was also an article in last Saturday's Montreal Star which had us very much disturbed because the government at Ottawa were threatening retaliatory measures; and Canada is the largest customer we have.

May I file a brief also?

Senator REED. Yes.

(Mr. Kennedy submitted the following brief:)

BRIEF OF THE HERBERT KENNEDY CO. (INC.), NEW YORK CITY

COMMITTEE ON FINANCE,
United States Senate, Washington, D. C.

GENTLEMEN: As the Ways and Means Committee of the House of Representatives, on the brief statement "We have also increased the rate on cast-iron pipe, the imports showing a decided increase under the act of 1922," has proposed to increase the tariff on cast-iron pipe by 50 per cent—namely, from 20 to 30 per cent ad valorem—we beg to supplement our brief, which was included in the hearings of the above committee, and to most seriously protest the proposed increase.

Regarding the statement that imports have increased under the act of 1922, and so that the facts may be entirely before your eyes, we subjoin exact official figures, both as to production and as to imports, for the years 1919 to 1928, inclusive, with an additional four months of imports in 1929. These figures are mainly taken from pages 694 and 695 of Summary of Tariff Information, 1929, compiled by the United States Tariff Commission. We are also excluding soil and plumber's cast-iron pipe, as we do not compete in this market and are including only gas and water cast-iron pipe or what is known as pressure pipe. We have combined pipe and fittings in one total, as this same condition exists in the report on imports.

	Production	Rate of duty	Imports	Approximate
	Short tons	*Per cent*	*Short tons*	*Per cent*
1919	514,664	10	83	.....
1920	636,862	10	335	.....
1921	564,138	10	15	.....
1922	926,577	10, 20	203	.....
1923	1,134,059	20	780	.....
1924	1,365,272	20	53,044	4
1925	1,414,252	20	56,565	4
1926	1,534,278	20	93,936	6
1927	1,488,644	20	91,576	6
1928	1,371,327	20	68,467	5

From the above figures, it will be noted that the first year, which shows any worth-while imports of cast-iron pipe, is 1924. From that year, through 1925, the imports slowly increased, reaching the peak in 1926. From 1926 onward, however, imports have gradually decreased from a peak of 93,936 tons to 68,466 tons in 1928. Official figures for the first four months of 1929 were: Imports 16,195 tons, which, multiplied by 3, give the meager total of 48,585 tons for the year 1929. This latter is, of course, based upon the assumption that imports will maintain the same volume for the last eight months of the year as they have for the first four months but that this is very unlikely to be the case is shown in the writer's testimony before your subcommittee, which instances

recent bids in Washington, D. C., in which our price was $4.25 above the lowest bid of the R. D. Wood Co. The exact bids were: R. D. Wood Co., $33.70; Herbert Kennedy Co., $37.95.

The foregoing facts would demonstrate very clearly that the United States cast-iron pipe industry is entirely safe under the present tariff but these can be supplemented further as follows:

First. The largest company in the cast-iron pipe industry—namely, the United States Cast Iron Pipe & Foundry Co., which produces between 50 and 60 per cent of the entire pipe manufactured in the United States—is in excellent financial condition, and has, during the last five years, shown average earnings on its common stock of 32 per cent and has paid, for the last several years, 10 per cent dividends on its common stock, at the same time retaining a very substantial cash reserve.

Second. During the last few years, patented processes of producing cast-iron pipe centrifugally have been evolved in this country, whereby pipe is produced with fewer men, with less loss of metal and, therefore, much more economically and cheaply. These processes are gradually, but surely, superseding the old pit-cast method and are reducing the cost of cast-iron pipe throughout the country. These centrifugal methods are not, because of their patented nature, available to our principals and, therefore, our sale in this country is limited exclusively to pit-cast pipe, which, being considerably heavier, is sold at a greater price per foot and costs considerably more in transportation.

It will, therefore, be very obvious that, whereas importers might be able to live in a very meager way, under the existing tariff, they would have to cease business, should the proposed increase be confirmed by your honorable committee.

We believe it is an admitted fact that the object and result of an increased tariff is a corresponding increase in the price of a commodity. Should the price of cast-iron pipe be increased by $2.50 per ton, which is the average difference between 20 and 30 per cent ad valorem, there being 50,000,000 tons of cast-iron pipe in use under ground in the United States at the present time, the assets of the public utilities companies, owning this tremendous amount of cast-iron pipe, would immediately be enhanced $125,000,000, without their expending or investing $1 of their own money. These corporations are permitted to base their charges to the consumer on the replacement values of their properties, as shown by annual appraisal; therefore, at an interest rate of 6 per cent per annum on the foregoing sum, it is very evident that an added burden of $7,500,000 would immediately be thrown upon the American consumer in the shape of rates or taxes, while the only ones to benefit would be the comparatively small number of shareholders in the domestic cast-iron pipe industry.

Furthermore, this same $2.50 per ton would apply to the 1,500,000 tons annual consumption of cast-iron pipe in this country, representing an additional burden upon the American consumer.

Then, again, once competition was stifled and a virtual monoply restored, no one doubts but that the domestic industry would advance the price of cast-iron pipe to heights, which have previously been criticized by the large consumers of cast-iron pipe in this country. These exorbitant prices, should the manufacturers wish to establish them, could be practically permanently maintained, for importers can not be alternately in and out of business. Deprived of their regular customers and with no organization available, with which to secure business, they would not, of course, enter a field in which they could be shut out at will by domestic competitors.

It will, therefore, be clear that, should the Senate concur with the House, in establishing a 30 per cent ad valorem duty on cast-iron pipe, domestic pipe manufacturers would profit to the extent of at least $3,750,000 per annum and public utilities corporations $7,500,000 per annum. This total of $11,250,000 must, if the Senate yields to the importunities of the cast-iron pipe industry, come every year out of the pocket of the American people—the average citizen and householder.

Turning now to the question of comparative price, we have shown in our previous brief the charges, which must be added to our f. o. b. foundry selling price—namely, $11.50, approximately. We say approximately, because the duty varies according to the f. o. b. foundry selling price and because ocean freight rates have been subject to recent increases.

In all recent price discussions, the figure $37.11 average price of United States 6-inch pipe, delivered at New York, has been taken and has been compared with

an f. o. b. French foundry selling price of $22.91 (See page 2030 Tariff Readjustment, 1929, vol. 3). As a matter of fact, it will be noted that in the month of October, when the French foundry selling price was $22.91, the 6-inch domestic cast-iron pipe price, delivered New York, was $35.60.

It should be borne in mind that the latter price is a trade journal (The Iron Age) quotation and not an actual bid and that, further, to reduce it to an f. o. b. domestic foundry price, we have to deduct freight from foundry to New York, amounting to $2.90, which leaves an f. o. b. domestic foundry price of $32.70. On the other hand, the price of $22.91 is f. o. b. foundry, France, price, to which has to be added not less than $11.50 to deliver the material in our stockyards in Newark, N. J., from which point it has to be shipped to various destinations and it is, therefore, this point which should be considered equivalent to a domestic foundry, as, being so far removed from our actual foundry, we have to maintain a very large stock in Newark, from which to make shipments which will satisfy our customers in regard to promptness of delivery. It will, therefore, be seen that our minimum price, f. o. b. stock, Newark, would be $34.41, as compared to an f. o. b. foundry price of $32.70.

We, therefore, seriously submit that an industry—the product of which is selling and showing a legitimate profit at $32.70 per net ton, f. o. b foundry—is adequately protected, when a foreign competitor has charges amounting to $11.50 to arrive at an equal basis.

Touching now on the question of cheap labor, as has been mentioned very frequently by Mr. Wood in his briefs, we wish to state that wages in our French foundries range from $1.20 to $2.40 per day of eight hours, which is based on 30 francs and 60 francs, respectively. These figures compare with an average of $4 per day in domestic foundries. It must, however, be borne in mind that French foundries employ three workmen to each American workmen per ton of pipe and that our principals supply our married workmen with rent-free cottages and our single workmen with rent-free dormitories, together with medical attention, medical supplies and many other comforts. When, therefore, consideration is given to the fact that 70 per cent of the labor employed in domestic cast-iron pipe industries is negro labor, we feel sure that any one would hesitate to state that living conditions in France were not much superior to the average living condition in this country, as applied to the cast-iron pipe industry.

Turning now to a comparative cost of raw materials, as obtaining in the United States and France, both Mr. Russell and Mr. Wood, in their brief, have stated that the approximate price of pig iron, f. o. b. French furnace, is approximately $12 per gross ton. The French furnaces, besides supplying their own requirements, sell pig iron to a large number of other European cast-iron pipe producers. In the Summary of Tariff Information, 1929, page 592, the following f. o. b. plant prices are given for France: 1927, $19.10; 1928, $17.50.

It will, therefore, be very evident that no such price as $12 per gross ton obtains in France on pig iron. During the last two years, the lowest price of which we have any knowledge is 350 francs, or $13.72 f. o. b. furnace, while the average price has been approximately $17.15 per 1,000 kilos. During the same period, the lowest price at which American pig has been quoted is $16.50 per gross ton. We wish, however, to point out that from the fact that scrap cast iron is not available in France, our principals use pig iron exclusively in the manufacture of cast-iron pipe, whereas the practice in this country is to use 60 per cent of pig iron with 40 per cent of scrap iron.

During 1927 and 1928 this latter commodity has sold as low as $12 per net ton, delievered. It will, therefore, be seen that whereas the lowest price for metal entering into the production of cast-iron pipe in France is $13.72 per net ton, the price of metal entering into the production of cast-iron pipe in this country is $16.50 multiplied by 60 per cent for pig iron and $12 multiplied by 40 per cent for scrap iron, making a total for the metal content of $14.70.

In their supplementary briefs Mr. Russell and Mr. Wood have both laid stress on a point made in our brief to the Committee on Ways and Means, and Mr. Russell states: "As Mr. Kennedy points out, importations reached only a limited territory around the coast and he estimated the territory they reached probably represented a consumption of 400,000 tons and importations were, therefore, about 23 per cent of estimated consumption." As a mat-

ter of strict fact, we subjoin a statement which shows the exact distribution of pipe imported into this country during the years 1927 and 1928:

Statement showing allocation of tonnage of imported pipe

	1	2	3	4	5	6	7
1927	34,184	4,000	10,000	22,880	71,064	20,512	91,576
1928	27,383	3,500	772	17,188	48,843	19,624	68,467

1. Sales in New York District, New England States, New York, New Jersey, and Pennsylvania.
2. Middle Western States through the Great Lake district.
3. South Atlantic States and Texas.
4. Entire Pacific coast.
5. Total Pont-a-Mousson sales in United States.
6. Sales of Belgian foundries on the Pacific coast. (No Belgian or other pipe was imported along the Atlantic seaboard other than Pont-a-Mousson.)
7. Total importations cast-iron pressure pipe water and gas.

Under column 1, it will very readily be seen that the amount of pipe entering New England States, New York, New Jersey, and Pennsylvania, was very small and that the bulk of the competition was experienced by the domestic foundries in the Middle West and in Alabama and not, as indicated by Mr. Wood, with the foundries located in New Jersey. None of the producing shops, indicated by Mr. Russell, and located as follows: Burlington, N. J.; Florence, N. J.; Phillipsburg, N. J.; and Emaus, Pa., shipped pipe to the South, Atlantic States, Texas, or the Pacific coast. The production of these four foundries is not less than 460,000 tons. In 1928 we have shown that the imports in this territory amounted to 27,383 tons, or slightly over 6 per cent. In our opinion, this percentage of the available production does not seem to be harmful in any shape or form.

In the belief that the subcommittee are endeavoring to secure adequate facts in this question, we would take the liberty of commenting on the briefs of Messrs. Wood and Russell.

Mr. Wood has stated, under oath, in his verbal testimony: "We do not aim to go west of Harrisburg in our shipments." Notwithstanding this statement, Mr. Wood has recently secured contracts, not only in Detroit, but in Texas and on the Pacific coast. His contracts in Detroit were in competition with Middle West foundries, which he claims have an additional protection of 30 per cent through freight rates.

Further on in Mr. Wood's testimony, he states that the chairman, or president, of the Pont-a-Mousson Co. told him that his price was from $35 to $37 per net ton in France. Without making mention of the unethical nature of this statement, we, as Pont-a-Mousson's representatives in this country for the last eight years, know positively that pipe has not been sold in France at either of the two figures mentioned, in quantities such as are sold in this country. As a matter of fact, Mr. Wood does not speak French and Mr. Paul, the chairman of our board, does not speak English fluently. We can only, therefore, arrive at the conclusion that a misunderstanding has occurred.

Mr. Wood, notwithstanding the testimony submitted by Messrs. Brooks & Brooks, which is shown on page 2042 of Tariff Readjustment, 1929, volume 3, has stated that it is impossible to secure in France the "market value for home consumption." As a matter of fact, our books have at all times been laid open to United States agents, who have surveyed them and found them entirely satisfactory. Mr. Wood further stated that in shipping to Canada his books were inspected by Canadian agents. We have been shipping to Canada for the past eight years, and our books have been inspected by their agents not less than eight different times, and on each occasion, referring both to United States agents and Canadian agents, our books have been found and our prices have been found in perfect order. Since the writer has made his testimony we have secured permission from our principals, notwithstanding any ruling which may be in effect at the present time with the French Government, to open our books to any member of the Committee on Finance of the United States Senate or to any other authorized agent of the Treasury Department of the United States. At the same time, we wish to reiterate the writer's testimony to Senator Edge that any ruling in this regard by the French Government will very shortly be removed.

In response to a query in our brief as to why the American foundries were not producing their own pig iron, Mr. Russell states as follows: "The United States Cast Iron Pipe & Foundry Co. has a blast furnace located at Scottdale.

Pa., of 350 tons' daily capacity, which has been idle since 1925, as it was impossible to operate it profitably." In a booklet entitled "Tariff Information Surveys on the Articles in Paragraphs 123, 124, and 125 of the Tariff Act of 1913," published by the Government Printing Office in 1922, it is stated, on page 8, "A combination of 11 cast-iron pipe foundries, with a capital stock of $15,000,000, has been formed. Unlike steel works, foundries are not generally 'self-containing'; they buy their raw materials instead of producing them. The Ford Motor Co. is an exception. It has built blast furnaces, is developing its own iron ore and coal deposits, and has recently bought a railroad." We do not believe it is the intention of the Government of the United States to penalize the average American citizen because of unwise business judgment on the part of cast iron pipe producers.

Both Messrs. Wood and Russell have made the statement that "Pont-a-Mousson Foundries were rebuilt since the war with German reparation money." Surely Mr. Russell appreciates that these foundries were in existence prior to the 1914 war, and that at that date they had been built with private capital. The reparation funds secured by them from the French Government were only a part of the funds which they had previously expended in building these foundries.

Under the sincere belief that your honorable committee wish to view each paragraph of the tariff revision as carefully as possible and realizing that the subjects covered are too numerous for any one body of men to know thoroughly and in detail, we have submitted this brief in an unbiased a manner as possible that the members of the subcommittee might be as fully informed as possible.

Without any intention of reflecting upon the House of Representatives, we do feel that your honorable committee and the Senate as a whole will follow the example of the former President, rather than that of the House, and consider this matter in a broad, statesman-like maner, entirely free of personal preference or prejudice. Convinced of the justice of our position, we ask nothing beyond impartial consideration and a decision based upon the facts as revealed to you by the thorough, searching scrutiny to which you will undoubtedly subject the statements submitted by both the opponents and proponents of this suggested increase of 50 per cent in the duty on cast-iron pipe.

This company, or rather its president, occupies a somewhat unusual position in relation to the tariff on cast-iron pipe. The writer, president of the Herbert Kennedy Co., is the largest importer of cast-iron pipe in this country. He is also president of the Intercontinental Pipe & Mining Co., which has purchased 35 acres of land in Chelsea, Mass., where it is preparing to erect a foundry with a capacity of approximately 150,000 tons of cast-iron pipe per annum. Since that is more than double the tonnage, which he is now importing, it will readily be seen that his personal interests would be best served by the adoption of the very tariff increase which he unequivocally protests in this brief.

The writer assumes this attitude because he is firmly convinced that the Intercontinental Pipe & Mining Co. (Inc.), can produce cast-iron pipe in the United States and market it at a satisfactory profit throughout the New England territory in competition with pipe imported under the tariff act of 1922. Were he not so convinced, he would appear in favor of, instead of against, the proposed tariff increase on the commodity in question.

Not only is he absolutely confident that the Chelsea plant, when erected and in operation, can manufacture cast-iron pipe and compete in the New England market with any foreign-made pipe, but he is equally confident that the United States manufactured product can successfully compete with French, Belgian, or German pipe in the South American market. It is his intention to export a considerable proportion of the pipe to be produced in the Chelsea plant.

This latter information, while perhaps not strictly pertinent to the subject at issue, has been included in this brief as an evidence of the sincerity of this company and its officers in opposing any increase in the present ad valorem duty of 20 per cent on cast-iron pipe.

Respectfully submitted.

THE HERBERT KENNEDY CO. (INC.) [SEAL.],
By H. KENNEDY, *President.*

STATE OF NEW YORK,
County of New York:

Sworn to before me this 12th day of July, 1929.

[SEAL.]

PAUL P. HAUSER,
Notary Public.

STATEMENT OF WALTER WOOD, REPRESENTING R. D. WOOD & CO., PHILADELPHIA, PA.

(The witness was duly affirmed by Senator Edge, acting chairman.)

Senator EDGE. Mr. Wood, in the absence of the chairman, I will start the proceedings. You are president of R. D. Wood & Co.

Mr. WOOD. Yes. It is a firm—R. D. Wood & Co. is a firm.

Senator KING. You mean a partnership?

Mr. WOOD. A partnership.

Senator EDGE. And your company is now producing cast-iron pipe. It is located where?

Mr. WOOD. At Florence, N. J.

Senator EDGE. Did you testify before the Ways and Means Committee of the House?

Mr. WOOD. I did.

Senator EDGE. And did you file a brief there?

Mr. WOOD. I filed a brief.

Senator EDGE. What is the purpose of your present appearance before the committee? Is it to supplement that brief, to file another brief, or submit oral testimony?

Mr. WOOD. I have a brief with me.

Senator EDGE. That is a supplementary brief.

Mr. WOOD. It is a supplementary brief.

Senator EDGE. It may be filed.

In addition to the brief, have you any statements you desire to make to the committee?

Mr. WOOD. The statement I want to impress upon the committee is this: The cast-iron pipe trade is going through a very severe struggle caused by the French importations and the changed method of manufacture that is going on.

The 30 per cent on foreign valuations would be a protective duty, but not prohibitive. It would still require a strong struggle against the prices of the imported material.

Senator EDGE. How do you suffer? You have heard the testimony of the other witnesses and the questions raised by members of the committee which woulr rather indicate a relatively small difference. What have you got to say about it? Does your brief go into those details?

Mr. WOOD. My brief goes into those details.

Senator KING. There is an importation of only 6 per cent.

Mr. WOOD. Pardon sir. May I explain that?

Mr. EDGE. That is what Senator King wants you to do.

Mr. WOOD. The importation which has been testified to as running up to sixty or eighty thousand tons is not in competition with the total production of this country, but that portion of the production of this country which is within easy reach of the seaboard. The importation into this country is about 20 per cent of the American production which they attack. The majority of the foundries are from 200 to 300 miles inland, and in that territory there is an additional freight rate added to the government duties and, as such, they have a very slight burden to bear in this strong competitive situation where there is 20 per cent of importation against the 400,000 tons, approximately, which they attack. Do I make it clear?

Senator KING. I understand your point very well.

Mr. WOOD. And I think the figures are admitted by Mr. Kennedy.

Senator EDGE. We have been discussing transportation costs, duty, and other charges. If your Florence foundry received an order from Chicago, what would it cost you per ton to lay it down in Chicago?

Mr. WOOD. Chicago is out of our range on account of the freight rates.

Senator EDGE. Then take the farthest point that you do reach.

Mr. WOOD. We do not aim to go west of Harrisburg in our shipments.

Senator KING. You are speaking of the Wood Co.?

Mr. WOOD. I am speaking of the R. D. Wood & Co. The western and interior foundries keep us from going practically west of Harrisburg.

Senator EDGE. That same thing applies to the importers.

Mr. WOOD. Yes.

Senator EDGE. They can not go west either.

Mr. WOOD. So that, really, they are attacking only a very small percentage of the total production of the United States. They attack about 400,000 tons with from 70,000 to 80,000.

Senator KING. This year it will only be a little over 48,000 tons, because during the first four months of this year, 16,000 tons were imported. That is a diminution.

Mr. WOOD. That is due to the intensity of the battle, sir. If we want to keep our men at work and lose profits, that will have some effect on the amount that they will import. That is the situation of the cast-iron pipe trade.

Senator KING. You do not want any competition.

Mr. WOOD. No, sir; I love competition. Give us a moderate duty, I do not mean a protective duty to a hundred per cent.

Senator EDGE. You claim, as I follow you, that on this commodity 30 per cent ad valorem is even less than the protection that the foundry located in the Middle West would have without any duty. Is that your point?

Mr. WOOD. A foundry situated in the Middle West would have 30 per cent plus almost another 30 per cent on account of railroad rates.

Senator EDGE. In other words, the importations do not reach the Middle West.

Mr. WOOD. The importations do not infringe the Middle West.

Senator EDGE. The effect of your statement, as I understand it, is that the foundry in Chicago, or west of Chicago, can get along and make money because he has not the foreign competition, where you have it.

Mr. WOOD. You are entirely right, sir. Internal freights are added duty to the imported materials.

The real question is this: You have given us 30 per cent in the House bill on foreign domestic prices. Knowing that that was the question coming up for discussion, I had one of our men who was then in Europe to look carefully into the foreign domestic prices. I do not think it is any breach of confidence to say that when the president of the Pont-a-Mousson Co. was in this country, he told me that his price was from $35 to $37 a net ton in France; and it

is that high because it is protected by an import duty against goods coming into France of over $19 a ton. The market price which the president stated was $35 to $37 was a moderate price. The gentleman I had in Europe found that that was two or three dollars below their domestic trade.

If we got 30 per cent on an honest domestic price in France, and were sure of getting an honest domestic price, sworn to at our customhouse, I would not be here, sir. The trouble with this—and I have prepared a table here—it is in this brief. I am speaking of just the importations, now. These figures are taken from Russells' U. S. C. I. P. brief—50 importations which, when analyzed, 6 per cent averaged $18.50, 16 averaged $22.40, 21 averaged $26.83, and 7 averaged $32.65.

Senator KING. That would not throw very much light upon the matter, would it? When there is such a disparity between the large pipe dimensions and the small pipe dimensions? That may represent one shipment of large pipe at $20 and four or five shipments of small pipe at $30, just as an illustration.

Mr. WOOD. You are entirely right, sir. The disparity is very small between the large pipe and the small pipe; and these averages that I have given you here take into account both large and small sizes.

There is another question, gentlemen. We are all experts in the iron business, and knowing their wages, their situation for ore and coal, there is no doubt but what the figures abroad average from $18 to $22 a ton cost. I have not the slightest doubt about it.

Senator KING. $22 per ton?

Mr. WOOD. That is a high figure. They say $24. They are putting their best foot forward when they say $24.

Senator KING. Are you willing to state what the cost is at your mill?

Mr. WOOD. The cost at our mill is about $35 to $36 net.

Senator KING. What do you mean by that?

Mr. WOOD. A net sum.

Senator KING. What does it cost you to produce it?

Mr. WOOD. That is what it costs to produce it.

Senator KING. But you have been selling it at $30.

Mr. WOOD. Undoubtedly, because we can——

Senator KING. You are trying to drive out competition.

Mr. WOOD. We have to only to pay wages and keep our foundry going, we have to take goods at anything we can get.

Mr. KING. Are you warring with this Mr. Russell's company?

Mr. WOOD. No. We are the independent companies of the United States.

Senator BARKLEY. To what extent do you compete with Russell?

Mr. WOOD. Regularly.

Senator BARKLEY. On what line of business?

Mr. WOOD. On all sizes of pipe. Yes. Our production is about 10 per cent of the total production of the United States.

Senator BARKLEY. Three or four years ago United States cast-iron pipe was selling at $30 to $40 per share. It went up to over $300 per share, and continued until it was split up 5 to 1; and the new stock is now selling in the sixties. Does that look like it is very sick?

Mr. WOOD. Bear in mind that 90 per cent of the United States company's foundries have additional freight protection to the duty.

Senator BARKLEY. Where are their foundries?

Mr. WOOD. He started in Birmingham, then in Cincinnati, and the 10 per cent that they have in the East is on the Delaware River close to our foundry, but it is only 10 per cent, and the rest of their production has the advantage of additional freight beyond the duty all the way from $3 to $8 a ton, according to locality.

Senator BARKLEY. To what extent have any devices been introduced into the cast-iron pipe industry to improve manufacturing conditions?

Mr. WOOD. You are asking me a question which, to answer fully, would require considerable discussion. The United States has got out a centrifugal process which reduces the cost of production $3 or $4 a ton. Our company has one centrifugal process which does not merely reduce the cost, but increases the quality very materially, so that there are quite a number of customers who will not use the Delaware pipe; that is, the U. S. pipe.

We spin the iron before it is allowed to cool.

Senator BARKLEY. Does that process bring about greater production?

Mr. WOOD. A little, not much; but it gives a quality that is so infinitely superior that the engineers of our large towns have given us an absolute preference.

Senator BARKLEY. Then your business has been affected by the cheap prices of the United States Cast Iron Pipe Co.

Mr. WOOD. To a certain extent.

Senator BARKLEY. To a certain extent—to the extent of $4 a ton.

Mr. WOOD. No; because they quote as high prices as they can. They do not bid their lowest cost.

Senator BARKLEY. But they would be glad to take advantage of their freight if they could.

Mr. WOOD. Yes.

Senator BARKLEY. And they do take advantage of freight to some extent.

Mr. WOOD. To some extent; but the engineers are our protection, because they desire the better quality of pipe.

Senator BARKLEY. What is the annual output?

Mr. WOOD. The annual output of the United States?

Senator BARKLEY. No; of your company.

Mr. WOOD. We are about 10 per cent of the total capacity of the country.

Senator BARKLEY. And what is that?

Mr. WOOD. It is about a million. It runs from a million and a quarter to a million and a half.

Senator BARKLEY. That is all.

Senator KING. It was 2,000,000, was it not?

Mr. WOOD. No; that was when it took in soil pipe.

Senator KING. It included gas, water, soil, and plumbers' pipe—over 2,000,000 tons in 1926.

Mr. WOOD. That was when they took in the soil pipe which you spoke of.

Senator KING. I am informed by the tariff expert here that the difference in cost between New York, where you have this alleged competition, and Chicago is a little over $2 a ton.

Mr. WOOD. What is the question?

Senator KING. I learn from the tariff representative here that the difference in cost between New York, where you say that they are attacking you and you have this competition, and the interior points—that is, Chicago—is only about $2.50 or $2.60 per ton.

Mr. WOOD. That is, that a man can buy his pipe in Chicago at that difference over New York?

Senator KING. Yes.

Mr. WOOD. Yes; because he ships it from Birmingham, where at the present time he gets $14 pig iron, against $19 that we have to pay.

Senator KING. The point I am making is that the price of pipe is not very different in any part of the United States.

Mr. WOOD. No; to that extent.

Senator KING. So that your contention that the attack was a frontal one right on the Atlantic coast is not quite accurate; is it?

Mr. WOOD. Yes; I think it is accurate when you come right down to the internal workings of the biddings.

Senator KING. But there is a difference of only about $2 a ton between the interior points and right here, where you have a frontal attack from France, your enemy.

Mr. WOOD. Go to Cincinnati, go to intermediate points, and you will find that that difference is very much greater. That is not an average difference.

Senator KING. I understand that it is, and I want to get this into the record. By the way, how long has your company been in existence?

Mr. WOOD. One hundred and twenty-five years and over.

Senator KING. What was your output, say ten years ago, in tonnage?

Mr. WOOD. In tonnage, we have run about an even tonnage of 120,000 to 140,000 tons for the last 10 or 15 years.

Senator KING. About the same every year?

Mr. WOOD. Well, it has varied according to the calls of the market. We closed down one of our factories for five or six years, and that reduced our tonnage; but we always consider ourselves about 10 per cent of the total tonnage.

Senator KING. What is your capital?

Mr. WOOD. Our capital? What I am worth.

Senator KING. You are the capital, are you?

Mr. WOOD. I am the capital. I am R. D. Wood & Co.—the worth of my father's generation and mine.

Senator BARKLEY. You have no watered stock in your capital, then?

Mr. WOOD. None at all.

Senator EDGE. You used to manufacture iron out of bog; did you not?

Mr. WOOD. Down in the southern part of New Jersey, away back in 1803, when we started, we started at a place which is unique; I do not think you can find another in the United States—a place where we had ocean transit, waterpower, ore, and fuel—and we built a furnace and ran it for about 40 years.

Senator EDGE. That was before you were born?

Mr. WOOD. Yes; two or three years before I was born—not much. [Laughter.]

Senator REED. All right, Mr. Wood.

Senator EDGE. We at least bring you the patriarchs in business in New Jersey.

Mr. WOOD. The real point, gentlemen, is this—the impossibility of the embassy in Paris and the consul securing a fair domestic price on the invoices under which they import.

Senator KING. You just told us that the president of this company told you, and your investigator confirmed that statement, that their prices there were something like $35 to $38 a ton.

Mr. WOOD. $35 to $40 a ton, and we cannot prove it; and the United States agents there are prevented from securing the information by the pressure of the French State Department.

Senator KING. Do you not know, or at least this gentleman stated, that until two years ago free access was had to all of their books?

Mr. WOOD. I wish it were the case.

Senator REED. Mr. Wood, in the brief filed by Mr. Kennedy's lawyers I see this statement:

In a report to the Secretary of the Treasury, dated November 16, 1926, by Assistant United States Attaché M. C. Cambon, approved by United States customs attaché in charge at Paris, S. E. Armstrong, it is stated that the customs attaché visited the head office at Nancy, France, of the Pont-a-Mousson Foundry on November 4 for the purpose of obtaining information requested by American customs officials and interviewed Commercial Director Thomas, who was "very willing" to open all the books and records of his company to the customs agent, and the sales and other particulars obtained from these books not only were verified by the customs agent from the sales books, but, in addition, copies of the invoices were given to him by Director Thomas and he verified and checked those from their books of record.

That does not sound like hiding their sales prices.

Mr. WOOD. You can pick out, I have no doubt, from their books, a number of cheap sales; but the consular agent was almost recalled by your State Department because of the complaint of the French Government of his activity in trying to get the real average domestic price.

Senator REED. The French domestic price?

Mr. WOOD. The French domestic price.

Senator EDGE. I was very much interested in Mr. Kennedy's testimony, which you probably heard. You were in the room.

Mr. WOOD. Just a little of it.

Senator EDGE. In that testimony a few moments ago he stated that in spite of the fact that the French Government, through an understanding with our State Department, had desisted from allowing representatives of the customs department to go in and look over their books, they were now prepared to revoke that embargo, and reopen the sources of information. You heard that; did you?

Mr. WOOD. I did not hear that, because he spoke in a low voice; but 30 per cent, which is what is in the House bill, on the French domestic price—I do not mean on picked sales here and there; you can always have some customer that has got a low price; there are still Yankees in France—on the regular domestic French average price, 30 per cent is all R. D. Wood & Co. want; but they want that which the Government has not been able as yet to thoroughly secure,

and which Mr. Lane, who is with me here, spent three or four weeks trying to unravel with the embassy and the consular agents and the buyers and sellers.

The real trouble in securing real legal proof—not conversational proof, because everybody says, in an offhand way, "$35 to $40"—the trouble in securing legal proof is this:

There are five foundries more or less integrated by ownership and friendship in west Europe which are working together; and if a buyer goes and gives legal proof, he will never be a buyer of cast-iron pipe again. I am speaking in a round way. That is the trouble which the United States is under. The buyer in France or Belgium is afraid to swear to the real price.

Senator KING. Mr. Wood, do you export any?

Mr. WOOD. We export according to the drift of prices.

Senator KING. Do you export? Answer "yes" or "no," please.

Mr. WOOD. Just now?

Senator KING. Have you exported during the past two or three years?

Mr. WOOD. Very little.

Senator KING. Have you exported any?

Mr. WOOD. Oh, a trifle to some old friend. At one time we exported 40 per cent, but it all depends upon the drift of the price of pig iron and of labor.

Senator KING. By the way, if you were an exporter, or when you were exporting, if the representatives of Cuba or Brazil should come and demand to look at your books, I suppose you would have no hesitancy in throwing your books open to them?

Mr. WOOD. We have to with Canada.

Senator KING. You do?

Mr. WOOD. Yes. If we take an order in Canada, before the goods are shipped the chances are that their expert will be down and open our books. We open our order book and simply say, "There; go and look at it."

Senator KING. Is that recently?

Mr. WOOD. No; it has been the fact for four or five or six years past.

Senator REED. Canada has an antidumping clause, has it?

Mr. WOOD. Yes; and they follow it up with a great deal of assiduity, and we dare not take an order in Canada unless we are willing to open our order book right at that place and simply say, "Go ahead and look at it."

Senator KING. That is to see whether the prices at which you sell in the domestic market are the same as those at which you sell in the foreign market?

Mr. WOOD. Yes.

Senator REED. Where is your foundry, Mr. Wood?

Mr. WOOD. Our foundry is on the Delaware River, just below Trenton.

Senator REED. How many men do you employ?

Mr. WOOD. About 1,500.

Senator REED. How many tons of pipe do you turn out per year?

Mr. WOOD. We turn out, according to the orders, from 125,000 tons upward.

Senator REED. What is your capacity?

Mr. WOOD. That is about our capacity—according to the weight of the pipe, you know. Light pipe will make less tons, and heavy pipe will make more tons.

Senator REED. Around 125,000 tons?

Mr. WOOD. From that to 150,000. At present we are only running 65 per cent.

Senator REED. Have you your own blast furnace?

Mr. WOOD. No.

Senator REED. Where do you get your pig?

Mr. WOOD. We get that all the way from Lake Champlain and Boston to Sparrows Point.

Senator REED. Do you import any pig?

Mr. WOOD. We have imported some pig.

Senator REED. Did you ever use Indian pig?

Mr. WOOD. I do not think we have ever had 100 tons of Indian pig.

Senator REED. Where did you import from?

Mr. WOOD. We imported from England; and, as I understand, that squib was to be thrown up at me before this committee because we did import last year considerable because it was necessary in order to keep our men at work. On that importation we paid $360,000 of wages to Jerseymen, and paid for coal and supplies $250,000, spent in the United States.

Senator REED. I am not blaming you for it.

Mr. WOOD. Oh, not at all; I only wanted to make it clear.

Senator REED. I only wanted to get the situation. You bought that English pig, paid a duty of $1.12½ on it, and bought it cheaper than any American blast furnace could offer it to you for?

Mr. WOOD. Yes. That was because the English market at that time was very much depressed.

Senator REED. Is it still?

Mr. WOOD. No. You can not import iron now and make any money by importation.

Senator REED. That is, you can not from England?

Mr. WOOD. Or from France or from Germany.

Senator REED. What about India?

Mr. WOOD. India is sending some iron in still, and probably will because of the infinitesimal costs that they have there.

Senator REED. Why do you not buy Indian iron?

Mr. WOOD. Simply because it is of a quality which goes into better manufactures than cast-iron pipe. It commands a dollar or two excess price.

Senator EDGE. The fact that you could buy this imported pig iron from England in competition with the local production would seem to be an argument for a higher duty on pig; would it not?

Mr. WOOD. The pig-metal men are entitled to some increase, looking at it from the commercial standpoint. They can just about live on the $1.12½ that they have in the tariff bill.

Senator REED. That is what I was coming to. You say this Indian pig is a better grade than foundry pig?

Mr. WOOD. A better grade than goes into pipe. It goes into machinery. They sometimes send in some open-hearth iron, but it is generally high-grade foundry.

Senator REED. How much below your lowest American tender was the price at which you bought that English pig?

Mr. WOOD. You are asking me a very difficult question to answer succinctly.

Senator REED. But you have a general recollection of how much they undersold the American furnaces, have you not?

Mr. WOOD. About 50 cents to a dollar a ton; that was all.

Senator REED. You could have bought American pig——

Mr. WOOD. About a dollar a ton higher.

Senator BARKLEY. But if you had had to do that, you could not have kept these men employed that you say you paid some $300,000 in wages?

Mr. WOOD. You are entirely right. It was necessary to secure our raw material at the most advantageous point.

Senator KING. Is the market for pig in Great Britain depressed now?

Mr. WOOD. The market in Great Britain for pig at the moment is flourishing, just as it is in France and Germany.

Senator KING. It was less, then, when you bought than it is now?

Mr. WOOD. When I bought, it was less than it is now by about $2 to $3 a ton.

Senator KING. Does the price fluctuate—the domestic as well as the foreign price? I am speaking of pig now.

Mr. WOOD. Pig? To a certain extent all markets fluctuate, but within narrow limits. It is an interesting fact that the foreign producers are getting on their feet. At the moment in Czechoslovakia they are paying 60 cents a day for labor; at Pont-a-Mousson they are paying from a dollar to a little over a dollar a ton, and they get that labor from Italy, because the Italians can not come to this country to labor. The larger part, so Mr. Lane was told, who is here, and who was at their foundry only four or five weeks ago—they frankly told him that 85 per cent of their labor at Pont-a-Mousson was foreign labor, chiefly Italian, forced to go to France to labor instead of coming here, on account of our immigration law. Their old-established labor they kept for foremen and leaders.

Now, gentlemen, this is very interesting to a man who is in business year after year. That foreign situation is gradually improving. I doubt whether the foreign pig market for quite a while will be such that anybody can get pig iron in England or in France or in Germany.

Senator KING. You doubt whether you can get it?

Mr. WOOD. Yes. Now, the rate of wages is going up. They are going up in Germany markedly.

Senator KING. There has been an increase in Belgium within the past few weeks.

Mr. WOOD. More than likely in Belgium; and more than likely when the pressure from Italian labor goes down, when France is relieved from that, their wages will go up; so that as a fighting chance R. D. Wood & Co. are willing to take a duty which is meager, and fight it out.

Senator EDGE. On the other hand, Mr. Wood, I think I noticed in the press in the last week that in the textile industry in Great Britain they had reduced the wages of some 200,000 men, and difficulty was

threatened about it. I do not think it has happened, but I recall very distinctly the public announcement of a reduction in wages.

Mr. WOOD. Of course the textile industry in England is under the pressure of the cotton-mills that are being erected in China and Japan and India. The Manchester district is one of the most forlorn hopes that there are on the business horizon.

Senator REED. They have been very much undersold by the mills in northern France; have they not?

Mr. WOOD. Undoubtedly.

Senator REED. Coming back to pig iron, have you had any pig from Holland, from this new industry that has been established there on the Scheldt?

Mr. WOOD. No, and simply because they are making a very superior quality. They get about $2 a ton more. The Royal Dutch is the name it goes by. They get about $2 a ton on account of the quality of their iron.

Senator REED. What is that—high-class foundry pig or basic pig?

Mr. WOOD. High-class foundry pig, going largely into cotton machinery and small castings in New England. Recently they shipped cargoes twice to Bridgeport, and distributed it through the cotton-mill foundries, where they are making a high class of work.

Senator REED. That has accounted for a considerable part of the importations of pig iron; has it not?

Mr. WOOD. That and India are the only importations of pig iron of any volume, except that one that we imported last year, and the last cargo of which is now lying waiting for a steamer; and that, I suspect, will be the last we will import for a number of years. But by and large, gentlemen, let me leave this thought with you: Europe is getting on her feet. It is a long problem—5 to 10 years. If we can get, in the customs house records, the ordinary, average domestic price in France, proved—I do not mean hearsay that you get as you go up and down with your friends—I am perfectly satisfied with 30 per cent on the foreign valuation. If that is not fixed, if we can not get that information definitely so that it will wash in court, make it 30 per cent on domestic valuation; but, preferably of all, the tariff on cast-iron pipe had better be a fixed figure.

Senator REED. I think we have your point, Mr. Wood. We are very much obliged to you.

Senator KING. I want to ask just one question.

Do you know that the ratio of production per individual in Germany and in Czechoslovakia and those countries in the iron and foundry business, such as yours, is about 1 to 5?

Mr. WOOD. That is, the production per man?

Senator KING. Yes.

Mr. WOOD. Very likely, because a man works according to what he has in his stomach.

Senator KING. All right; that is all.

Senator REED. I do not understand what those figures mean—1 to 5.

Mr. WOOD. I will give it to you.

Senator REED. Do you mean that they produce five times as much per man as we do?

Senator KING. No; Americans, between 1920 and 1927——

Mr. WOOD. You take the table which Mr. Hoover worked up in the Department of Commerce: The American wage for day labor will buy 259 pounds of bread and butter. In France it will buy 68 pounds of bread and butter.

Senator KING. I was asking the relative production of Americans in the soil-pipe plants, and so on, and those in Germany.

Mr. WOOD. You are entirely right. A locomotive can only go so fast as you give it fuel.

Senator KING. We have more efficient methods, better plants, and——

Mr. WOOD. Better drive.

Senator KING. And the man power is very much superior in the production.

Mr. WOOD. Because he has the fuel in his stomach.

Senator KING. I am not asking you the reason; I am stating the fact.

Mr. WOOD. You are stating the fact, and I am giving you the bottom fact of it.

Senator BARKLEY. Do you mean, then, that the American workingman eats five times as much as the European workingman?

Mr. WOOD. No; I said his wages. He puts the excess into automobiles and better living.

Senator BARKLEY. You said he worked according to what he had in his stomach, and I wondered whether he had five times as much in his stomach as they have in Europe; but he uses the excess to buy other things that do not go in his stomach?

Mr. WOOD. That is it.

Senator BARKLEY. So the ratio of 5 to 1 does not quite depend upon the internal contents of the human body?

Mr. WOOD. No; he has his automobile—you are right.

Senator REED. Do you mean that in the American foundries the production is five times as great per man as it is in the French foundries?

Mr. WOOD. Oh, dear, no!

Senator REED. Well, that is the way it sounded. What do you mean?

Mr. WOOD. The production per man of diameter 1 inch I can not give you between the two foundries, because I have not the exact figures for France; but I should suppose that we get—this is guesswork, sir—about 50 per cent more than they do. Now, bear in mind that the American does not do the lifting as the Frenchman does. We furnish him the material. Our labor is in our steam engines. We furnish more horsepower per man than they do.

Senator REED. Yes; we know that; but your answer to Senator King would indicate that per workman the Americans produced five times as much in tonnage as the French.

Senator KING. According to the value of the output.

Mr. WOOD. I think Senator King's figures require careful analysis.

Senator REED. But they were your figures, because you agreed to his statement in his question.

Mr. WOOD. Oh, pardon me; I was only making a passing assent. There is no doubt but that the steel men in Pittsburgh, if they pay $5 a day for labor, get a very much larger output for that $5 than they do in England or France.

Senator REED. That is true; but I wondered whether it was five times as great.

Mr. WOOD. Oh, no; not as much as that.

Senator REED. Your answer seemed to indicate that it was.

Mr. WOOD. That was only passing assent, Senator.

Senator REED. I took it seriously. I guess I am stupid. There is nothing else, is there?

Mr. WOOD. Nothing else, but I want to leave that one thought with the committee:

Thirty per cent, if we can get the valuation in the domestic market, ought to be satisfactory, although it will not be protective; it will only be of assistance. If it is 30 per cent on domestic prices, then we will have a basis which is sound, as you can see from the last page of my brief.

Senator REED. You approve of the United States valuation?

Mr. WOOD. Absolutely; but, better than that, it would be better to reduce that to a definite price per pound. Then there would be no question as regards valuation, everybody coming in and quarreling about the average being the right thing. The duty ought to be so much a pound.

Thank you, gentlemen.

Senator REED. Thank you, Mr. Wood.

(Mr. Wood submitted the following brief:)

BRIEF OF R. D. WOOD & CO.

The cast-iron pipe industry is a "sick" business.

The output of the foundries the country over has been reduced 25 to 50 per cent below normal.

The R. D. Wood & Co. foundry is running 65 per cent.

This is brought about by the importations from the five "syndicated" foundries in the west of Europe.

The importations from these works come in competition almost exclusively with the consumption on the Atlantic, Gulf of Mexico, and Pacific coasts, or localities reached by water.

The consumption of cast-iron pipe 100 miles inland from these coasts has additional protection by the freights on railroads.

Importations, therefore, attack about 30 per cent of the output of cast-iron pipe in the United States, and the tonnage of importation should not be compared with the total consumption in the United States, but only that upon the narrow band around the coasts.

The foundries at Florence and Burlington, N. J., being on tidewater, feel this competition more acutely than any others—in short, locations that can readily be secured by water transportation.

The rate of tariff suggested in the House bill is 30 per cent on foreign domestic valuations.

It is practically impossible to secure legal proof of domestic foreign prices.

There is no question but that the prices existing in Belgium and France are from $40 to $42 per 2,000 pounds.

The cost of manufacture in these foundries runs from $18 to $22 per 2,000 pounds.

The foundries in France have a protective tariff of $18.55 per ton.

The table submitted in the brief of the United States Cast Iron Pipe Co., page 1491, in the hearings before the Ways and Means Committee, gives a list of 50 importations which check back to the values in France, as follows:

6 below $19.05, averaging	$18.49
16 below $24.65, averaging	22.41
21 below $29.82, averaging	26.83
7 below $34.33, averaging	32.62

In the month of October, 1928, the sworn prices vary in the table from $16.57 to $34.33.

The absolute incorrectness of such statements is too apparent to require discussion.

Under these difficulties any statement of actual facts on the rate of tariff based upon the foreign domestic prices affords but meagre protection.

If the percentage was on the United States valuations a protection of 30 per cent might be sufficient.

It is preferable, however, to have a fixed rate per pound.

My suggestion would be not less than 0.6 cent per pound.

In the publication of Tariff Information, 1929, as compiled by the United States Tariff Commission, printed for use of the Ways and Means Committee, on page 696, the figures in the table given show the necessity of increasing the 30 per cent on foreign valuation to at least 40 per cent.

In referring to this table it is but proper to state that the figures are based as to the average foreign invoice value being on too high a basis and the average price in New York market for American prices from January to November, 1928, being below the price of pipe from United States foundries.

The "market price (as stated) in New York" when the American price was depressed by foreign importations, during 1928, is too low by approximately $4 per ton.

Requiring a duty of 40 per cent on foreign domestic costs, or 30 per cent on American valuation.

Or a fixed duty of not less than 0.6 cent per pound.

R. D. Wood & Co.

A comparison of prices of French and American cast-iron pipe, delivered at New York, follows:

[Per short ton]

	1926	1927	1928 (Jan. 1-Nov. 30)
Average foreign invoice value (foreign port)	$24.75	$27.86	$25.44
Approximate ocean freight and insurance	3.40	3.40	3.40
Duty (20 per cent)	4.95	5.57	5.09
Price of French pipe f. o. b. dock, New York	33.10	36.83	33.93
Average price of United States 6-inch pipe delivered at New York	50.25	42.61	37.11

Date	Place	Declared value per net ton	Tonnage
June, 1926	Massachusetts	$18.94	897
Do	Connecticut	18.73	2,043
August	Massachusetts	18.69	20,100
December	South Carolina	18.93	4,026
May, 1927	Galveston	18.95	384
October, 1928	Los Angeles	16.57	2,234
December, 1925	South Carolina	22.37	4,798
May, 1926	Connecticut	20.72	1,802
Do	Michigan	21.21	1,040
August	New York	22.37	2,307
September	Massachusetts	22.08	428
Do	Galveston	20.51	1,175
Do	San Francisco	22.32	332
December	Los Angeles	24.43	1,333
January, 1927	Galveston	21.18	3,844
June	Washington	23.07	1,271
February, 1928	Philadelphia	24.65	1,128
March	New York	24.02	3,140
Do	Philadelphia	20.27	955
Do	Los Angeles	24.05	1,050
April	New York	21.58	2,167
October	San Francisco	23.77	331
May, 1925	New York	27.21	1,354
July	do	25.17	4,609
Do	Michigan	26.26	2,122
December	New York	26.71	2,197
February, 1926	Washington	25.04	510
May	New York	25.34	1,326
Do	Philadelphia	29.60	544
Do	Maryland	25.88	566

Date	Place	Declared value per net ton	Tonnage
June	New York	$26.90	998
September	Washington	25.25	640
Do	Los Angeles	25.65	1,972
December	Galveston	25.08	1,673
January, 1927	Los Angeles	27.09	3,415
February	Galveston	26.80	2,978
Do	Washington	29.06	1,676
April	Massachusetts	26.57	1,054
Do	Los Angeles	27.44	1,662
May	Massachusetts	27.27	1,458
June	New York	29.82	3,994
February, 1928	do	27.54	1,205
April	Philadelphia	27.72	2,825
June, 1925	New York	33.07	749
Do	Massachusetts	31.10	1,701
July	Los Angeles	30.84	1,873
February, 1926	New York	33.84	1,506
December	do	32.74	2,080
April, 1927	do	32.39	3,832
October, 1928	do	34.33	1,208

BRIEF OF N. S. F. RUSSELL, BURLINGTON, N. J., REPRESENTING DOMESTIC CAST-IRON PIPE PRODUCERS

SENATE FINANCE COMMITTEE,
Senate Office Building, Washington, D. C.

GENTLEMEN: Supplementing the brief, which was included in the hearings of the Ways and Means Committee of the House of Representatives, and is, therefore, available to your committee, I should like to comment briefly on certain facts that were not brought out in that brief and certain figures that were given in the brief of the Herbert Kennedy Co. (Inc.), who admitted that they were the agents of the Pont-a-Mousson Foundry in France, and that they were the largest and practically the sole importers of cast-iron pipe into this country.

In the brief and in his remarks before the committee, Mr. Kennedy stated that the imports for 1927 were 81,764 tons. This, however, is gross tonnage as we understand it, the Department of Commerce figures show importations for 1927 of 183,151,740 pounds, which reduced to net tons, the usual form in which the material is sold, gives a total importation of cast-iron pipe into this country for 1927 of 91,575 tons.

The production, as given in Mr. Kennedy's brief, of approximately 1,800,000 tons in the United States for 1927, included soil pipe, which was not imported by Mr. Kennedy, nor is its manufacture represented by the briefs filed to date in behalf of the domestic producers of pressure pipe. I should like to call to the attention of the members of the Finance Committee that there is much confusion, in that Government statistics usually include both pressure pipe and soil pipe in their import, export, and other figures. While both are cast iron, they are not used for the same purposes, nor do the manufacturers here represented make cast-iron pipe commonly known as soil pipe, with the exception of the Alabama Pipe Co., and the Pacific States Cast Iron Pipe Co.

Production of pressure pipe for 1927 was approximately 1,436,000 tons and the importations 91,575 tons, or 6.3 per cent. As Mr. Kennedy points out, importations reach only a limited territory around the coast, and he estimated the territory they reached probably represented a consumption of 400,000 tons, and importations were, therefore, about 23 per cent of estimated consumption. Importations declared through Washington, Baltimore, Philadelphia, and Middle and North Atlantic ports of cast-iron pipe for 1927 amounted to 44,521 tons, as given by Department of Commerce reports. This territory is usually served by four producing shops located at Burlington, N. J.; Florence, N. J.; Phillipsburg, N. J.; and Emaus, Pa.

These shops, I estimate, produced in 1927 approximately 210,000 tons of sand cast pipe. The importations, therefore, concentrated as they were in this territory, amounted to about 20 per cent of total production in this territory. The balance of the importations, 47,160 tons, were scattered around the southern and Pacific coast and along the Great Lakes, and the influence of these impor-

tation was felt largely by the shops located in Alabama-Tennessee district; Provo, Utah; the Ohio and western Pennsylvania districts.

The continual importations into the Middle and Northern Atlantic States has resulted in a drastic price decline on the part of the domestic producers in order to secure the work and keep their foundries employed. This has gone to the extent that I know that three out of the four shops lost very large sums during 1928 on their pipe operations.

The statement was made by the importer, reflecting on the high cost of the American foundries, that they do not own their own blast furnaces, and "if the American foundries were producing their own pig iron this fact alone would prohibit foreign importations." The United States Cast Iron Pipe & Foundry Co. has a blast furnace located at Scottdale, Pa., of 350 tons daily capacity, which has been idle since 1925, as it was impossible to operate it profitably. The Warren Foundry & Pipe Co., of Phillipsburg, N. J., have large ore resources and three of the most modern blast furnaces in the United States, built since 1921, and have their own private railroad and other facilities. These furnaces have been idle since 1923, as they could not be operated profitably; so it would hardly seem true, as Mr. Kennedy states, that the American taxpayer is penalized by the American cast-iron pipe foundries not having blast furnaces.

So much has been said about the profits of the cast-iron pipe industry, both in the importers' brief and elsewhere, it might be interesting for the Finance Committee to know that, taking the largest producer, the net profits of that concern from cast-iron pipe for the six years, 1923 to 1928, inclusive, have averaged 11.2 per cent on the gross sales of cast-iron pipe, and the largest profit realized in any one year in the history of the company represented 15.7 per cent on its gross sales at the foundry, while in 1928 it was 3.5 per cent.

The bill, as passed by the House, gave a 30 per cent ad valorem duty. If the administrative features of the bill are such that the importer must prove to the satisfaction of the Government that valuations at which they are importing are not lower than the similar material is offered for sale in the usual quantities in their home market, and if the American manufacturer is permitted to be a party to such proceeding, the members of the industry which I represent, while preferring a specific duty, acquiesce in the rates given by the Ways and Means Committee. I firmly believe, however, that past experience has shown that, in the absence of an American valuation as a basis of ad valorem duties, specific duties would work out to the best interests of all concerned.

I would again like to call your attention to the fact that France puts a specific duty on importations of pipe from the United States, according to the latest information available, of 51 francs per 100 kilos, or 510 francs per metric ton of 1,000 kilos, which, at the par of the franc of 0.0392 cents, amounts to $19.99 per 2,204 pounds, or 0.009342 cent per pound, as against a specific duty of 0.0075 per pound as asked for by domestic manufacturers.

The Pont-a-Mousson Foundry and the concerns in which it has a direct or indirect financial interest control better than 90 per cent of the industry of France, and with shops which have admittedly been rebuilt since the war with German reparation money and are, according to Mr. Kennedy's brief, constructed in accordance with the most modern practice, with cost of production less than American foundries, are yet protected by their Government with a duty on cast-iron pipe coming from the United States of $18.68 per 2,000 pounds, yet the American manufacturer, with shops built by private capital, is criticized by his French competitor for asking for a specific duty of $15 per 2,000 pounds.

Yours very truly,

N. F. S. RUSSELL.

Representing: Alabama Pipe Co., Anniston, Ala.; American Cast Iron Pipe Co., Birmingham, Ala.; James B. Clow & Sons, Newcomerstown and Coshocton, Ohio; Donaldson Iron Co., Emaus, Pa.; Glamorgan Pipe & Foundry Co., Lynchburg, Va.; Lynchburg Foundry Co., Lynchburg and Radford, Va.; McWane Cast Iron Pipe Co., Birmingham, Ala.; National Cast Iron Pipe Co., Birmingham, Ala.; Pacific States Cast Iron Pipe Co., Provo, Utah; United States Cast Iron Pipe & Foundry Co., Burlington, N. J., Scottdale, Pa., Cleveland and Addyston, Ohio, Chattanooga, Tenn., Birmingham, Bessemer, and Anniston, Ala., and with idle plants at Buffalo, N. Y., Superior, Wis., and Louisville, Ky.; Warren Foundry & Pipe Co., Phillipsburg, N. J.

I, N. F. S. Russell, hereby swear that to the best of my knowledge and belief the attached and foregoing brief states the truth, the whole truth, and nothing but the truth.

N. F. S. RUSSELL

N. F. S. Russell personally appeared before me, Elizabeth S. Rupel, a notary public in and for the District of Columbia, this 26th day of June, 1929, and swears that the foregoing is true to the best of his knowledge and belief.

[SEAL.] ELIZABETH S. RUPEL,
Notary Public.

My commission expires April 23, 1934.

STATEMENT OF LLOYD D. BOWER, COLUMBUS, OHIO, REPRESENTING THE OHIO CHAMBER OF COMMERCE

(The witness was duly sworn by the chairman of the subcommittee.)

Mr. BOWER. I represent the Ohio Chamber of Commerce. I have two letters from James B. Clow & Sons, which are properly certified, relative to the pipe business, pipe fittings. That is on paragraph 327.

Senator EDGE. You do not want to testify beyond what appears on the letters, do you?

Mr. BOWER. No, sir.

Senator EDGE. You are not personally an expert on these various commodities?

Mr. BOWER. No, sir.

Senator REED. That has to do with cast-iron fittings for cast-iron pipe, does it?

Mr. BOWER. Yes. I might say for the information of the committee that I am the legislative secretary of the Ohio Chamber of Commerce, and I am merely here in Washington during these hearings attempting to file with the committee in the proper place, wherever possible, the opinions and affidavits of members of the Ohio Chamber of Commerce.

Senator EDGE. I so understood. You were before our Schedule 2 committee in the same capacity.

Mr. BOWER. Yes. It happens that I have been before practically every committee, or will be before I am through. I will file those letters from James B. Clow & Sons. In addition to that I have an affidavit from the president of the American Racing Pigeon Union.

Senator KING. Do the letters you are filing deal with bar iron?

Mr. BOWER. No.

Senator KING. Wire, nickel, and nickel alloys?

Mr. BOWER. No, sir.

Senator REED. What is the subject on which the president of the American Racing Pigeon Union speaks?

Mr. BOWER. The matter of timing machines for racing pigeons. It so happens that I only have one copy of this affidavit.

Senator REED. Give it to the stenographer. It will be printed and we will all have a copy in that way.

Mr. BOWER. I may say in that connection that attached to that affidavit is a letter from Maj. Gen. George S. Gibbs, Chief Signal Officer of the United States Army, and also a pamphlet, The History of the Pigeon Service, which if possible Mr. Schmitt, who signed this affidavit, would like to have returned to him, as it is a very valuable pamphlet. It is a part, however, of the affidavit. And I will leave that with the stenographer.

Senator REED. Leave those with the stenographer. Thank you very much.

(The letters and affidavit referred to are as follows:)

LETTERS FROM JAMES B. CLOW & SONS

CHICAGO, *June 3, 1929.*

Mr. GEORGE B. CHANDLER,
Secretary Ohio Chamber of Commerce, Columbus, Ohio.

DEAR MR. CHANDLER: We understand that the tariff bill, as passed by the House, contains a 30 per cent ad valorem duty on cast-iron pipe and fittings. We had asked for 40 per cent, but are well satisfied to have received the increase we have gotten, as compared with the former 20 per cent duty.

The important point, as far as we are concerned, is the provision in the House bill whereby if they are unable to ascertain foreign valuations they use domestic valuation. We have lost a great deal of pipe business to French competition. We understand that the French sell their pipe in France at around $31 to $37 a ton, and yet they have used as their costs in paying duty varying figures from $16 to I believe as high as $25, and the customs officials have been unable to ascertain in any way their actual cost data.

We are therefore very anxious that the Senate retain the duty as given in the House bill and also this provision in regard to ascertaining actual costs of production. I hardly think there is anything that need be done by your organization, unless there is some discussion of a change in these two points. We certainly, as I stated, need the protection. We lose practically all tonnage now sold in Detroit, which formerly was furnished from our Ohio plants, to the French competition, in addition to which we have lost tonnage at some interior point and the cast-iron manufacturers who furnish pipe on both coasts are practically out of business on account of this foreign competition.

We appreciate your offer of cooperation.

Sincerely yours,

KENT S. CLOW, *Vice President.*

STATE OF ILLINOIS,
County of Cook, ss.

Subscribed and sworn to before me at Chicago, Cook County, Ill., this 25th day of June, A. D. 1929.

[SEAL.] A. W. WILKINSON, *Notary Public.*

My commission expires June 28, 1932.

CHICAGO, *June 25, 1929.*

Mr. LLOYD D. BOWER,
Room 350, Congress Hall Hotel, Washington, D. C.

DEAR MR. BOWER: I am very glad indeed to send you a copy of my letter of June 3, certified to by a notary public. I have changed simply one statement. In the second paragraph, instead of using the word "known," in regard to the price at which the French sell their pipe in France, I have used the word "understand." It is almost impossible to get any definite knowledge as to the price at which the French sell their pipe.

The Cast Iron Pipe Research Association has already submitted a brief, which I believe truly pictures the industry and its situation. In our Ohio plants, we are rather favorably located and yet we lose practically every bit of the business in Detroit, which we formerly secured and to which point we have very advantageous freight rates. We lost 4,000 tons at Pontiac, Mich., this year, on which we were low American bidders, and, on the Pacific coast, where our subsidiary, the National Cast Iron Pipe Co., of Birmingham, sells a large part of this tonnage, we practically are unable to compete with the French and the Belgians.

Cast-iron pipe may not employ as many men as other industries but it is probably the largest user of merchant pig iron in the country, using well over a million tons a year. Anything that affects cast-iron pipe is certain to affect pig iron, and this in turn affects the railroad, the mines, and many such allied industries.

We certainly feel that we are more than justified in asking for the increase that was given to us in the House bill, and, above all else, we feel that foreigners selling cast iron pipe in this country should not be permitted to dump it here

using cost figures for duty purposes which do not represent anything like their actual cost of production.

I am also having this letter certified and would be glad to have you submit it with the other letter referred to in your telegram and appreciate greatly this opportunity to present to the proper committee of the Senate through you our views on this matter which is so vital to our investments in the States of Ohio, Illinois, and Alabama.

Sincerely yours,

KENT S. CLOW, *Vice President.*

STATE OF ILLINOIS,
County of Cook, ss:

Subscribed and sworn to before me at Chicago, Cook County, Ill., this 25th day of June, A. D. 1929.

[SEAL.] A. W. WILKINSON, *Notary Public.*

My commission expires June 28, 1932.

UPHOLSTERY NAILS, THUMB TACKS, AND CHAIR GLIDES

[Par. 331]

STATEMENT OF E. M. WIGHTMAN, NEW BRITAIN, CONN., REPRESENTING THE NORTH & JUDD MANUFACTURING CO. AND OTHER MANUFACTURERS OF UPHOLSTERY NAILS, ETC.

(The witness was duly sworn by the chairman of the subcommittee.)

Senator REED. Mr. Wightman, I see that you testified before the Ways and Means Committee of the House.

Mr. WIGHTMAN. Yes, sir.

Senator REED. We have the advantage of your testimony there. Is there anything that you want to add to that?

Mr. WIGHTMAN. I should like to submit this supplementary brief, Mr. Chairman.

Senator REED. We shall be glad to have that.

Mr. WIGHTMAN. I have copies enough for each member of the committee.

Senator KING. Have you sworn to it?

Mr. WIGHTMAN. Well, I have just been sworn.

Senator REED. The statements of fact made in this brief are true, are they?

Mr. WIGHTMAN. They are.

Senator REED. That is sufficient.

The duty now is 1½ cents per pound on upholstery nails, and the House bill has raised that to 3 cents?

Mr. WIGHTMAN. That is right.

Senator REED. We shall be interested to hear any additional information that you can give us.

Mr. WIGHTMAN. With your permission, I will read my brief.

Senator REED. Oh, no, no; we will do that. I promise you that it will not go unread.

Senator EDGE. I just looked through your testimony in the House, and it is very complete. I do not see that there is very much more that you can tell us, unless there is something that you forgot in your brief.

Mr. WIGHTMAN. I will tell you something very important that is brought out in this supplementary brief. The record will show that Mr. Collier quoted from certain tables.

Senator KING. Who is Mr. Collier?

Mr. WIGHTMAN. He is on the Ways and Means Committee; and he was quoting from figures that did not include upholstery nails. Upholstery nails come in under a different heading than he was quoting from. I did not know that at the time. That is all brought out clearly in this brief; but I think Mr. Collier's viewpoint perhaps was what guided the Ways and Means Committee in establishing a rate of only 3 cents a pound.

Senator EDGE. Do you ask for more than 3?

Mr. WIGHTMAN. As the brief will clearly bring out, since 1913——

Senator KING. You got a raise of 100 per cent; did you not?

Mr. WIGHTMAN. We would, compared with the cent and a half; but here is the point which I want to make clear, and this is the important one:

Going back to the tariff of 1913, upholstery nails and thumb-tacks were never specially provided for. They came in under the so-called basket paragraph of both the tariff of 1913 and the tariff of 1922.

Senator KING. They were provided for by being allocated to that?

Mr. WIGHTMAN. But not specially provided for, to use the language of the tariff law; so they came in at 20 per cent under the 1913 tariff law, and 40 per cent under the tariff law of 1922.

Senator EDGE. What is that in relation to a specific duty—40 per cent ad valorem? What does that mean on your product in the way of a specific duty—how much a pound?

Mr. WIGHTMAN. It figures 8 to 9 cents a pound; so, you see, to reduce it down to a cent and a half took away virtually all the protection, and increasing it to 3 cents does not avail much.

Senator BARKLEY. It seems from the figures furnished by the Tariff Commission that the imports amount to about 2 per cent of the domestic production, and the exports amount to from 4 to 9 per cent of the domestic production; so we export from two to three times as much as we import.

Senator REED. Where do you find that, Senator?

Senator BARKLEY. On page 710.

Senator REED. That does not include upholstery nails.

Mr. WIGHTMAN. In my cent and a half a pound there on page 711, you see, they are coming in with horseshoe nails. It is evident that horseshoe nails are decreasing all the time with the decreased use of horses. On the other hand, if you will refer to the table on page 711, you will see that since the Customs Court changed the duty from 40 per cent ad valorem and put it on the basis of a cent and a half per pound, which they did back in 1925, there has been a steady increase in the importations.

Going back to 1925, the value of the importations——

Senator KING. In 1920 the amount of importations was 1,224,343 pounds.

Mr. WIGHTMAN. Yes.

Senator EDGE. It was free then.

Mr. WIGHTMAN. There was an abnormal amount in 1920. It went along everything went well, until the year 1925.

Senator KING. In 1921 the amount of imports was 291,990 pounds.

Senator EDGE. Where do you see that?

Senator KING. He is speaking of horseshoe nails—on page 711.

Mr. WIGHTMAN. Yes; but the point I want to make is that there was a decline in the quantity of the imports up to the year 1925; and in 1925——

Senator KING. There was a decline after the 1,224,343 pounds.

Mr. WIGHTMAN. There was an abnormal year, 1920.

Senator KING. But in 1919 it was 275,792 pounds, and in 1927 only 236,844 pounds.

Mr. WIGHTMAN. But if you will follow that down, you will see that it went down to $5,000 worth in the year 1924.

Senator KING. Thirty-five thousand pounds?

Mr. WIGHTMAN. Thirty-five thousand pounds. Then it went up to 62,000 pounds, 204,000 pounds, 236,000 pounds, and 330,000 pounds; and, as our brief will show, we have the figures for the first four months of this year, and if that rate keeps up during the year——

Senator KING. It will take a long time to get up to a million pounds, will it not?

Mr. WIGHTMAN. The quantity will be, expressed in dollars, about $72,000. The year 1928 it was $50,000; so, you see, they are increasing at a very rapid rate.

Senator BARKLEY. What type of nails are they?

Mr. WIGHTMAN. This will show you what they are. [Producing samples.]

Senator BARKLEY. Under what heading do they come in—wire nails and spikes?

Mr. WIGHTMAN. They come in under the heading "Horseshoe nails," shown on page 711 of the Summary of Tariff Information.

Senator KING. In 1920 were there any horseshoe nails in this importation of 1,224,000 pounds?

Mr. WIGHTMAN. There are horseshoe nails in this. They are grouped with horseshoe nails. All through they have been grouped with horseshoe nails.

Senator KING. Are you able to determine what proportion was horseshoe nails and what was not?

Mr. WIGHTMAN. No, any more than the fact that we know that the number of horses is diminishing.

Senator REED. You can determine it from the value per unit. I understand that the foreign invoice price on these upholstery nails averages about 16½ cents a pound. Is that right?

Mr. WIGHTMAN. The average foreign price for export, as furnished me by Senator Bingham's office last week, ranges from 16 cents per thousand to 20 cents per thousand.

Senator REED. Yes.

Mr. WIGHTMAN. They weigh about 1 pound per thousand.

Senator REED. In 1920 the value per unit of quantity was only 6.7 cents; so that could not have been composed largely of upholstery nails. It must have been mostly horseshoe nails.

Mr. WIGHTMAN. That is true.

Senator KING. Still, upholstery nails might have been very much cheaper then, Senator.

Senator REED. I do not think upholstery nails ever sold anywhere in the world as low as 6.7 cents per thousand.

Mr. WIGHTMAN. Oh, no!

Senator EDGE. I do not get your problem yet. There were only 1 or 2 per cent of imports as compared to exports of 14 or 15 per cent, speaking now of upholstery nails. I do not see where your difficulty is.

Mr. WIGHTMAN. The business of upholstery nails is running at the present time about a million and a half dollars. These figures indicate that the importations this year will be approximately $75,000 as compared with only $5,000 worth four or five years ago.

Senator EDGE. I see that; but, still, it is only 2 per cent.

Mr. WIGHTMAN. It may not be much in percentage, but to the manufacturers who are interested in it—and I represent the eight manufacturers whose names are given in my brief—it is an important item.

Senator EDGE. And you export six or seven times that much?

Mr. WIGHTMAN. No; there, again, are you not confusing horseshoe nails with upholstery nails?

Senator EDGE. There were 14 to 15 per cent of nails exported.

Mr. WIGHTMAN. That is horseshoe nails.

Senator EDGE. We are talking about horseshoe nails.

Mr. WIGHTMAN. We are not interested in horseshoe nails, Senator—upholstery nails.

Senator KING. However, upholstery nails come under this head, you say?

Mr. WIGHTMAN. Yes. They were taken out of the old paragraph 399 and put over in this paragraph, 331, with horseshoe nails.

Senator REED. Let me see if we understand this. Down to 1925 the Treasury was charging 40 per cent ad valorem duty on nails of this type?

Mr. WIGHTMAN. That is right.

Senator EDGE. And it did not include horseshoe nails.

Senator REED. No. On upholstery nails, the Treasury was charging 40 per cent duty?

Mr. WIGHTMAN. That is right.

Senator REED. At that time horseshoe nails were coming in, being specially mentioned in this paragraph, at a cent and a half per pound?

Mr. WIGHTMAN. In paragraph 331.

Senator REED. Then in 1925 the Customs Court held that these upholstery nails were not manufactures of iron and steel not specifically provided, but, on the contrary, were other iron or steel nails mentioned in paragraph 331?

Mr. WIGHTMAN. That is exactly right.

Senator REED. And thereupon the Treasury ceased to charge the 40 per cent duty, as it had to cease, and put these nails under the duty of 1½ cents per pound?

Mr. WIGHTMAN. That is it exactly.

Senator REED. That stimulated importations; and at the present time importations are running at about 2 per cent of the domestic consumption of upholstery nails? Is that right?

Mr. WIGHTMAN. Yes; more than 2 per cent.

Senator REED. What per cent?

Mr. WIGHTMAN. This year I figure the output will be a million and a half. Now, against that, apply $75,000 for your importations.

Senator REED. You are speaking now in value?

Mr. WIGHTMAN. In value.

Senator REED. $75,000 is 5 per cent of a million and a half.

Senator KING. Then you anticipate a 5 per cent competition?

Mr. WIGHTMAN. Yes; and it is steadily increasing. That is the point, Senator This thing is going on.

Senator KING. It may and may not.

Senator EDGE. According to the table on page 708, the imports in 1928 were 485,000 pounds. Did that include entirely your product, or is there something to be taken from that?

Mr. WIGHTMAN. The table I refer to is on page 711, where it says "rate of duty, 1½ cents per pound."

Senator REED. The table on page 711 includes horseshoe nails and nails of iron and steel not specially provided for.

Senator KING. Then the unit value is 15.27?

Mr. WIGHTMAN. For the year 1928. That is what these figures show. Of course, that has horseshoe nails and upholstery nails.

Senator KING. No, no. The tariff man tells me that this relates wholly to——

Mr. WIGHTMAN. That has horseshoe nails and upholstery nails. That is the difficult part of the situation.

Senator EDGE. Every other nail over 2 inches in length is cut from 16 or 17 per cent ad valorem at the present time down to 8 and 9 per cent under this classification.

Mr. WIGHTMAN. May I call your attention to the fact that these nails are made out of two pieces of metal, and we feel that it is a mistake to put them in with single-piece common nails like horseshoe nails.

Senator EDGE. I think you should be on an ad valorem basis.

Mr. WIGHTMAN. Under the 1922 act we had 40 per cent.

Senator REED. What did you get under the Underwood Act?

Mr. WIGHTMAN. Twenty per cent.

Senator REED. The Underwood Act gave you 20 per cent?

Mr. WIGHTMAN. Twenty per cent. The 1922 act gave us 40 per cent.

Senator REED. And this Customs Court decision has cut you down to 7 or 8 or 9 per cent, in effect?

Mr. WIGHTMAN. Yes; we are figuring not over 5 per cent.

Senator EDGE. You do not ask for 40 per cent, though, in real justice; do you? You do not need 8 cents a pound?

Mr. WIGHTMAN. We do. The price of the German-made article, the highest price—we have two prices, 16 cents and a fraction up to 20 cents per thousand. The cheapest nail that we make, which is the nail which competes with this, costs us close to 40 cents a thousand.

Senator EDGE. The House gave you 3 cents a pound, and you figure that that would be about 15 per cent, do you not—about 14 or 15 per cent ad valorem?

Mr. WIGHTMAN. Yes.

Senator BARKLEY. Is your price per thousand pounds or per thousand nails?

Mr. WIGHTMAN. The unit is a thousand pieces. It happens that they weigh about a pound to a thousand, so you can think of it either way.

Senator KING. You were wrong in your answer to Senator Edge. The tariff expert says it is just slightly under 20 per cent.

Senator EDGE. Three cents a pound?

Senator KING. Yes.

Senator EDGE. I just estimated it. From the 1½ cents, which would be about seven and a fraction ad valorem, I naturally figured that 3 per cent would be 15.

Mr. WIGHTMAN. In my brief I said 16; call it 17 cents a thousand. That is the German price. If you add 3 cents a pound, the proposed rate of H. R. 2667, that will bring it up to 20 cents. Now, how in the world are we going to compete when our cost is close to 40 cents? We simply can not do it.

Senator KING. This little object I have in my hand you call two pieces, do you?

Mr. WIGHTMAN. Yes. That is made of wire and the head is assembled in specially designed machinery.

Senator KING. What is your wholesale price?

Mr. WIGHTMAN. Shall I answer by taking one of our nails that goes in volume? Take the nail, for instance, that I am talking about, that I have in mind: Our wholesale price is 45 cents per thousand.

Senator KING. Referring to these that you are speaking about now, which you have exhibited to us, are they fair samples of your product?

Mr. WIGHTMAN. Oh, yes.

Senator KING. A sort of a cross-section of the product?

Mr. WIGHTMAN. They are a very good representation of our product.

Senator KING. Is this all that you make—upholstery nails?

Mr. WIGHTMAN. That represents the bulk of it. Of course, there are new designs coming out from time to time.

Senator KING. I mean, do you make any kind of nails except upholstery nails?

Mr. WIGHTMAN. No.

Senator KING. And these samples that you have presented here are a fair representation of the kind of goods that you produce?

Mr. WIGHTMAN. They are.

Senator KING. What are those per thousand? What is your wholesale price for those?

Mr. WIGHTMAN. It ranges from 45 cents a thousand up to $7 and $8 on some of these larger ones.

Senator KING. Per thousand?

Mr. WIGHTMAN. Yes, sir.

Senator KING. Seven or eight dollars per thousand?

Mr. WIGHTMAN. That means where the volume is very small on those large sizes, and the setting-up of the machine is something that takes a good deal of time. We would rather not have that seven-or-eight-dollar-a-thousand business. It sounds high; but in reality, if you take the small quantity in which they sell and the cost of making them, the business is not attractive.

Senator REED. What is the method by which the wire is fastened to the metal top?

Mr. WIGHTMAN. The metal of the head, by stamping, is squeezed tightly around the head of the wire.

Senator REED. There is no process of welding there?

Mr. WIGHTMAN. No; no welding.

Senator KING. It is all done by machinery, is it not?

Mr. WIGHTMAN. Yes. This will show it (exhibiting samples). Here is your wire; here is your blank, and here is where the depression is made for the wire; and then the metal is crowded right around that wire and it holds it tightly in place.

Senator KING. The head is flat?

Mr. WIGHTMAN. Flat.

Senator KING. And then that is adjusted?

Mr. WIGHTMAN. There is a depression made where the wire is going to fit in, and then the metal is crowded right tightly around the wire.

Senator KING. By machinery?

Mr. WIGHTMAN. Yes.

Senator KING. Just like a pin-head is made by machinery?

Mr. WIGHTMAN. But is quite a machine.

Senator KING. Is your company the only one that makes these nails?

Mr. WIGHTMAN. No; there are eight of us, as indicated in the brief, that I represent, besides two or three other outside manufacturers—what are called smaller manufacturers.

Senator KING. What are the names of some of those companies?

Mr. WIGHTMAN. The North & Judd Manufacturing Co.—they are all in the brief. Five of them are located in Connecticut.

Senator KING. Are you an officer of one of them?

Mr. WIGHTMAN. I am vice president and secretary of the North & Judd Manufacturing Co.

Senator KING. Is that one of the largest?

Mr. WIGHTMAN. No; the largest company is the Mattatuck Manufacturing Co., in Waterbury.

Senator KING. Does it manufacture anything else except these upholstery nails?

Mr. WIGHTMAN. I think the nails represent a larger percentage of the total business of the Mattatuck Manufacturing Co. than any other company. With us they represent not over 5 per cent.

Senator KING. How much was exported of these nails?

Mr. WIGHTMAN. We do not export any.

Senator KING. Among the eight companies whom you represent?

Mr. WIGHTMAN. I do not know. I do not know that any are exported.

Senator KING. What is the capital of your company?

Mr. WIGHTMAN. $2,500,000.

Senator KING. Was that actually put in?

Mr. WIGHTMAN. Oh, yes—well, put in—do you mean every dollar of it?

Senator KING. In actual cash; or was it earnings and undivided profits that make your capital?

Mr. WIGHTMAN. Part of it was taken from the surplus earnings in years back.

Senator KING. How much cash was actually put into the company?

Mr. WIGHTMAN. I can not tell you. I do not know. It is a matter of record.

Senator KING. Have you expanded any?

Mr. WIGHTMAN. Yes; we expanded considerably during the war.

Senator KING. And since?

Mr. WIGHTMAN. And we have had vacant buildings since.

Senator KING. You are trying to keep up the war prices; are you not?

Mr. WIGHTMAN. In what way? No.

Senator KING. To keep up the prices you obtained for your product during the war?

Mr. WIGHTMAN. Oh, no; no. Our prices range lower than they did during the war, considerably.

Senator KING. Did you manufacture more in 1928 than you did in 1927?

Mr. WIGHTMAN. No. 1928 was a rather quiet year with us. 1927 was a fairly good year.

Senator KING. How was 1926?

Mr. WIGHTMAN. 1926 was fairly good.

Senator KING. Each of those years exceeded in output 1923 and 1924; did they not?

Mr. WIGHTMAN. I do not know. I would have to refer to my figures.

Senator KING. Is not that a fact?

Mr. WIGHTMAN. I do know that the main part of our business—the North & Judd Manufacturing Co. I am speaking for now, not the nail industry—the main part of our business for many years was saddlery hardware.

Senator KING. Saddlery hardware?

Mr. WIGHTMAN. Saddlery hardware. That, as you know, has been steadily diminishing during the past 10 or 15 years, and so we have been forced to take up these new lines in order to fill the gap made by saddlery hardware. So when you say that our business, compared with 1923, is a certain amount, I am not so sure that it is any bigger now than it was in 1923, because of the constant shrinkage in saddlery.

Senator KING. Then your capital was largely invested for the purpose of developing the saddlery business?

Mr. WIGHTMAN. Oh, yes; yes.

Senator KING. And then when the automobile came, and we did not use so many saddles, you turned your attention to the manufacturing of other things?

Mr. WIGHTMAN. Other things, and this is one of them; yes.

Senator KING. And your output of these nails has increased ever since you started?

Mr. WIGHTMAN. Only slightly. I will tell you why: More and more these German nails are coming in.

Senator KING. I did not ask you that. Has your output increased?

Mr. WIGHTMAN. On these?

Senator KING. Yes.

Mr. WIGHTMAN. It might show a slight increase. It would be slight. That was simply because, like a new concern starting in anything, you start in a small way.

Senator KING. And build up?

Mr. WIGHTMAN. Yes.

Senator KING. Can you tell he aggregate production of all of the companies in the United States that are engaged in the production of these upholstery nails?

Mr. WIGHTMAN. Yes. I stated that I thought a fair figure would be a million and a half at the present time.

Senator BARKLEY. Pounds or pieces?

Mr. WIGHTMAN. In dollars.

Senator KING. What dividends did your company pay in 1926?

Mr. WIGHTMAN. In 1926? Let me answer that in this way: I can not tell you exactly about 1926, but our dividends have averaged 8 per cent.

Senator KING. Eight per cent, notwithstanding you lost substantially all of your business in saddlery, and you started this new business?

Mr. WIGHTMAN. We have not lost all of our business in saddlery. Back on the farms there are still about 18,000,000 horses. Surprising as it may seem to you, that is what the Government figures show.

Senator BARKLEY. Horseback riding is quite a social pastime now. That has helped you a little?

Mr. WIGHTMAN. Yes; horseback riding is on the increase.

Senator KING. You are interested in paragraph 331 only in upholstery nails?

Mr. WIGHTMAN. Upholstery nails, thumb tacks, and chair-glides

Senator KING. Where are chair glides?

Mr. WIGHTMAN. Chair glides are made the same as these are, but the volume is rather small on them. The thing we are emphasizing in our brief is upholstery nails, and our great desire is to have them put back on the ad valorem basis. At least we want the 40 per cent we had for many years under the 1922 tariff. We ought to have more than that. We ought to have 50.

Senator KING. I have nothing else to ask.

Senator BARKLEY. This is an instance in which you favor the recall of judicial decisions?

Mr. WIGHTMAN. That is it exactly. That is where we suffer.

Senator BARKLEY. That is all.

Mr. WIGHTMAN. I hope I have made myself clear. I shall be glad to leave these samples.

Senator KING. I think you might do that.

Senator REED. There is nothing else, is there, Mr. Wightman?

Mr. WIGHTMAN. I have not anything else.

Senator REED. Mr. Wightman's brief will appear at this point in the record.

(The brief submitted by Mr. Wightman is as follows:)

BRIEF ON UPHOLSTERY NAILS

SENATE FINANCE COMMITTEE

GENTLEMEN: At the hearings before the Ways and Means Committee, Mr. E. M. Wightman, the chairman of the Tariff Committee representing our industry, appeared and filed a brief showing that the rate of 1½ cents per pound, which

is the rate on the above articles under the present act, is wholly inadequate to equalize the difference in the costs of production in the United States and in Germany, which is the principal competing country.

The merchandise is now classified for duty under that part of paragraph 331, tariff act of 1922, that provides for "Horseshoe and other nails of iron and steel, not specifically provided for at the rate of 1½ cents per pound."

Prior to June 2, 1925, these articles were classified for duty as "articles of iron and steel, not specially provided for," under paragraph 339, tariff act of 1922, at the rate of 40 per cent ad valorem. They were similarly classified under the tariff act of 1913, paragraph 167. In fact, it was the general and uniform practice among the customs officials of the United States to classify these articles as "articles and wares of iron and steel, not specially provided for" since 1913; and, when Congress passed the act of 1922, it undoubtedly had this long continued administrative practice in mind, and understood and intended that these articles should be classified for duty as "articles of iron and steel, not specially provided for" at the rate of 40 per cent ad valorem, under paragraph 399, and did not intend that they should be classified for duty under the provisions of paragraph 331, as "horseshoe and other nails of iron and steel, not specially provided for" at the rate of 1½ per pound.

After the passage of the tariff act of 1922, a suit was instituted in the Customs Court at New York City by an importer of upholstery nails, and on June 2, 1925, the Customs Court decided that the merchandise should not be classified as theretofore under paragraph 399, as "Articles of steel or iron, not specially provided for," at the rate of 40 per cent ad valorem, but should be classified under paragraph 331, tariff act of 1922, as "Horseshoe and other nails of iron and steel, not specially provided," at the rate of 1½ cents per pound. This is the rate of duty which the imported merchandise is paying at the present time.

In H. R. 2667 now under consideration by the Senate Finance Committee the House created a separate clause for these articles in paragraph 331, as follows: "Upholsterers' nails, chair glides, and thumb tacks, of two or more pieces of iron or steel, finished or unfinished, 3 cents per pound." This rate is hopelessly inadequate, and practically amounts to a denial of relief. As shown in our previous brief (hearings before Ways and Means Committee, vol. 3, p. 2063) our manufacturing cost alone, excluding selling expenses and profit, is 30 cents per 1,000 nails, whereas the imported upholstery nails are sold for export to the United States at a price of 16½ cents per 1,000, f. o. b. Hamburg. Obviously, the domestic industry can not meet this competition, unless it reduces the wages paid its American workers, to the same low level that is paid by our competitors in their German plants.

The growth of foreign competition is very clearly shown in the import statistics contained in the Summary of Tariff Information, 1929, compiled by the United States Tariff Commission at page 709, in the table showing imports of "Horseshoe and other nails not specially provided for," as follows:

Year	Quantity	Value	Year	Quantity	Value
	Pounds			*Pounds*	
1919	275,792	$35,753	1925	62,405	$14,314
1920	1,224,343	81,975	1926	204,944	39,919
1921	291,990	15,409	1927	236,844	37,090
1922, Jan.-Sept	116,594	10,747	1928	330,091	50,395
1922, Sept.-Dec	102,648	9,000	1929, Jan.-Feb. and Mar.-Apr. only.	151,498	24,500
1923	115,254	6,076			
1924	35,430	5,734			

The figures for the first four months of 1929, obtained from the Department of Commerce, indicate that the importations for this year will exceed 450,000 pounds in quantity, and a value of $73,500, being an increase of slightly less than 50 per cent over the imports of 1928.

It is true that the above table includes horseshoe and other nails, as well as upholstery nails, and it may be urged that it is an erroneous assumption to ascribe the increase since 1925 solely to imports of upholstery nails. In reply, we wish to call the Finance Committee's attention to the fact (as shown by the table) that imports of "horseshoe and other nails" steadily decreased from 275,792 pounds, valued at $35,753 in 1919, to 35,430 pounds, valued at $5,724 in 1924. In 1925, however, the Customs Court decision placed upholstery nails in

the same classification as "horseshoe and other nails," at the rate of 1½ cents per pound, and the invasion of German-made upholstery nails followed immediately, as shown by the table. The American manufacturers know only too well what it was that caused the increase in exports as shown by the table.

The domestic industry has been very much puzzled as to the reason why, after the desperate condition of the industry had been clearly demonstrated, that the Ways and Means Committee recommended so slight a measure of relief as an increase from 1½ cents per pound to 3 cents per pound, particularly as the rate of 1½ cents per pound was due to a Customs Court decision, which itself reduced the rate from 40 per cent ad valorem (equivalent approximately to 8½ cents per pound) down to the rate of 1½ cents per pound. We believe we have learned the reason since. It seems that Representative Collier, from Mississippi, a member of the Ways and Means Committee, addressing Mr. Wightman, who was testifying, said:

"Mr. COLLIER. I notice from the report of the Tariff Commission here that the American production—they only have two years, 1923 and 1925—in 1923 the American production was 3,966,000 pounds, and in 1925 it was 7,349,000 pounds, valued at $808,000. Take the year 1927, there were imported 1,074 pounds, valued at $55. If there are that many brads made in America, of the same valuation, as in 1925, a value of $800,000, do you think that $55 worth of them coming in would have any effect on your business?

"Mr. WIGHTMAN. I am sure that does not reflect the condition which exists.

"Mr. COLLIER. I am just reading from the report as I find it. In 1928 there was an increase from January 1 to September 30. It amounted to $2,902. That is inconsiderable, compared with $800,000 worth.

"Mr. WIGHTMAN. In the supplementary brief which we will submit we will embody the facts which will bring the subject right up to date. It is a fact that large quantities of these nails are being imported from Germany.

"Mr. COLLIER. I am speaking of the nails.

"Mr. WIGHTMAN. You have to make a distinction. There is a wide distinction between upholstery nails and ordinary tacks.

"Mr. COLLIER. I am speaking of upholstery tacks; all tacks that came in under this section in 1927 amounted to $55. That includes brads, too."

The publication from which Representative Collier was reading was the Summary of Tariff Information, 1929, which at that time was only accessible to members of the committee. As soon as this information became public, it was immediately apparent that Representative Collier was quoting figures referring to "cut tacks and brads" dutiable at the rate of 15 per cent, under paragraph 331. It is true that only 1,074 pounds of cut tacks and brads, valued at $55, were imported in 1927 (see Summary of Tariff Information, 1929, p. 714), but these figures have no relation whatever to the imports of upholstery nails which are reported in the same summary (p. 711) under the caption of "horseshoe nails and other nails of iron and steel not specially provided for," and which tabulation is shown on page 3 of this brief.

We believe that the Ways and Means Committee was misled by the figures purporting to show that imports of upholstery nails amounted only to $55 in 1927 as erroneously read into the record by Representative Collier and because of that error, failed to grant the protection necessary to keep this industry in existence.

We earnestly request the Finance Committee to carefully examine the facts in the case and grant the relief requested in our original brief.

Respectfully,

Atlas Tack Corporation, Fairhaven, Mass.; Beardsley Wolcott Co., Waterville, Conn.; Turner & Seymour Co., Torrington, Conn.; American Ring Co., Waterbury, Conn.; Brewer-Titchenor Co., Cortland, N. Y.; Hillwood Manufacturing Co., Cleveland, Ohio; Mattatuck Manufacturing Co., Waterbury, Conn.; North & Judd Co., New Britain, Conn., by E. M. Wightman, chairman Tariff Committee.

WIRE STAPLES

[Par. 331]

BRIEF OF R. H. HEYN, REPRESENTING E. H. HOTCHKISS CO., NORWALK, CONN., BOSTON WIRE STITCHER CO., GREENWICH, R. I., AND THE ACME STAPLE CO., CAMDEN, N. J.

Description.—Wire staples for paper fasteners or stapling machines are made from tinned or bright-finished steel, brass or copper wire of 0.019 to 0.050 of an inch in diameter. They are bent to form a double right angle with parallel legs up to 1 inch in length and are attached to each other laterally for the purpose of inserting in the machine, in a series 4¼ inches or more in length by a process known only to the American manufacturers and not involving the use of solder. Sample boxes of such American made wire staples are submitted herewith for examination of the committee.

Use.—Wire staples are applied through a paper fastener or stapling machine and are so constructed that they can not be used except in a paper fastener or stapling machine. The purpose is to bind together quickly loose sheets of paper or like material.

Distinction.—Staples, as described in paragraph 331 of the tariff act of 1922, are loose, such as those used for attaching wire screening to fence posts, chicken yards, and the like, or those used in railroad maintenance, while staples in strip form are especially processed in strip form in a series or carried in a series on a specially designed magazine for use in a paper fastener or stapling machine. Those staples contemplated under paragraph 331 of the tariff act of 1922 are not in series and attached, or carried on a special magazine, and can not be used in automatic paper fastening machines.

Present duty on imported wire staples for paper fasteners.—At the present time by a recent ruling of the Customs Court (Ab (N) 5609) imported wire staples for paper fasteners, or stapling machines, are dutiable under paragraph 331 of the tariff act of 1922. Prior to that ruling duty was being assessed upon them under various other paragraphs according to the description that the foreign manufacturers or importers gave to the staples manufactured or imported by them. This duty was generally assessed under section 372 or 399.

Paragraph 331 applies to cut nails and cut spikes; cut tacks and brads, hob nails and cut nails; horse shoe nails; nails, spikes, tacks, brads, and staples made of iron and steel wire of various sizes; and spikes, tacks, brads and staples not especially provided for. The staples described in paragraph 331 are loose staples, such as those which are used for attaching barbed wire or wire fencing to fence posts, wire screening for chicken yards and the like, and securing matting to floors, fastening telephone wires, and door hasps, or used in railroad maintenance, and do not resemble in appearance, use or method of manufacture, those staples exclusively used in paper fasteners and stapling machines. There is no relationship between the cost of manufacturing of the one class of staple and the other. They are not used for a similar purpose. They are not manufactured in the same way, nor is the value of the two kinds of staples at all comparable.

The staple intended to be protected by section 331, as now written, is a staple which is manufactured by machinery in bulk without precision and is applied by a stroke of a hammer or hatchet, and it retails for about 10 cents a pound, usually being sold in bulk by the pound, while the staples for use in paper fasteners or stapling machines, are specially processed in strip form, or carried in series on a specially designed magazine for use in what is known as a paper fastener or stapling machine, and are manufactured with precision and with process machinery and subject to close inspection. These staples are of delicate texture, made to an accurate size, and retail at a price which is equivalent to $4 a pound if sold by weight.

Classification requested.—We respectfully request that paragraph 331 be amended by inserting in the tenth line, after the word "pound," the following language: "Staples, in strip form, for use in paper fasteners or stapling machines, 40 cents per pound."

Reasons for the proposed duty.—The cost of manufacturing these staples for use in paper fasteners or stapling machines as compared with the cost of our principal foreign competitors is as follows:

We submit the following evidence of the cost of manufacturing wire staples in this country as compared with the cost to our principal foreign competitors.

Item A.—Comparative cost

	American	Foreign
Material cost per thousand	$0.0351	$0.0264
Labor cost per thousand	.0334	.0111
Overhead per thousand	.0334	.0111
Total cost per thousand	.1019	.0486

Staples of this class average 10,000 to the pound. Foreign costs are based on the average current wage scale and material cost in European metal trades, our principal competitors.

Item B.—Comparative selling price

	American	Foreign
Present selling price per thousand (distributors)	$0.1527	$0.0735
Selling price per thousand with proposed increase in duty ($0.40 per pound) (distributors)	.1527	.1129

The Canadian Government has adopted in its tariff schedule a duty of 35 per cent ad valorem on staples of this character, so that the American manufacturers selling their staples in Canada are required to pay 35 per cent of the value of the staples in duties to that government. The Canadian duty now being assessed is comparable with the duty which was until recently imposed upon imported staples of this nature in this country when the provisions of paragraph 372 were applied to such importations, before the recent decision that they were taxable under paragraph 331. Decision of the Customs Court, Ab (N) 5609.

The American manufacturer of attached staples for paper fasteners or stapling machines is debarred from the Japanese market for the reason that in 1928 a Japanese patent, No. 108566, was granted to Masatughu Nakanishi for a binder staple. The identical staple had been openly manufactured in the United States by the leading manufacturers, without patent, for at least five years previous to the Japanese patent, and three years before the application for the Japanese patent was made. The American manufacturers were the original inventors of the attached staple, but were unsuccessful in obtaining a patent in this country.

Volume of imports.—It is impossible to determine the volume of the imports of wire staples for use in paper fasteners or stapling machines because of the fact that due to the method of keeping the records of duties payable under section 331, no separate record is kept of duties payable on staples of this character, and for the further reason that such staples have in past years been admitted to this country under various classifications as we have heretofore pointed out. Furthermore, the Summary of Tariff Information, 1929, on the tariff act of 1922, does not show figures on wire staples as such after the year 1925. It is with particular reference to the conditions existing in the years 1926, 1927, and 1928 that the manufacturers are presenting their case, for the reason that it has only been in the last few years that the Germans and Japanese have been manufacturing staples which could be brought into comparison with the American product, and these staples produced under the conditions of labor existing in Japan, Germany, and Czechoslovakia, are now actively competing in the American market against staples of our manufacturers, produced under the labor conditions that exist in America.

We respectfully call attention to the fact that attached staples for use in paper fasteners or stapling machines were not put upon the market prior to 1923, and it is only in very recent years that the foreign countries have developed competition with regard to them and consequently it has only recently appeared that the tariff schedules under the 1922 act are not sufficiently definite in their classifications to place these staples in a separate classification and they have been admitted to this country classified as anything from office supplies to machines and parts thereof, under various schedules, and particularly they have been admitted under paragraphs 372 and 399 until the decision of the Customs Court was handed down, stating that they should properly be classified under paragraph 331.

Importance of the industry.—The importance of the industry and manufacturing of wire staples for use in paper fasteners and stapling machines is not to be gaged solely on the output of staples alone. It forms a definite branch of the office equipment of the United States. Every office of every corporation, industry, lawyer, or physician is a purchaser of these staples, and the United States Government finds it necessary to utilize many millions of them each year. In the United States there are more than 2,000 employees engaged in the production and distribution of these wire staples. The products of the industry have been in use in offices of all lines of business for over 34 years.

We submit this brief as a sufficient demonstration of the ineffectiveness of the existing tariff schedule under paragraph 331 of the act of 1922 and as argument for the insertion of the additional clause which we request.

Respectfully submitted.

ROMAN H. HEYN,
Norwalk, Conn.

Subscribed and sworn to before me this 26th day of June, 1929.

[SEAL.] HENRY M. BARRY,
Notary Public, District of Columbia.

WOOD SCREWS

[Par. 338]

STATEMENT OF GEORGE T. KIMBALL, REPRESENTING THE AMERICAN HARDWARE CO., NEW BRITAIN, CONN.

(The witness was duly sworn by the chairman of the subcommittee.)

Senator REED. Did you testify before the House committee?

Mr. KIMBALL. No, sir.

Senator REED. Did you file a brief there?

Mr. KIMBALL. I signed the brief of the other manufacturers before the House committee. This that I am about to relate is in addition to that, and in addition also to the summary of tariff information compiled for the committee by the United States Tariff Commission.

Since January 1 the imports have exceeded the exports of any 12 months of which we have records. Nevertheless, the amount is still negligible compared to the total domestic consumption, and if the only test is the imports compared to the domestic consumption, the wood screw manufacturers have no case.

Senator KING. You do not deny that the imports in 1928 were only valued at $14,660, do you?

Mr KIMBALL. That is approximately it. It may be a little more than that.

Senator KING. You do not deny that the imports were only one-half of 1 per cent of the domestic production in 1928?

Mr. KIMBALL. That is correct.

We are nevertheless compelled to recognize this competition of the foreign manufacturers, by meeting, or nearly so, the prices at which the foreign made goods are freely offered. We can not allow the European makers to obtain a real foothold in this market. This policy, while it prevents heavy imports, also prevents any possibility of a reasonable manufacturing profit.

Take a screw like that [producing sample]. We sell them nine for a cent, and deliver them anywhere this side of the Mississippi River; allowing 65 cents a hundred pounds elsewhere. Nine for a cent is a very cheap price to make anything for nowadays, and at that price it is impossible for us to make a profit, and it is difficult for the

foreign manufacturer to send stuff in here. We do not propose to let him do it if we can avoid it, as long as we have any means of fighting them out.

Senator REED. The Tariff Commission tells us that four years ago there were 12 concerns making this type of wood screw. How many are there now?

Mr. KIMBALL. I think the Tariff Commission said 12 whose principal business was making wood screws.

Senator REED. Yes.

Mr. KIMBALL. There are 18 sizable manufacturers of wood screws in the United States today.

Senator REED. Does any one of them control the bulk of the production?

Mr. KIMBALL. I think that the largest manufacturer of wood screws probably has about 18 per cent of the total.

Senator REED. What is the name of that concern?

Mr. KIMBALL. That would be the American Screw Co. at Providence.

Senator REED. Has that been pretty prosperous?

Mr. KIMBALL. I do not know so much about it. They have cut their dividends recently. I do not know anything further about it than that. I have not seen their statement.

Senator KING. Have they a representative here?

Mr. KIMBALL. No, sir.

Senator KING. Did they bring the weak man here—

Senator REED. What is your concern?

Mr. KIMBALL. The American Hardware Corporation, New Britain, Conn. Wood screws constitute only about 7 per cent of our business.

Senator KING. What is the rest?

Mr. KIMBALL. We contract for the metal work on buildings, and we make speedometers and coaster brakes, set screws, and all kinds of metal goods.

Senator REED. Can you give us any information as to the relative labor costs in the production of these screws here and in Sweden?

Mr. KIMBALL. Yes; I can give that pretty directly. Their labor costs are about 40 per cent of ours.

Senator REED. That is, per unit of output?

Mr. KIMBALL. They use the same machinery as we do, sir, so I suppose it would be per unit of output. I was comparing the hourly takings of the working people there as compared with ours. The screws works of Sweden are not situated in the big cities. They are situated in small towns, where the labor is necessarily cheaper.

Senator Reed. What tariff had you under the Underwood bill?

Mr. KIMBALL. Twenty-five per cent, the same as it is now.

Senator REED. It was the same under the Underwood bill as it is under the present law?

Mr. KIMBALL. Yes, sir.

Senator REED. What had you under the Payne-Aldrich bill?

Mr. KIMBALL. A sliding scale of specific duties, which are approximately the same as we asked the Ways and Means Committee to give us.

Senator REED. What were the imports then?

Mr. KIMBALL. There never have been many imports, sir. We have done our best to keep them out.

Senator KING. And you want to keep out the one-tenth of 1 per cent?

Mr. KIMBALL. I want to keep out everything, sir, that competes, if I can.

Senator KING. Have you brought a financial statement of your company with you?

Mr. KIMBALL. I have not. Our company is prosperous.

Senator KING. What dividends did you pay last year?

Mr. KIMBALL. On the capital stock, it was 20 per cent; but on the investment it was about 8.

Senator KING. How many stock dividends have you declared?

Mr. KIMBALL. In the history of the company?

Senator KING. Yes.

Mr. KIMBALL. One that I recall.

Senator KING. One?

Mr. KIMBALL. Yes.

Senator KING. It is three, is it not?

Mr. KIMBALL. Since I have been with the company, there has been only one.

Senator KING. How long have you been with the company?

Mr. KIMBALL. Fifteen years.

Senator KING. How much was that stock dividend?

Mr. KIMBALL. Twenty-five per cent.

Senator KING. You are paying dividends upon that 25 per cent stock dividend, are you not?

Mr. KIMBALL. Yes, sir.

Senator KING. The same as on the original investment?

Mr. KIMBALL. Yes, sir.

Senator KING. What were your dividends three years ago?

Mr. KIMBALL. My recollection is that the dividend has been unchanged.

Senator KING. You have been paying 20 per cent right along?

Mr. KIMBALL. Yes, sir.

Senator KING. On your watered stock, as well as on the original investment.

Mr. KIMBALL. There is no watered stock.

Senator KING. Well, on your stock dividend.

Mr. KIMBALL. Yes.

Senator KING. With that, and with one-half of 1 per cent imports, you are here seeking to exclude them entirely by a prohibitive tariff.

Mr. KIMBALL. It would not be a prohibitive tariff, sir.

Senator KING. At any rate you want a high tariff.

Mr. KIMBALL. Yes, sir; higher than it is.

Senator REED. The scale of duties you want is explained in the brief you filed in the House, is it?

Mr. KIMBALL. Yes, sir.

Senator REED. We are very much obliged to you.

Mr. KIMBALL. May I say one thing, Senator King? The fact that the dividend is 20 per cent on the capitalization does not mean that it is 20 per cent on the total investment, sir. Like a great many other companies, for many years we have blown back the profits into the investment, so that now, and with the increase in values, they have a valuation there that is approximately three times the capitalization.

Senator KING. Now, since you have opened up the door, in addition to paying you 20 per cent dividend, you have laid aside a large surplus, which you have put back into your business, and you are drawing dividends upon that, too, as well as your stock dividends.

Mr. KIMBALL. Yes, sir.

Senator KING. That is all.

Mr. KIMBALL. And so has every other successful manufacturer I know of.

Senator KING. I have no doubt about it; and still they want higher tariffs.

Senator REED. All right, Mr. Kimball. We do not all regard prosperity as a crime.

Senator KING. But we do regard extortion as a crime.

Mr. KIMBALL. Senator, there is no extortion in selling those things nine for a cent.

Senator KING. We will see about that. The public will determine.

(Mr. Kimball submitted the following brief:)

BRIEF OF THE AMERICAN HARDWARE CORPORATION, NEW BRITAIN, CONN.

COMMITTEE ON FINANCE,
United States Senate, Washington, D. C.:

The following information is respectfully submitted in addition to and in support of the brief filed with the Committee on Ways and Means by Ralph G. Farrell in behalf of the manufacturers of wood screws. That brief and the summary of tariff information compiled for that committee by the United States Tariff Commission contain the substantially correct statistics as to the volume of the industry, the exports and imports.

Since January 1 the imports have exceeded the imports of any 12 months of which we have records; the amount is still negligible compared to the total domestic consumption. We are, nevertheless, compelled to recognize this competition by meeting, or nearly so, the prices at which foreign-made goods are freely offered. We can not allow the European makers to obtain a real foothold in this market. This policy, while it prevents heavy imports, also prevents any possibility of a reasonable manufacturing profit.

There are 33 manufacturers of wood screws in Continental Europe having a capacity of double their home consumption; sufficient, in fact, to supply the entire needs of the nonmanufacturing countries, their domestic consumption, and a large surplus to export to the United States, if they were permitted.

The principal operations in manufacture of wood screws are heading, slotting, and shaving, and threading. The investment in the United States in the machines for these operations alone can not be less than $10,000,000; in addition to this is the cost of land, buildings and equipment, power plants and auxiliary machines, machine-room equipment, etc. The total plant investment is not less than $25,000,000.

The fact that the machinery is automatic or semiautomatic does not reduce materially the percentage of the labor cost to the total cost, exclusive of materials; the European maker has an advantage in both labor and materials, as shown by Mr. Farrell's brief. It does affect the percentage of labor cost to the investment. The machine setters must needs be skillful and experienced; the dies and tools used are made by well-paid mechanics. The cost of labor, wages, and salaries comprises 45 per cent of the cost of production. As shown by the testimony and briefs of many other manufacturers of like metal goods before the Committee on Ways and Means, the percentage seems generally to be from 50 to 65. The material used, basic or bessemer wire, can be purchased by our foreign competitors for goods to be exported at about 60 per cent of the price paid in Connecticut for material of similar quality. The European manufacturer uses machinery copied exactly from the American designs; some of it was supplied by American manufacturers who made our own. The American wood-screw manufacturers compete for their labor in protected markets. We respectfully suggest that we need the same relative amount of protection as that afforded to other manufacturers whose percentage of labor to the total cost is similar to ours; enough more nearly to equalize the difference between the production costs at

home and abroad. Such equalization would be provided by rates suggested to the Ways and Means Committee, viz:

Screws, commonly called wood screws, of iron or steel: More than 2 inches in length, 10 cents per gross; over 1 inch and not more than 2 inches in length, 8 cents per gross; over one-half inch and not more than 1 inch in length, 5 cents per gross; one-half inch and less in length, 3 cents per gross.

Respectfully submitted.

THE CORBIN SCREW DIVISION,
THE AMERICAN HARDWARE CORPORATION,
By GEO. M. KENDALL, *President.*

Subscribed and sworn to before me this 26th day of June, A. D., 1929.

CHARLOTTE ANN VAUX,
Notary Public.

SAWS

[Par. 340]

BRIEF OF H. C. ATKINS, INDIANAPOLIS, IND., REPRESENTING SAW MANUFACTURERS

[Including steel strips, par. 316]

Hon. REED SMOOT,
Chairman Committee on Finance,
United States Senate.

GENTLEMEN: Representing a number of saw manufacturers in the United States, Henry Disston & Sons, of Philadelphia, Pa.; Simonds Saw & Steel Co., of Fitchburg, Mass.; E. C. Atkins & Co., of Indianapolis, Ind.; R. Hoe & Co., of New York, N. Y.; Huther Bros., of Rochester, N. Y., and others, the undersigned appeared in person before the Ways and Means Committee of the House of Representatives, January 15, 1929, and further filed a written statement covering the same industry, paragraphs 340 and 316, gave reasons for increased duties on that product. Without taking your time to repeat items covered in the brief filed with that committee but supplemental thereto we wish to call attention to facts as follows:

First. German-made metal-cutting circular saws with inserted teeth made of high-speed steel are now taking the place of American-made goods formerly purchased by American manufacturers of machinery who equip their machines with saws and are bought at a price f. o. b. New York, duty paid, less than the actual cost of saws of identical specifications made in the United States.

Second. Small circular saws are freely offered f. o. b. New York duty paid at 70 per cent discount from our list price. This price was 62½ per cent discount last January, now 70 per cent, bringing the loaded cost to a buyer in the United States $555.18 for one each circular saw 10 to 60 inches, inclusive, whereas our cost on one each circular saw 10 to 60 inches, inclusive, is $643.73.

Third. Swedish crosscut saws are now being imported in quantities at a price below our cost of production. In the record of the hearing before the House Ways and Means Committee you will find mention by Mr. Garner of the volume of import and export of saws for 1923, 1924, 1925, 1926, and 1927, and laying particular emphasis on the fact that imports were negligible, whereas $2,000,000 worth of saws were exported. An analysis of that situation develops the fact that more than two-thirds of the exports consisted of metal-cutting saws, the reason being that up to now metal-cutting saws made abroad do not approach the United States product in efficiency. Therefore it does not enter seriously into the question of whether or not tariff protection is necessary in the case of metal-cutting saws. There it is simply a case of the product finding its own level of value. In the case of wood-cutting saws a careful analysis of our own sales shows that exports of such goods are confined almost entirely to a few lines where the manufacturer here excels in quality and only to that extent can he command a foreign market at all, handicapped as he is by high cost of production. These quality barriers are rapidly disappearing as foreign manufacturers are attending strictly to the necessity of marketing goods at least the equal of goods produced in the United States and instead of offering their cheapest they are in all cases bringing up the quality to a parity with goods made here. So regardless of exports, if we want to maintain our present scale of wages and cost of production and supply our home market we can only do so through the instrumentality of a protective tariff. The fact that we export goods does not mean anything at all in the light of the broad principle of protection of American industry.

Referring specifically to paragraph 316, which covers the duties prescribed for steel strips: This item is important to the saw industry. Steel in long lengths, coiled in rolls, varying in width from one-eight inch to 16 inches, is being imported into the United States. Such steel is what is known as cold-rolled steel. It is tempered and polished at the mill and shipped to the United States to be used for making band saws. Such steel is now subject to a duty of 25 per cent ad valorem under paragraph 316. Inasmuch as the steel has been tempered and polished, it really comes into the United States in a condition so near a finished band saw that saw mills buy it and at a price much below the saw manufacturer's cost of producing a like product. If the practice grows the saw manufacturer will of course lose the business on band saws and that will mean the loss of investment in expensive machinery for making American-made raw steel into band saws. Many American workmen now engaged in the trade will be obliged to seek other employment.

To the end that protection for the band-saw manufacturer be adequate, I would advise that instead of allowing tempered and polished strip steel for band saws to come in under paragraph 316, that all such material should come in under paragraph 340 and be classed as band saws, not as steel, because it is really a band saw all but toothing, brazing, and fitting teeth. In other words, such steel should pay duty on the same valuation as a finished band saw of the same width and at the same rate. If, in the opinion of your committee, such a change is not feasible, then the rate of duty on such material should be advanced to at least 5 cents per pound and 25 per cent ad valorem. Even at that rate the duty would not be really adequate.

Example: A good customer of ours lately bought 91 feet of 12-inch 17-gauge tempered and polished band saw steel at a cost $145.20 f. o. b. New York, duty paid. The filer in his mill will tooth the blades, braze them, swage and file them, and the mill will have two band saws 45 feet by 12 inches by 17 gauge for $145.20 plus perhaps 20 hours of a filer's time, because the really essential work was done in Sweden by Swedish workmen at Swedish wages. Our cost on those two blades, without overhead, would be $186.79.

To the end that proper protection be given the saw manufacturer, we propose rates as outlined in our brief to the House Ways and Means Committee except on tempered and polished band saw steel:

Circular saws, 25 per cent.

Crosscut saws, 25 per cent or 6 cents specific and 20 per cent ad valorem.

Mill, gang, and drag saws, 25 per cent.

Band saws, finished, 5 cents per pound and 20 per cent.

All other saws, 25 per cent.

Strip steel tempered and polished, dutiable as finished band saws and at same rate.

NOTE.—R. Hoe & Co. dissenting from the change in duty on tempered and polished band saw steel strips because they are just starting the manufacture of band saws and prefer to import the tempered and polished material rather than make investment to cover the complete manufacture of the saw throughout.

Respectfully submitted.

E. C. ATKINS & Co.,
H. C. ATKINS, *President.*

Also representing Henry Disston & Sons, Simonds Saw & Steel Co., R. Hoe & Co., Huther Bros.

UMBRELLA HARDWARE

[Par. 342]

STATEMENT OF OSCAR I. MEYER, NEW YORK CITY, REPRESENTING UMBRELLA-FRAME MANUFACTURERS

(The witness was duly sworn by the chairman of the subcommittee.)

Senator REED. Mr. Meyer is scheduled to appear on section 342, umbrella frames, page 86.

Did you testify before the House committee?

Mr. MEYER. I did, sir.

Senator REED. Did you file a brief?

Mr. MEYER. Yes, sir.

Senator REED. You seem to have secured an increase from 50 to 60 per cent ad valorem?

Mr. MEYER. Yes, sir.

Senator REED. All right, sir. You are speaking for all of the domestic manufacturers, are you, Mr. Meyer?

Mr. MEYER. Not all of them; six of them.

Senator REED. Tell us the situation.

Mr. MEYER. In my testimony and the brief that I filed, I showed, from figures furnished by the Department of Commerce, that the importation of this merchandise has increased from 1924 to 1928 over 700 per cent.

Senator KING. It is true, is it not, that in 1928 it was only 44,000 dozen? And in 1926 it was 44,000 dozen?

Mr. MEYER. I have not the 1928 figures.

Senator KING. I have them. Why didn't you get those?

Senator EDGE. The imports were actually reduced a little in 1928.

Mr. MEYER. The imports were reduced, but they show a very large increase; the imports declined, possibly in 1928, from the lack of consumption of this material. That would cover it.

Senator REED. Tell us something about the situation.

Mr. MEYER. To relieve the situation and allow the American manufacturers to continue, I ask that a specific or compound rate be fixed to take the place of the present law. I came down to stress the necessity and urgency of that request. Also I ask that the phraseology of the paragraph be changed to fit the present manner of bringing the merchandise into the country, which is entirely different from what it was when the present law was framed.

At that time nearly all umbrella frames were imported unassembled in parts, such as that, sir [indicating], 96 pieces to a package. Ninety-six pieces made 12 umbrellas of 8 ribs each. To-day they are being brought in in the completely assembled frame, such as that [indicating].

Senator REED. The ad valorem duty applied just as well to one as to the other, did it not?

Mr. MEYER. No, sir. That frame contains 16 ribs. When the law was framed, umbrella frames that were brought in assembled contained only seven or eight ribs. To-day they are being brought in with 10, 12, and 16 ribs, but classified as umbrella frames. That enables the importer in this country to fix his own invoice price, which is passed by the appraisers.

Senator KING. Do you mean to say that there are more ribs brought in in the umbrella than are needed?

Mr. MEYER. Not than are needed.

Senator KING. What objection can there be to bringing them in separately, or bringing them in together, if they are part of the same completed product?

Mr. MEYER. They are termed an umbrella frame, Senator, with 16 ribs, the same as they are with 7 or 8 ribs.

Senator BARKLEY. The price is different, though, with 16.

Mr. MEYER. It gives the foreigner leeway to invoice his goods with 16 ribs—the difference between the 16 and the 7 or 8 ribs.

Senator BARKLEY. Of course, he would invoice the 16-rib frame at more than the 7.

Mr. MEYER. He does, but not in proportion to what he would if they were brought in unassembled.

Senator KING. I confess, Mr. Meyer, that I can not get your point. If you are a merchant living in Chicago, and you want to buy umbrellas, you go to New York, or go over there to Germany, or anywhere in the world.

Mr. MEYER. Yes.

Senator KING. But you buy them, do you not, in the frame? You would want a 7-rib umbrella, or a 15-rib umbrella, or a 16-rib umbrella.

Mr. MEYER. This is not an umbrella [indicating]. This is a frame.

Senator KING. This is a frame, exactly.

Senator REED. Umbrellas are not taxed under this paragraph, are they?

Mr. MEYER. No, sir.

Senator REED. They are under sundries.

Senator KING. What objection could there be to your buying a 16-rib frame, or 7-rib frame? They manufacture 7 ribs, 10 ribs, 15 ribs, or 20 ribs, for that matter.

Mr. MAYER. Because the importers are invoicing these frames with 16, 12, or 10 ribs in them, at a very slightly higher price than they formerly did the 7 or 8 ribs that were used in umbrellas.

Senator REED. You mean that is an undervaluation?

Mr. MEYER. Exactly.

Senator EDGE. In other words, it sells for a very much higher range when it is sold here.

Mr. MEYER. Exactly. That gives them an opportunity to undervalue the merchandise. That is what we are suffering from, and that is why we have asked for a specific or compound rate.

Senator BARKLEY. It seems to me the manufacturers do the same, do they not? They do not charge the same price, proportionately, for an assembled frame that they charge separately for each piece that goes into it.

Mr. MEYER. Not the same price; but when they make a 7 or 8 rib frame, they charge a lower price than they do for a 10, 12, or 16 rib frame.

Senator BARKLEY. But the 16-rib frame does not carry the proportional price that would be involved if they charged separately for each piece that went into it.

Mr. MEYER. Yes; it does.

Senator BARKLEY. Do you mean that if they make a 7-rib frame in this country, they get only half as much for that as they get for a 14-rib frame?

Mr. MEYER. Not half as much; but they get a proportionately lower price, as compared with a 16-rib frame.

Senator BARKLEY. I am speaking now of the domestic manufacturer. As the number of ribs goes up, the price, proportionately, reduces.

Mr. MEYER. It advances.

Senator BARKLEY. No; it reduces per unit, per rib.

Mr. MEYER. No; not per rib. You mean in the entire assembled frame?

Senaor BARKLEY. You do not get twice as much for a 16-rib frame as you do for an 8 rib.

Mr. MEYER. We do.

Senator BARKLEY. Precisely?

Mr. MEYER. Precisely, with the exception that the completely assebled frame is taken into consideration in figuring the price; that is, the furniture and the wooden shank or steel rod.

Senator REED. Your complaint is, as I understand you, Mr. Meyer, that the styles in umbrellas have changed. It is now customary to import these frames with many rods, and, either as a result of that, or as an accompaniment of it, there has been a good deal of undervaluation which you can not reach.

Mr. MEYER. Yes, sir.

Senator REED. You ask a specific duty, or a compound duty as a partial remedy for that state of affairs?

Mr. MEYER. Yes, sir.

Senator REED. If the law were on the basis of the United States value; that is, the wholesale selling price here of the imported article, that would protect you better than any other method, would it not?

Mr. MEYER. I believe it would. It would tend to; yes, sir.

Senator REED. Before you leave the stand, I want to find out what justification there is for this increase from 50 to 60 per cent. Tell us what proportion of the umbrella frames used in this country are imported.

Mr. MEYER. From 15 to 20 per cent.

Senator REED. And the manufacturers of these in America are located chiefly along the eastern seaboard, are they not?

Mr. MEYER. They are located, three in Philadelphia, two in New Jersey, and one in New York.

Senator REED. Where are the biggest ones?

Mr. MEYER. In Philadelphia.

Senator REED. What has been the trend of prices on these articles since 1920?

Mr. MEYER. They are sold to-day for about 50 per cent of what they were in 1920.

Senator KING. The same quality?

Mr. MEYER. The same quality.

Senator REED. What has been the trend of prices in the last five years; that is, compared with about 1924?

Mr. MEYER. I should say it was 25 to 30 per cent lower to-day.

Senator REED. It is lower to-day than it was five years ago.

Mr. MEYER. Yes.

Senator REED. Is there very much handwork that goes into the manufacture of these articles?

Mr. MEYER. Not very much, except in the complete frames; I should say, there, that there is about 10 per cent handwork.

Senator REED. To get a specific case, how many complete frames does your company make in a year?

Mr. MEYER. The normal output would be about 300,000 dozen.

Senator REED. Of your own company?

Mr. MEYER. Of our own company.
Senator REED. How many men do you employ?
Mr. MEYER. The entire industry employs about 1,500; not men altogether; men and women.
Senator REED. How many hands do you employ.
Mr. MEYER. I should say about 500.
Senator REED. Five hundred hands, then, produce about 300,000 dozen umbrella frames.
Mr. MEYER. Yes, sir.
Senator REED. What do you pay those hands?
Mr. MEYER. The wages vary from $15 to $35 or $40 a week.
Senator KING. How many are women or girls?
Mr. MEYER. About one-third, I should say.
Senator KING. What do you pay them?
Mr. MEYER. They run from $12 to $20.
Senator KING. A week?
Mr. MEYER. A week.
Senator REED. With respect to this steel that goes into the umbrella rib, it is a species of channel, is it not?
Mr. MEYER. Yes; this is channel.
Senator REED. Is that drawn, rolled, pressed, or how is it made?
Mr. MEYER. It is drawn from flat wire.
Senator REED. Do you draw it yourself?
Mr. MEYER. Yes, sir.
Senator KING. You get the flat wire?
Mr. MEYER. We manufacture it.
Senator REED. You manufacture the flat wire?
Mr. MEYER. Yes.
Senator REED. In what shape do you buy it—wire rods?
Mr. MEYER. Yes.
Senator REED. Where do you get your wire rods?
Mr. MEYER. From Sweden; and we are using some domestic rods now. We have been doing that since the war.
Senator REED. What percentage of your wire rods do you import?
Mr. MEYER. A very small amount.
Senator REED. Twenty-five per cent.
Mr. MEYER. No; I should say it was less than that, Senator.
Senator REED. Does it take a special analysis?
Mr. MEYER. Yes, sir.
Senator REED. Rather low carbon, I suppose.
Mr. MEYER. High carbon, on account of the temper.
Senator REED. Let me see one of those.
Senator EDGE. Why were you able to make the change from the imported Swedish article to the domestic article? Was it on account of an improvement in quality, or a lower price?
Mr. MEYER. We were obliged, during the war, to use domestic stock. We could not get the Swedish rods. They have been improving the quality of the rods in this country since that time. We have been gradually increasing our consumption of the domestic rods.
Senator EDGE. Could you secure the imported rod cheaper than the price you now pay for the domestic rod?
Mr. MEYER. The imported rod?

Senator EDGE. Yes, sir; satisfactory for your purposes.

Mr. MEYER. No.

Senator EDGE. You can not get it cheaper?

Mr. MEYER. No.

Senator BARKLEY. I see here that in 1926 44,000 dozens were imported, valued at $103,000, whereas in 1928 44,000 dozens were imported, valued at $140,000, so that the price of the imported article has gone up instead of down.

Mr. MEYER. A higher-grade and different type of frame is in use at the present time, sir. That is due to the finish.

Senator BARKLEY. Your chief competition is in the self-opening frame, is it not?

Mr. MEYER. Absolutely no, sir. There are not 1 or 2 per cent of the entire consumption in self-opening frames.

Senator BARKLEY. I mean the importations.

Mr. MEYER. Of the entire consumption, it is not 2 per cent.

Senator BARKLEY. I am speaking about the importations. The Tariff Commission states that the importations are largely in these self-opening frames.

Mr. MEYER. The Tariff Commission is mistaken as to that, sir.

Senator BARKLEY. What proportion of importations are self-opening?

Mr. MEYER. I venture to say that not 3 or 4 per cent of them are imported.

Senator KING. You have a monopoly, then?

Mr. MEYER. No. There are very few of these frames used. That is a frame where you press a spring and it goes up by itself. That is what they term a self-opening frame.

Senator REED. Mr. Meyer, if it were not for the feature of undervaluation, probably the 50 per cent duty would be enough, would it not?

Mr. MEYER. No.

Senator KING. Why do you call it undervaluation?

May I ask this question? Is there not a graduated price and a diminishing price per individual unit, the greater number of units that are purchased?

Mr. MEYER. The price varies with the size of the rib. There should be a greater or lesser price, depending on the number of ribs in the frame, but there is not.

Senator KING. Might not a person be willing to sell a thousand umbrellas with 15 ribs cheaper, in proportion to the ribs, than a thousand umbrella shapes with 7 ribs in a shape?

Mr. MEYER. I do not see how he could.

Senator KING. Why not?

Mr. MEYER. Because the 15 ribs are worth double what 7 ribs would be.

Senator KING. Are they? Is there not a diminution?

Mr. MEYER. No, sir.

Senator KING. For instance, as an illustration, would you not sell a thousand dozen, or 10,000 dozen umbrella shapes for a smaller price per unit than you would 1 dozen?

Mr. MEYER. No; we do not.

Senator KING. Don't you know that the manufacturers of the United States who are manufacturing large quantities of products sell their units cheaper where they get a large quantity?

Mr. MEYER. In quantities?

Senator KING. Yes.

Mr. MEYER. I do not know what the other manufacturers do. I know that we do not.

Senator KING. You do not?

Mr. MEYER. No. The reason for that, Senator, is because the consumption is about equal among the different consumers of this merchandise.

Senator KING. You call it undervaluation because, in a 15-rib——

Mr. MEYER. I call it undervaluation because I have foreign price lists in my possession showing the price at which these goods are being sold abroad.

Senator KING. Then, the undervaluation——

Mr. MEYER. I have invoices in my possession of the importers, showing that the goods are sold in this country at the price they are being sold abroad, without the addition of any duty. If you would like to see them, I will be glad to show them to you.

Senator EDGE. We would like to have them in the record.

Mr. MEYER. I will be glad to give them to you.

Senator KING. Undervaluation, then, does not rest upon the difference between 7 and 15 ribs?

Mr. MEYER. That is part of it. It does.

Senator KING. Is there a difference?

Mr. MEYER. I have said that several times.

Senator KING. What is the difference?

Mr. MEYER. The difference in what?

Senator KING. In valuation.

Mr. MEYER. Double. The 16 is double the 8. The value of the 16 ribs is double the value of the 8.

Senator KING. Would you not expect that there would be an increase?

Mr. MEYER. Certainly I would expect there would be an increase.

Senator KING. Where is the undervaluation, then?

Mr. MEYER. Because they are selling 10, 12, and 16 ribs at the price of 8-rib frames.

Senator EDGE. That is, the whole point, as I understand Mr. Meyer's testimony, is that they are getting the same valuation for 15 units as they do for 8.

Mr. MEYER. Yes, sir.

Senator KING. That is what you mean by undervaluation.

Mr. MEYER. That is partly what I mean by undervaluation, and, at the same time, I would like to offer here photostatic copies of foreign price lists, marked for home consumption; prices for home trade.

Senator BARKLEY. You are not able to produce similar invoices by American manufacturers who ship abroad?

Mr. MEYER. There are none of these goods shipped abroad, sir. We do not export.

Senator BARKLEY. You mean your company does not.

Mr. MEYER. No company in this business; we have no possibility of exports.

Senator BARKLEY. So, the Tariff Commission is wrong when it says that exports go to England, France, Spain, Australia, India, and to South American countries?

Mr. MEYER. They are, sir. There might have been a few of these things exported long before the war, but there have been none since that.

Senator KING. What difference do you make between a 7 or 8-rib and a 15-rib frame?

Mr. MEYER. Double the price, or the cost of the ribs. If we put 7 ribs in this frame, we charge a price for it based upon the price of the ribs per dozen. If we put 16 ribs in this frame, we charge double the price of the ribs when we put them into this frame [indicating]. I am sorry I can not make it clearer, Senator.

Senator KING. It would make no difference in the wood, then?

Mr. MEYER. That is outside, entirely—the wood or the iron shank.

Senator KING. Then, just as an illustration, if you have 20 cents for 7 ribs, you would charge 40 cents for 14 ribs.

Mr. MEYER. Yes, sir, we would.

Senator REED. Mr. Meyer, why does a German concern print a price list for home trade in English?

Mr. MEYER. That is customary, sir, in this material, for German manufacturers. I have a number of their price lists, which I will be glad to show you, in the same way. They figure their prices in shillings and pence.

Senator REED. Is it customary to use English, and figure in shillings and pence?

Mr. MEYER. Yes, sir.

Senator REED. For home trade?

Mr. MEYER. Yes.

Senator EDGE. You want that copy to go in the record, do you?

Mr. MEYER. Yes, sir. I will be very glad to.

Senator REED. Now, then, you are going to put in some invoices?

Mr. MEYER. I have some invoices here of importers, showing a frame marked, on that price list, at 14 shillings 6 pence, which is the equivalent of about $4.60. With a 50 per cent duty, that would be $6.60. Here are some invoices [indicating] showing that frame being sold at $4 per dozen in this country.

Senator EDGE. Four dollars per dozen, sold here?

Mr. MEYER. Sold here, yes, sir.

Senator REED. Sold by the importer here?

Mr. MEYER. Sold by the importer here, yes, sir.

Senator REED. The dates do not exactly match the dates of this price list.

Mr. MEYER. It is very difficult, Senator, to get those invoices. I have to get them from these consumers from time to time as I can. I think the price list is dated in 1927, and the invoices are just a little previous to this.

Complaints as to undervaluation have been made from time to time to the proper authorities——

Senator REED. We will put those in the record, with your permission, and we will return them to you.

One question more, and then I have finished. I would like to ask you just what compound duty you request.

Mr. MEYER. It is in the brief.

Senator EDGE. If it were not compound, if it were ad valorem, what do you consider is necessary beyond the 50 per cent, to protect you?

Mr. MEYER. I would like to tell you about that, Senator. It would be equal to about 75 or 80 per cent.

I have shown the representative of the Tariff Commission that the change requested in our brief will only allow domestic manufacturers a price equivalent to what the foreign manufacturers are selling the merchandise for abroad, plus the present duty.

Senator EDGE. That will all go in your brief.

Mr. MEYER. I have shown that to the representative of the Tariff Commission. At the same time, in discussing this matter with the United States customs attaché in Germany, he informed me of the difficulty he had experienced in making investigations, from the fact that the German manufacturers claim that the merchandise being exported to this country is not the same as that in use in Germany, although the only actual difference is a change between one-sixteenth and a quarter of an inch in the length of the rib, and on that they base their claim that the material is not the same. I took that up with the United States customs attaché in Germany recently, or, rather, he explained it to me.

Senator KING. Mr. Meyer, one of the tariff men who is here with us has handed me a sheet showing some of the imports of umbrellas that is quite at variance with your figures. They are unable to understand these sheets which you have exhibited; and I am going to ask you a couple of questions after you have seen these papers. Then I will ask you to confer with these tariff men; and if it is necessary, we will call you back to the stand, because the tariff experts are unable to understand this.

Mr. MEYER. I was just explaining to them what it was, Senator.

Senator KING. You having seen this and examined this, I will interrogate you about it. We find that these prices were obtained by the tariff experts from invoices at New York, as I understand it, and I find——

Mr. MEYER. They were what, sir? Obtained from invoices in New York?

Senator KING. From goods that were imported into the United States at New York.

Mr. MEYER. Yes.

Senator KING. The foreign price of these umbrella frames is $5. The additional charges, landed cost, duty, and so forth, make a total cost of $8.25; and that was in April of this year.

Mr. MEYER. Yes.

Senator KING. That is the price per dozen of umbrella frames. Nickel gilt under list 1916–R is $6.50 a dozen. Black self-opening, 277–R, $4.70.

Mr. MEYER. That is what we have here.

Senator KING. Do you contradict or deny the accuracy of those other prices on the first three?

Mr. MEYER. That first one is only a special name used by some manufacturer in Germany. It is not imported generally. It is one of the smallest articles they import. I have no knowledge as to the cost of that.

Senator KING. I have read three articles.

Mr. MEYER. Now, taking the third, because we have that here before us.

Senator KING. The third is gilt, $6.60.

Mr. MEYER. No; that is the self-opener.

Senator KING. And the fourth is $4.79.

Mr. MEYER. You will find this price list of $4.79 is the price of that article on the other side. Is that correct?

Senator KING. No. As I understand the experts the total cost is $4.79.

Mr. MEYER. The total cost?

Senator KING. Yes.

Mr. MEYER. In all these invoices here——

Senator KING. That is the landed cost, duty paid, as I understand the experts.

Mr. MEYER. There are invoices at $4 for that particular article, and here is the price list showing that the price is 17 shillings 6 pence. If you will refer to this 7-ribbed self-opener on that——

Senator KING. I do not know whether that is comparable or not.

Mr. MEYER. That is the frame to which they refer. Here is a sample of it, a sample of the domestic frames.

Senator KING. The expert says that this price list which he examined showed $4.79 cost per dozen at New York.

Mr. MEYER. Cost to whom? To the importer?

Senator KING. No, no. The landed cost, duty paid.

Mr. MEYER. That could only be because they are undervalued. There is the price of the goods, their own price list marked for the home trade.

Senator KING. I will ask you to see if it is comparable with this.

Mr. MEYER. Have I not told you that it is?

Senator KING. Will the expert and you later work this out together?

Mr. MEYER. I will be glad to confer with him. There is a bill for the same article at $4. There are two or three of them there.

Senator KING. I would like to ask you another question or two, Mr. Witness. How long have you been engaged in the manufacture of umbrellas?

Mr. MEYER. Not umbrellas—umbrella frames—forty-odd years.

Senator KING. Is that the only thing your company manufactures?

Mr. MEYER. No, sir.

Senator KING. What else does it manufacture?

Mr. MEYER. We draw steel wire.

Senator KING. I beg pardon.

Mr. MEYER. Steel wire, and we make metal specialties.

Senator KING. You make metal specialties. How many plants have you?

Mr. MEYER. One.

Senator KING. Where is it?

Mr. MEYER. In Philadelphia.

Senator KING. You are talking of the National Umbrella Frame Co. now. That is the one that you represent?

Mr. MEYER. That is the one with which I am associated.

Senator KING. Yes. What position do you hold in the company?

Mr. MEYER. I am the New York representative of the company.

Senator KING. Are you a stockholder?

Mr. MEYER. No, sir.

Senator KING. Are you a director?

Mr. MEYER. No, sir.

Senator KING. You are just a salesman.

Mr. MEYER. Yes, sir.

Senator KING. Do you know what their capital stock is?

Mr. MEYER. I think it is $1,800,000.

Senator KING. Do you know whether that is all paid in in cash?

Mr. MEYER. The National Umbrella Frame Co. was formed in 1901, and took over a number of plants. The capital was $3,000,000, but it has been reduced to $1,800,000.

Senator KING. That is, it took those plants over at a value of $3,000,000. Is that what you mean?

Mr. MEYER. No; we did not take them over at a value of $3,000,000. We took them over for considerably less than that, but it required a lot of working capital to operate them.

Senator KING. How did it acquire them? Did it pay in any money?

Mr. MEYER. Why, surely; most certainly.

Senator KING. How much did they put in?

Mr. MEYER. I am not exactly sure, but I think it was something like a million dollars.

Senator KING. Who are the stockholders, the principal stockholders?

Mr. MEYER. I could not tell you.

Senator KING. Who are the directors?

Mr. MEYER. The principal stockholders, I think, are Drexel & Co.

Senator KING. Who is Drexel & Co.?

Mr. MEYER. What do you mean, who they are?

Senator KING. Yes; what is their business?

Mr. MEYER. Bankers.

Senator KING. Bankers?

Mr. MEYER. Yes.

Senator KING. Then this corporation is owned by the bankers, Drexel & Co., is it?

Mr. MEYER. I do not know whether they own it or not.

Senator KING. You said they were the stockholders.

Mr. MEYER. It is owned by Drexel & Co. I do not know who the stockholders are.

Senator KING. Do you know who the directors are?

Senator REED. You say it is owned by Drexel & Co.?

Mr. MEYER. Yes.

Senator REED. That is the name of the Philadelphia branch of the banking house of J. P. Morgan & Co.

Senator KING. That is what I was getting at. Do you know whether anybody else is interested in it but J. P. Morgan & Co. or Drexel & Co.?

Mr. MEYER. I do not know whether J. P. Morgan & Co. are interested.

Senator KING. How about any other people?

Mr. MEYER. I can not give you that information.

Senator KING. Can you give me the name of any officer?

Mr. MEYER. George K. Garrett.

Senator KING. What is his business?

Mr. MEYER. President of the company. You asked me for the names of some of the officers, did you not?

Senator KING. I just asked you if you knew any of the officers.

Mr. MEYER. Yes.

Senator KING. And he is president?

Mr. MEYER. Yes.

Senator KING. How long has he been president?

Mr. MEYER. I should say seven or eight years.

Senator KING. What was the output of these umbrella frames in 1920, 1921, and 1922, in quantity?

Mr. MEYER. You mean the output of the National Umbrella Frame Co.?

Senator KING. Yes.

Mr. MEYER. About 250,000 dozen.

Senator KING. What was the output last year?

Mr. MEYER. Between 150 and 175.

Senator KING. Thousand?

Mr. MEYER. Thousand.

Senator KING. Dozen?

Mr. MEYER. Dozen.

Senator KING. Has there been any change in the character of the frames from what they were three or four years ago?

Mr. MEYER. Perhaps there has been a slight improvement in quality.

Senator KING. Has there been any increase in the output of the other companies that you represent here?

Mr. MEYER. No, sir. There has been a decrease.

Senator KING. A decrease?

Mr. MEYER. Yes, sir.

Senator KING. Are the imports plus the production of the United States equal to the production eight or nine years ago?

Mr. MEYER. No. The consumption has decreased.

Senator KING. Materially, has it not?

Mr. MEYER. Yes.

Senator KING. Because of changes in styles?

Mr. MEYER. Yes.

Senator KING. As a matter of fact, last year, notwithstanding there was a reduction from 72,000 dozen to 44,000 dozen—that is, a reduction from 1927, when the figure was 72,000 dozen, to 44,000 dozen—the output of the domestic manufacturers was not materially increased over the preceding year.

Mr. MEYER. The output was decreased, I have just told you, Senator.

Senator KING. Yes. Then the decrease was not the result of the increased importations.

Mr. MEYER. Partly—to a great extent.

Senator KING. The facts are that the importations were only 44,000 dozen as against 72,000 dozen in the preceding year.

Mr. MEYER. The reason for the decrease in importations to a great extent is due to a great extent to the decrease in the consumption of the merchandise, and the necessity of the domestic manufacturers to meet the price of the importers, the foreign manufacturers, which has put the business in such a condition that unless we can get relief from you gentlemen here we will have to discontinue it.

Senator KING. The record shows that the unit value was greater in 1928 than it was in the preceding year.

Mr. MEYER. Yes; it does.

Senator KING. And that the unit value is greater than it was way back in 1922.

Mr. MEYER. Quite right. I tried to explain that to you. The unit value is due to the change of style of the frame that is being used and the number of ribs in that frame.

Senator KING. What proportion of the imports contain the larger number of ribs?

Mr. MEYER. The larger proportion for the last year or two.

Senator KING. Well, what proportion?

Mr. MEYER. I can not give you the exact figures on that at present. Nearly all of the imported goods contain the larger number of ribs.

Senator KING. By the way, what dividend did your company pay three years ago?

Mr. MEYER. None. On the common stock they have never paid dividends.

Senator KING. What did they pay on the preferred stock?

Mr. MEYER. About 7.

Senator KING. Seven per cent?

Mr. MEYER. Yes.

Senator KING. When was the common stock issued?

Mr. MEYER. Back in 1901.

Senator KING. Has your company published a statement of its assets, liabilities, profits, and business generally for the past few years?

Mr. MEYER. Not that I know of. I have never seen one.

Senator KING. You never have?

Mr. MEYER. No.

Senator KING. Do you know whether Moody or any of those statistical companies have a statement?

Mr. MEYER. I do not. I do not see how they would have.

Senator KING. Will you furnish a statement showing the assets and the liabilities, the property and the profits, or losses, the output, and the prices obtained during the past six or seven years?

Mr. MEYER. It would have no bearing on this case whatsoever, if I did.

Senator KING. Will you do it?

Mr. MEYER. I do not know whether they would be willing to do that, but if I did, and they were willing to, it would have no bearing on this case.

Senator KING. Well, we will determine that, Mr. Meyer.

Mr. MEYER. But you lose sight of the fact that this is only part of the products manufactured by the National Umbrella Frame Co.

Senator REED. What else do they make, Mr. Meyer?

Mr. MEYER. We draw wire, sir, and make metal specialties, like washers and specialties.

Senator REED. That part of the business has been profitable?

Mr. MEYER. Yes, sir.

Senator REED. Would you say that, by and large, this part is not profitable?

Mr. MEYER. There has been a loss in this business.

Senator KING. Since when?

Mr. MEYER. For three or four years past.

Senator KING. If that be true, your books ought to show it, the books of the company.

Mr. MEYER. I suppose they would, sir.

Senator KING. I will ask you to submit a statement of the character I have indicated, Mr. Witness. And now, if the expert and you will examine these with a view of straightening out the differences between you I shall be very glad.

Mr. MEYER. Yes, sir; now, you asked a question before as to foreign price lists, the German prices being made in shillings and pounds. I have another price list here, which I did not know I had until this moment. This is in addition to the one that I submitted, showing foreign prices, German prices in shillings and pounds.

Senator REED. It is dated in May, 1929.

Mr. MEYER. Yes, sir. That shows their prices in shillings and pounds.

Senator REED. Would it be of any value to place in the record?

Mr. MEYER. No; I do not think so.

Senator REED. What is the explanation for the curious practice of pricing their price list in English and in quoting their products in English currency now that the mark has become stabilized?

Mr. MEYER. I do not know, sir.

Senator REED. I would think that that would be an embarrassment in their domestic trade. I do not know the reason for it.

Mr. MEYER. I do not know the reason for it either.

Now, as to undervaluation, I submit a letter that we addressed in 1927 to the Treasury Department regarding undervaluation; and another letter written last April to the appraiser in New York.

Senator REED. Was action taken on those?

Mr. MEYER. No, sir; not that I know of. I never had any further information upon it.

Senator KING. Let me see if I understand you. Your company without undervaluation, sold that 16 rib, or 15 rib at the same value, or no greater value, than they did the 6 rib.

Mr. MEYER. Not "no greater value," Senator, but they dropped that value between the 8 and the 16 rib, which brings the price of the 16 rib below what the goods are being sold for on the other side.

Senator KING. That is the 8 rib or the 16 rib?

Mr. MEYER. The 16 rib. The 8 rib has gone down to and below what they sell them for according to these price lists.

Senator KING. You mean selling them to the American producers.

Mr. MEYER. Yes, sir. Now, I was in Germany. I do not suppose you want this put in the record, but I went over there to try to get some information as to prices over there. I went to a manufacturer and tried to buy hardware from him, but he told me it would be a ridiculous proposition to get the goods there, because I could buy them exported to this country for a so much lower price than was being paid for them there; and he showed me some figures, and they were very much higher than the imported prices of the goods in this country. Do I make that clear?

Senator KING. I understand you.

Senator REED. Is there anything else now, Mr. Meyer?

Mr. MEYER. No, sir.

Senator KING. What proportion of the output is produced by your company?

Mr. MEYER. I should say perhaps 25 to 30 per cent.

Senator REED. That would make the domestic output last year about 600,000 dozen.

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

Senator KING. Six hundred thousand dozen is the domestic output?

Mr. MEYER. The normal domestic output to-day would be something about a million dozen.

Senator REED. That is the domestic capacity.

Mr. MEYER. The domestic capacity; yes, sir.

Senator KING. You stated there has been a diminution in the use in the United States.

Mr. MEYER. Yes.

Senator KING. And is the use still being reduced?

Mr. MEYER. Well, it is not increasing any.

Senator KING. And you produce 25 per cent?

Mr. MEYER. I should say about 25 to 30 per cent.

Senator KING. Then, if 44,000 dozen are imported and the domestic production is 600,000 dozen, the imports would bear that relation to the production.

Mr. MEYER. Well, now, I have something here about that.

Senator KING. Of course, the statement is obvious.

Mr. MEYER. The consumption of the domestic frame in 1927 was from 35 to 40 per cent less than it was in 1924.

Senator KING. Are you speaking of domestic production?

Mr. MEYER. Domestic production, domestic consumption—yes, sir.

Senator KING. Which?

Mr. MEYER. Consumption—the consumption of domestic frames.

Senator REED. And the imports increased to about sevenfold.

Mr. MEYER. Seven hundred per cent; yes, sir.

Senator REED. The domestic production diminished to what extent?

Mr. MEYER. Thirty-five to 40 per cent.

Senator KING. Since when, Senator?

Senator REED. I was comparing 1924 with 1927.

Mr. MEYER. Correct.

Senator KING. The imports in 1926 were 44,000 dozen. In 1927 they were a little less.

Mr. MEYER. Not 44,000 dozen.

Senator KING. All I know is what this shows here.

Mr. MEYER. What does that show for 1927?

Senator KING. It shows for 1926, 44,317 dozen.

Mr. MEYER. How much for 1927?

Senator KING. For 1927 it shows 72,483, and for 1928 it shows 44,686.

Mr. MEYER. And that dropped back due to the 44,000 figure you gave?

Senator KING. Forty-four thousand six hundred and eighty-six.

Mr. MEYER. And it was 77,000 in 1927?

Senator KING. Seventy-two thousand.

Senator REED. Why did it drop back?

Mr. MEYER. Because we failed to meet the foreign competition.

Senator REED. All right, Mr. Meyer. I think we have the picture.

Mr. MEYER. All right. I hope you will bear in mind, Senator, that the change we have asked for means our salvation, and it is only a change in the phraseology of the paragraph.

BRIEF OF THE PRIMUS CO. AND SIMON ACKERSON (INC.), NEW YORK CITY

COMMITTEE ON FINANCE,
United States Senate, Washington, D. C.

GENTLEMEN: The principal importers and dealers in umbrella supplies respectfully submit this memorandum to urge that the present rate of tariff upon imports of "umbrella ribs and stretchers, metal chief value, in frames or otherwise, wholly or partly finished" which are affected by paragraph 342 of the tariff act of 1922, be reduced and revised to such a rate as may be deemed fair and equitable.

We also respectfully refute the testimony of Oscar I. Meyer (and the brief submitted by him) before the Ways and Means Committee of the House of Representatives on behalf of the domestic manufacturers of umbrella frames in urging an increase of duty from the present rate of 50 per cent ad valorem to a compound duty, which will in instances amount to over 120 per cent. This memorandum is respectfully submitted now, and the undersigned pray that it be considered carefully by your committee.

Oscar I. Meyer, who appeared before the Committee on Ways and Means (vol. 111, hearings before the Committee on Ways and Means, pp. 3096 et sec.) represents the manufacturers of umbrella frames in this country.

Reference is hereby made to the customs officials and records at the port of New York for unqualified substantiation of all statements herein contained pertaining to imports of these articles, which signatory parties are unable to procure without the request of the committee.

The fact is carefully concealed that during the period cited before the committee there has been a tremendous increase in the consumption of domestic frames, so that the percentage of imports in 1924 will hardly be proportionately lower than a similar computation for the year 1927. Government statistics show that imports of umbrella and parasol frames, ribs, and stretchers during 1928 were $140,644, which, against the domestic frame business of about $2,000,000 show an approximate percentage of 7 per cent instead of 15 per cent as stated by Mr. Meyer.

Mr. Meyer has heretofore made numerous complaints to the officials of the port of New York, of fraud, undervaluation, etc., which prompted several investigations abroad by special agents of the Treasury Department. The reports of these investigations are on file and will disclose that free and uninterrupted access to records was accorded the representatives of this Government by the foreign manufacturers and that the charges of undervaluation were without foundation. A survey of the foreign markets, made by the special agents, conclusively established that the market values stated by importers for customs entry purposes, were equal to the prevailing foreign home market prices.

In 1922 umbrella frames were imported both in the form of unfastened unfinished loose ribs and in complete frames. They are now being similarly

imported. The records of the port of New York will disclose the truth of this statement in opposition to Mr. Meyer's assertion that the type and character of importations have changed since 1922.

All import invoices on file at the port of New York will show that each importation of umbrella frames is minutely described in the invoice, specifically stating the type of frame, color, finished or unfinished state, size, number of ribs, size of rod (if any), and foreign home market value of each, at time and place of shipment, all duly verified and sworn to by the foreign manufacturer before a United States consular officer.

Mr. Meyer, throughout his testimony and brief, carefully avoided any description of the frames of which he quoted prices and we are therefore at a loss to most accurately present the facts which contradict his assertions. On page 2097 of the record he cites a price of $4 per dozen as the selling price of an imported frame in this country as opposed to the cost price of $4.40 abroad. From the quoted United States selling price, we can only deduce that he referred to a black "single-lock self-opener" frame which has only recently been imported in relatively small quantities. The imported frame is vastly superior in finish, workmanship, and material to the domestic product and is not sold in competition with the latter, which has never commanded a better price than $3.75 per dozen, at which it is now sold by the Finkel Umbrella Frame Co. The importance of the imported frame of this type is negligible, since this frame is only imported as an accommodation for certain customers. But the foreign market price of this frame is much lower than the figure stated by Mr. Meyer, which can be definitely ascertained from an inspection of the import invoices and investigators' reports on file at the port of New York.

Another instance of the noncompetitive character of the imported frames is the type known as the 16-rib bronzed frame with wood shank or rod. This frame is sold by the domestic manufacturers at about $6.08 per dozen, less special discounts, while the imported article is mainly imported in an unfinished state and is completed by domestic labor and sells at a net price of $7 per dozen. Very small quantities of this type of frame are imported because the selling price permits but meager gross profit and renders its importation unprofitable. The importations of this type are usually only made about the fall of the year, during the height of the season, when the domestic manufacturers are unable to supply the demand for these frames, because of inadequate and antiquated facilities.

Umbrella frames are almost wholly manufactured by automatic machinery, each machine having an approximate output of 30,000 umbrella ribs daily. The only labor involved touches the assembling process, by which an ordinary wire is drawn (or threaded) through the eyelets located at the bottom of the ribs and the upper ends of the stretchers, around the rod, thus forming the complete frame. This process is performed by comman unskilled labor and the cost thereof is not in excess of 5 per cent, so that a comparison of the wages of foreign and domestic labor in this regard is immaterial. Independent contractors furnish this labor in New York, at a cost of about 7 per cent, including their profit. Compare these actual figures with Mr. Meyer's estimate of 65 per cent for lacor cost (p. 2097 supra).

Substantiating the information which was evidently furnished the committee by the Tariff Commission (as appears from the question of Mr. Garner, p. 2097, hearings, etc., supra), the vast majority of frames imported consist of the type known as "double-lock self-opening Klinger" frames which are not manufactured in this country. Varying estimates have been made, that from 50 to 75 per cent of the total imports of frames are of this type only. This frame was originally invented and patented in Germany and was exclusively made there. German and United States Letters Patent are now in effect upon an improved style of double lock, used in connection with these frames and are only made in Germany. This frame is also sold and used with other locks, but none of them are made in this country. It is therefore respectfully urged that the principal item of importation, not being in competition or conflict with any domestic products, no high rate of protective tariff is required.

A scrutiny of the records of the port of New York (the principal point of entry for imported umbrella frames) will conclusively establish that no umbrella frames nor any similar articles were ever imported from Japan, as stated in Mr. Meyer's brief at page 2099 of the record. As a matter of fact, the undersigned have experimented with samples of metal umbrella frames made in Japan, but the materials of the Japanese products are so inferior as

to render the same unsalable in this country. The fact that labor plays an insignificant part in the manufacture of umbrella frames—and it is notorious that Japan does not possess any raw material for the manufacture of metal products—makes the contention or possibility of importing Japanese umbrella frames wholly improbable.

From the foregoing and the substantiating records and experience of the Customs Service, no other conclusion can be reached but what the testimony, assertions, and statement of Mr. Meyer should be rejected by your committee without further consideration in toto, and this plea for upward revision denied.

A DECREASE IN THE RATE IS MERITED

In the forepart of this memorandum we made certain statements readily subject to conclusive verification, showing that imported umbrella frames consist of an overwhelming majority in quantity and value of double-lock self-opening Klinger frames which are of a type that is not manufactured in this country and, therefore, do not compete with any articles of domestic make. The relatively few umbrella frames which are imported and which might possibly be construed as similar to some styles of frames made in this country are non-competitive because (1) the imported frames sell for much more than the selling price of the domestic products, and (2) the foreign frames are vastly superior to those of American manufacture. Although Mr. Meyer (at page 2097 of his testimony) stated that the six largest umbrella manufacturers in this country consume 50 per cent of the total production of umbrella frames, he omitted to name them, in furtherance of his fallacious plea of destructive foreign competition; but he did say that with lower prices for foreign umbrella frames these six largest consumers would not even divide their purchases between foreign and domestic products but, impliedly, would only buy and use imported frames. The outstanding leading manufacturers of umbrella in the United States are: Follmer, Clogg & Co., of Lancaster, Pa.; Siegel, Rothschild-Gans Bros. (Inc.), of Baltimore, Md.; Hull Bros. & Haas Co., of Toledo, Ohio.

Careful inquiry has disclosed that none of the foregoing firms use any imported frames. Special discounts from the price lists of the American frame manufactureres, in addition to their lower prices, are given to these leading umbrella firms so that even direct importations of frames are unprofitable for them. From this face alone, the incontrovertible conclusion must be reached that imported umbrella frames offer no competition to domestic products.

Double-lock self-opener Klinger frames, patented and otherwise are only made in Germany and are used in this country for a style of extremely low-priced complete umbrella which is sold in very small quantities, and amounting to a very negligible percentage of the total amount of complete umbrellas sold in the United States, and although these articles form the major part of frame imports, they can not be considered as in anywise competing with domestic frames.

In recent years the cost of materials, and other items affecting the manufacture of frames abroad has and still is steadily increasing because of the advancing tax rates in Europe caused primarily by the results of the World War. This situation, coupled with the present 50 per cent ad valorem rate of duty, fixed by paragraph 342 of the tariff act of 1922, is rapidly rendering the importation of this type of self-opener frame unprofitable, since the use of this frame is confined to low-priced complete umbrellas, thereby preventing an increase in the selling price, which would remove it from its established price range and cause the ultimate consumer to suffer; or would cause its discard altoghether. The increase in cost and duty (from 35 per cent ad valorem in 1913 act to 50 per cent ad valorem under the 1922 act) instead of causing an increase in selling price has been accompanied by a steadily decreased selling price in order to keep the umbrella within the price range of the narrow confines of the class which it serves.

The duty upon importations of complete umbrellas, fixed by paragraph 1456 of the tariff act of 1922, is 40 per cent ad valorem, compared to the duty upon frames of 50 per cent fixed by paragraph 342. Umbrella frames are incomplete and furnish an avenue for the employment of highly paid skilled American labor American cloth, handles, and other materials, while complete umbrellas, subject to a lower rate of duty, require no completion and are sold with a total absence of any American labor or materials.

The undersigned are the principal importers and dealers in unfinished umbrella supplies.

Respectfully submitted.

THE PRIMUS CO.,
907 Broadway, New York.
SIMON ACKERSON, (INC.),
By M. ACKERSON, *Treasurer.*

LATCH KNITTING-MACHINE NEEDLES

[Par. 343]

BRIEF OF THE LATCH NEEDLE MANUFACTURER ASSOCIATION OF THE UNITED STATES

COMMITTEE ON FINANCE,
United States Senate, Washington, D. C.

GENTLEMEN: We respectfully submit for your consideration in the revision of the present tariff bill the following information in relation to latch knitting-machine needles:

Paragraph 343 of the present tariff act covers latch knitting-machine needles, in which we are interested, as follows: Latch needles, $2 per thousand and 50 per cent ad valorem.

Continuance of separate classification.—We recommend that latch knitting-machine needles be still considered apart from all other classes of needles, for the following reasons:

The manufacture of latch knitting-machine needles is entirely different from all other classes of needles on account of the long period of education necessary to bring employees to the point of efficiency required to make them. The nature of the work on a latch knitting-machine needle is delicate and intricate and requires great accuracy and care. For instance, it is necessary to take a piece of wire 0.024-inch thick, into which is cut a groove 0.008 inch, leaving walls on each side 0.008 inch. Into these walls it is necessary to insert a rivet 0.0135 inch in diameter with sufficient head on each end to withstand operating in the machine without becoming loose or rough. No other type of needle made requires such delicate workmanship. Eighty-five to 90 per cent of the cost of making an average latch knitting-machine needle is labor and a large part of this is hand labor, which can not be eliminated by the use of automatic machinery, as is true of other types of needles.

Importance of industry.—The relation of the latch knitting-machine needle industry to the knitting industry is highly important. Knitting machine manufacturers do not make needles and the knitting machine, of course, can not operate without needles. Consequently the use of a knitting machine is entirely dependent on a sufficient supply of needles. During the World War, when needles were scarce, hosiery and underwear factories were able to operate only to the extent of their supply of needles.

American knitters without question prefer to use American-made needles, provided they can buy them at comparative prices.

Future prospects.—The future prospects of the latch knitting-machine needle industry in the United States are wholly dependent on the extent to which German needles are allowed into this country at low prices through lack of proper tariff protection.

Importations.—Even under the present tariff Germany is able to sell latch knitting-machine needles delivered in this country at less than our factory costs.

Before the war Germany was the only exporter of latch knitting-machine needles to this country. Under the Payne-Aldrich tariff of 35 per cent ad valorem and $1.15 specific, importations grew until during the year previous to the war, 1913, they amounted to 26,751,000 latch knitting-machine needles, or approximately one-third of the entire consumption during that year in the United States. Since the present tariff was enacted this has been materially reduced, although large quantities are still being exported from Germany, the exact amounts of which we are unable to ascertain.

Expansion of equipment.—During the war German importations were cut off and, due to the extraordinary demands and the Government's need for underwear and stockings, all the latch-needle manufacturers in this country felt that

it was necessary to expand their business to adequately provide for the soldiers in addition to civilian needs. This they did to such an extent that the industry is now able to produce annually about 150,000,000 needles as against 52,000,000 in the year 1913. The number of employees has increased more than three times.

Costs.—One of our members (the Torrington Co.) owns and operates a plant in Germany and the following German wages, costs, and selling prices are the latest figures available from their German plant (September, 1928).

The following is a comparison of average weekly wages paid to employees in needle factories in Germany and in this country, based on 55-hour employment per week.

The proportion of male and female labor in making latch needles is roughly 50 per cent male and 50 per cent female. Eight-five to 90 per cent of the cost of making latch needles is labor.

	Germany	United States
Average female wages	$6.90	$19.20
Average male wages	9.88	28.76
Average of all employees	8.39	23.98

The average cost, including all overhead, for making a common or regular cylinder latch knitting-machine needle in Germany is about $7 per thousand.

The average cost of all factories in this country for making the same needle is substantially $18 per thousand at the present time.

Selling prices.—At the above German cost, latch knitting-machine needles of a common type, as noted above, with a fair profit added, together with present duty and transportation charges, can be landed in New York City at about $15 per thousand, as against costs in this country on a much larger productive basis of about $18 per thousand.

As a matter of fact, the present German selling price on a common cylinder latch needle (as noted above) for export is $8.25 per thousand f. o. b. Germany.

The selling price for the above needle in this country by domestic manufacturers is about $23 per thousand.

With these conditions and such low costs obtainable in Germany, due to low labor costs, unless the tariff is sufficiently high to protect this industry, it means that the industry in the United States might be forced out of existence and the business go to Germany. It was rapidly going there before the war. In fact, the largest manufacturer of latch knitting-machine needles in this country, who is a member of this association, had definitely made plans to move their machinery to Germany, but, of course, did not carry them out, due to the war.

It is apparent from the comparison of costs as shown above that a tariff amounting to $11 per thousand at the present time would compensate the difference between costs here and in Germany.

Duties recommended.—We, therefore, recommend that the present tariff rate on latch knitting-machine needles, if based on foreign valuation, be changed to read as follows:

"Latch needles for knitting machines 50 per cent ad valorem and $6 per thousand specific."

We submit samples of latch knitting-machine needles made in this country. We have no samples of foreign needles at the present time which we can submit.

Respectfully submitted.

LATCH NEEDLE MANUFACTURERS ASSOCIATION OF UNITED STATES,
W. X. HEID, *President.*

Subscribed and sworn to this 8th day of July, 1929.

[SEAL.] HENRY M. BARRY.
Notary Public, District of Columbia.

SEWING-MACHINE NEEDLES

[Par. 343]

BRIEF OF THE TORRINGTON CO., TORRINGTON, CONN.

COMMITTEE ON FINANCE,
United States Senate, Washington, D. C.

GENTLEMEN: We respectfully submit for your consideration in the revision of the tariff bill the following information in relation to sewing-machine needles, of which we are large manufacturers.

Paragraph 343 of the present tariff act covers sewing-machine needles, in which we are interested, as follows:

* * * Needles for knitting, sewing, shoe, or embroidery machines of every description not specifically provided for * * * $1.15 per thousand and 40 per cent ad valorem.

The sewing-machine needle industry is well developed in this country. Our company has been manufacturing this article for over 50 years. During the war, to satisfy the extraordinary demands for war requirements, we very largely increased our equipment for making these needles to the extent that during the year ended June 30, 1928, our product was about 75,000,000, valued at about $750,000. There are other large manufacturers of sewing-machine needles in this country, and the total output of needles has been variously estimated at from 175,000,000 to 225,000,000 annually.

About 90 per cent of the total cost of a sewing-machine needle is comprised of labor, a great deal of which is performed by hand.

Sewing-machine needles enter into the manufacture of the textile and cutting-up trades, hats, gloves, hose, collars, and various other articles, and are also made for use in family machines in the home.

The raw material entering into a sewing-machine needle is a crucible steel wire of a very high grade, all of which has been for a great many years supplied by wire manufacturers in this country.

Imports.—The chief sources of importations on sewing-machine needles are England and Germany, particularly Germany. Large quantitives of needles are now being shipped into the United States from Germany and are sold at low prices, although we are unable to secure any reliable data which we can furnish in this respect.

Costs.—This company entirely owns and operates a plant in Aachen, Germany, which manufactures sewing-machine needles, producing about 50 per cent of the output of our factory here. It has been under our care and has been given the benefit of such improvements in machinery and methods as we have been able to work out here, so that, instead of being a real German factory, it is an American factory transplanted to Germany. During the war this factory was taken out of our hands, but we succeeded in getting back control of it in February, 1920, and have been operating since that time under the same conditions as before the war.

The following is a comparison of average weekly wages paid to employees in our needle factories in Germany and in this country, based on 55 hours' employment per week. The proportion of male and female labor is roughly 50 per cent male and 50 per cent female.

	Germany	United States
Average female wages	$6.90	$19.20
Average male wages	9.88	28.76
Average of all employees	8.39	23.98

The last costs received from our German plant, dated September, 1928, using the same cost system and methods as in our plant in this country, which we know gives us an accurate cost, for a so-called common sewing-machine needle, are as follows:

	Germany	United States
Factory costs	$3.14	$6.33
Overhead 25 per cent	.79	1.58
Total cost	3.93	7.91

There are a great many varieties of sewing-machine needles manufactured by us, but the above is the most common and gives the proper comparison of costs between this country and Germany.

At the above German cost, sewing-machine needles of so-called common type, as noted above, with a fair profit added, together with present duty and transportation charges, can be landed in New York City at about $8 per thousand as against costs in this country of about an equal amount.

Changes in tariff recommended.—From the above figures it can be seen that the present tariff is not sufficient to safeguard this American industry and we, therefore, recommend that the present tariff rate on sewing-machine needles be changed to read as follows:

Sewing-machine needles 50 per cent ad valorem and $2 per thousand specific.

We submit samples of sewing-machine needles made in this country. We have no samples of foreign needles at the present time which we can submit.

Respectfully submitted.

THE TORRINGTON CO.,
G. B. VINCENT, *Treasurer.*

Subscribed and sworn to before me this 8th day of July, 1929.

[SEAL.] HENRY M. BARRY,
Notary Public, District of Columbia.

SHOE-MACHINE NEEDLES

[Par. 343]

BRIEF OF THE TORRINGTON CO., TORRINGTON, CONN.

COMMITTEE ON FINANCE,
United States Senate, Washington, D. C.

GENTLEMEN: We respectfully submit for your consideration in the revision of the tariff bill the following information in relation to shoe machine needles, of which we are large manufacturers.

Paragraph 343 of the present tariff act covers shoe machine needles, in which we are interested as follows:

* * * Needles for knitting, sewing, shoe, or embroidery machines of every description not specifically provided for * * * $1.15 per thousand and 40 per cent ad valorem.

Importance of industry.—The production of boots and shoes in this country depends entirely on the production of these needles in adequate quantities and quality.

Growth of industry.—The growth of this industry in this country during the past 35 years parallels that of shoe-making in factories, which has been very great, and future growth should be relative to the growth of the shoemaking industry.

Our production for the year ended June 30, 1928, was about 23,500,000, valued at about $500,000.

Costs.—This company entirely owns and operates a factory in Aachen, Germany, which manufactures shoe machine needles. It produces about one-tenth as many needles as our factory in Torrington, Conn. It has been under our care and has been given the benefit of such improvements in machinery and methods as we have been able to work out here, so that, instead of being a real German factory, it is an American factory transplanted to Germany. During the war this factory was taken out of our hands, but we succeeded in getting back control of it in February, 1920, and have been operating since that time under the same conditions as before the war.

The following is a comparison of average weekly wages paid to employees in our factory in Germany and in this country, based on 55 hours employment per week. The proportion of male and female labor is roughly 50 per cent male and 50 per cent female. Eighty to 85 per cent of the cost of making shoe machine needles is labor.

	Germany	United States
Average female wages	$6.90	$19.20
Average male wages	9.88	28.76
Average of all employees	8.39	23.98

The last costs received from this German plant, dated in August, 1928, and using the same cost system and methods as in our factory in Torrington, Conn., which we know give us an accurate cost, for a McKay shoe-machine needle, are as follows:

	Germany	United States
Factory cost	$5.27	$9.70
Overhead, 25 per cent	1.32	2.42
Total cost	6.59	12.12

We are able to submit only the above comparison of costs, as we make practically but one style of these needles in our German plant. In Torrington, Conn., however, we make a great many varieties of these needles, varying greatly in cost, but the above gives a very good comparison.

As is shown by the above costs, McKay shoe-machine needles can be landed in New York City (duty included) at about $12.25 per thousand, as against costs in this country of substantially the same amount.

Changes in tariff recommended.—From the above figures it can be seen that the present tariff is not sufficient to safeguard this American industry, and we, therefore, recommend that the present tariff rate on shoe-machine needles be changed to read as follows:

Shoe machine-needles: 50 per cent ad valorem and $2 per thousand specific.

We submit samples of McKay shoe-machine needles made in this country. We have no samples of foreign needles at the present time which we can submit.

Respectfully submitted.

THE TORRINGTON CO.,
C. B. VINCENT, *Treasurer.*

Subscribed and sworn to before me this 8th day of July, 1929.

[SEAL.]

HENRY M. BARRY,
Notary Public, District of Columbia.

SHOE BUCKLES

[Par. 346]

STATEMENT OF F. L. McLAUGHLIN, NEW YORK CITY, REPRESENTING THE UNITED SHOE BUCKLES DEALERS' ASSOCIATION

(The witness was duly sworn.)

Mr. MCLAUGHLIN. I appear, together with Mr. Coblentz, in regard to paragraph 346, shoe and slipper buckles.

Senator REED. This item also appears in sundries. If they are worth more than 1⅔ cents apiece they come under sundries. Is that not correct?

Mr. COBLENTZ. That is just what we wanted to talk about.

Mr. MCLAUGHLIN. They have added to that paragraph a phrase: "And not more than $1.66⅔ per hundred."

Senator REED. That is so as to throw the more expensive buckles into the "Sundries" paragraph and carry a higher duty.

Mr. McLAUGHLIN. That limit of $1.66⅔ per hundred pieces would practically eliminate us.

Senator REED. You mean all your buckles come in at more than that?

Mr. McLAUGHLIN. Oh, yes, sir.

Senator REED. So that if this paragraph remains as it is this becomes a question solely for the treatment of the "Sundries" schedule because, automatically, they would go out of this paragraph. Is that right?

Mr. McLAUGHLIN. It increases the duty from 20 per cent ad valorem to a point amounting to 110 per cent if it goes into paragraph 1527.

Senator REED. Under paragraph 346 the duty is 15 cents a hundred for these more expensive ones plus 20 per cent ad valorem. Now, are you satisfied with that?

Mr. McLAUGHLIN. Yes.

Mr. COBLENTZ. Yes.

Senator REED. That is what you have been paying?

Mr. McLAUGHLIN. That is what we have been paying.

Senator REED. What you object to is the duty that would result from putting you under paragraph 1527.

Mr. COBLENTZ. That is correct.

Mr. McLAUGHLIN. You see that would practically eliminate all buckles.

Senator REED. Let us get the law straightened out first. If they were valued at more than $1.66⅔ per hundred they would come under clause C of paragraph 1527, being buckles designed to be worn on apparel, or carried on or about, or attached to, the person such as and including buckles. Is that where it would come in?

Mr. COBLENTZ. Yes; that is where it would come in.

Mr. McLAUGHLIN. After this phrase was added by the House we took the matter to customs brokers to get their advice as to the effect it would have on our buckles and he told us that that would be the only paragraph under which our buckles would then come in.

Senator KING. That is paragraph 346?

Mr. McLAUGHLIN. No; under paragraph 1527; if that little phrase "not more than $1.66⅔ per hundred" was added.

Senator REED. That is the way it would work?

Mr. McLAUGHLIN. Yes, sir.

Senator REED. These are not gold or platinum?

Mr. McLAUGHLIN. No, sir.

Senator REED. They are steel.

Mr. McLAUGHLIN. I will tell you how they are made.

Senator REED. Let us get straightened out on the law first. Then I will let you tell me how they are made; and I want to know. They are not composed of gold or platinum?

Mr. McLAUGHLIN. No, sir; and they are not semiprecious stones.

Senator REED. So they take a duty of 1 cent each, and in addition thereto three-fifths of 1 cent a dozen for each cent that the value exceeds 20 cents a dozen, and 50 per cent ad valorem. That is the duty you paid?

Mr. McLAUGHLIN. Yes.

Senator REED. What is the invoice value of the average buckle you bring in?

Mr. MCLAUGHLIN. Twenty cents apiece.

Senator REED. Twenty cents apiece?

Mr. MCLAUGHLIN. Yes.

Senator REED. So you pay a duty of 1 cent apiece——

Mr. COBLENTZ. It amounts to 110 per cent.

Senator REED. Plus three-fifths of a cent for 19——

Mr. COBLENTZ. No; three-fifths of a cent—yes; for 19 cents—no.

Senator REED. Three-fifths times 19.

Mr. COBLENTZ. No.

Senator REED. Yes; certainly, plus 50 per cent ad valorem.

Mr. COBLENTZ. Yes.

Senator REED. Which is half, or 10 cents apiece.

Mr. COBLENTZ. Yes.

Senator REED. I figured that out to be 22.2 cents.

Mr. COBLENTZ. Yes; that is right.

Senator REED. Per buckle.

Mr. COBLENTZ. Per buckle on a 20-cent buckle.

Senator REED. And the value is 20 cents?

Mr. COBLENTZ. Yes.

Senator REED. That is the foreign value?

Mr. MCLAUGHLIN. Yes.

Senator REED. All right; now tell us about them.

Mr. MCLAUGHLIN. These are shoe buckles. One is a metal buckle which is copied here very much cheaper. I have letters here from the International Shoe Co. in which they tell us that they have to buy them here on account of the price and on account of the deliveries, but many times they are used for copying purposes. That is, from the style standpoint. The other buckle is the cut-steel shoe buckle and they are not manufactured in this country. There was one man in Philadelphia, Mr. Rivellis, I think, who tried it. Of course, it was really an assembled buckle. They got the points from France and made them up here; but I do not believe it was a success.

In order to get the metal buckle a great many manufacturers, as I stated before, use the French models to copy. If buckles are used, of course, the business is pretty good. The last two years the buckle business has been fairly good. This year it is not so good because they are using more of the rattlesnake skins and things of that sort.

Senator REED. What type of buckle do you import mostly?

Mr. MCLAUGHLIN. The cut-steel buckle.

Mr. COBLENTZ. Here is a sample of the steel buckles we import [producing samples].

Mr. MCLAUGHLIN. I have letters here from a number of manufacturers stating in substance that they can buy the stamped buckles of domestic manufacture much cheaper, but that when they want a cut-steel buckle they have to go to the imported article because they have not been able to find any manufactured in this country. Here is a letter from A. S. Beck, a manufacturer of $5 women's shoes. In addition to stating what I have about presented the gist of in these letters, he says that in view of the fact that the domestic metal buckles are cheaper than the imported metal buckles, and cut-steel buckles are not made in this country at all, and additional duty

on buckles would mean a very serious handicap to us as it will prohibit us from using a shoe with a cut-steel buckle attached and maintain our $5 price policy. We are, therefore, very strongly opposed to any increased duty on shoe buckles on the ground that it would be a decided detriment to our business.

Senator KING. That is an American producer of shoes.

Mr. MCLAUGHLIN. He retails his shoes all over the United States.

I have a great many more letters. Here is one from I. Miller & Sons, reading as follows:

LONG ISLAND CITY, N. Y.,
March 1, 1929.

LEON WEIL (INC.),
New York City.

GENTLEMEN: Answering your inquiry relative to higher duties on shoe buckles, we ask to state that practically all the metal buckles used by us are of domestic make. Our experience is that the metal shoe buckles as made here afford us several advantages, including the important one of price.

However, we do depend entirely on imported cut-steel buckles for the finishing of our better shoes and we have used them successfully in the past few seasons.

Since, to the best of our knowledge and belief, there is no such thing as a cut-steel industry in this country, we fail to see who will be benefited by the suggested duty increase on shoe buckles and it would only mean a new burden added to the shoe industry.

Very truly yours,

I. MILLER & SONS (INC.),
GEORGE MILLER,
Vice President.

Senator KING. I am not quite clear how this tariff affects you.

Mr. MCLAUGHLIN. Buckles costing more than $1.66⅔ per hundred are taken out of the 20 per cent clause and put in the other paragraph, No. 1527, which would make it then, on the new bill, around 110 per cent.

Senator KING. There would be a duty under 346 and then a duty under subdivision C of paragraph 1527.

Mr. MCLAUGHLIN. No. You see the buckles they refer to are so cheap they are way beyond anything we handle—too cheap.

Senator KING. That is way beyond or less?

Mr. MCLAUGHLIN. Less.

Senator KING. What are the imports of these shoe buckles?

Mr. MCLAUGHLIN. You mean in dollars and cents?

Senator KING. Yes.

Mr. MCLAUGHLIN. Mr. Kalish made a statement when he appeared before the House Ways and Means Committee but his figures were wrong. He stated that in 1925 buckles were brought in amounting to $3,200,000.

Senator KING. Who stated that?

Mr. MCLAUGHLIN. Mr. Kalish.

Senator KING. And you deny that?

Mr. COBLENTZ. Yes; absolutely.

Mr. MCLAUGHLIN. Here are our official figures: $427,969.

Senator KING. Where did you get them?

Mr. COBLENTZ. From the statistical department.

Senator KING. Where did Mr. Kalish get his figures?

Mr. COBLENTZ. I do not know.

Senator KING. What is the value of the domestic manufacturers?

Senator REED. The total sales are given at page 2135 of the House hearings, Senator.

Senator KING. By whom, Senator?

Senator REED. By the attorney for one of the manufacturers.

Senator KING. Mr. Kalish?

Senator REED. Mr. Kalish is attorney for Rivellis, who is the American manufacturer.

Senator KING. In 1928, $15,000?

Senator REED. Yes.

Mr. MCLAUGHLIN. That is of cut steel.

Senator REED. That is what you are talking about.

Mr. MCLAUGHLIN. There [indicating] is a cut-steel buckle and here is just a plain ordinary metal buckle.

Senator REED. And the metal buckle can be manufactured cheaper in this country?

Mr. MCLAUGHLIN. That is the one we say can be made in this country so much cheaper than the imported buckle.

Senator REED. That you do not import.

Mr. MCLAUGHLIN. We do for certain purposes.

Senator REED. What buckles are you importing which do not compete with American buckles?

Mr. MCLAUGHLIN. This would be the only one. There is no American manufacturer producing a cut-steel buckle to-day.

Senator REED. Does not Rivellis produce it?

Mr. MCLAUGHLIN. He did.

Senator REED. He did last year, did he not?

Mr. MCLAUGHLIN. I do not know.

Senator REED. He says he did.

Mr. MCLAUGHLIN. He probably knows; but I have not heard about it.

Mr. COBLENTZ. His total sale was $15,000.

Senator KING. And they came down from $75,000 worth in 1925.

Mr. MCLAUGHLIN. Yes, sir. They are assembled buckles. The points they get from France where they make them by some secret process. Mr. Coblentz has had factory experience in France. He can tell you how they are made.

Senator KING. Suppose we swear Mr. Coblentz and have him tell us how they are made.

STATEMENT OF L. J. COBLENTZ, REPRESENTING LEON WEIL INC.), NEW YORK CITY, AND THE UNITED SHOE BUCKLE DEALERS ASSOCIATION

The witness was duly sworn by the chairman of the subcommittee.

Senator REED. Tell us how these are made.

Mr. COBLENTZ. These buckles are made in two parts, a back and a mail. The head is polished and the steel point is riveted into the back.

Senator REED. What kind of steel is it?

Mr. COBLENTZ. It is hard-tempered steel.

Senator REED. Is that cut into those small fragments and then polished?

Mr. COBLENTZ. There are two ways of making them. The high-grade ones are made on a wheel and the cheaper grades are stamped and polished in a barrel.

Senator REED. They are not separately polished?

Mr. COBLENTZ. They are not separately polished; no.

Senator REED. Are they polished in a tumbler?

Mr. COBLENTZ. Yes, sir; 10,000,000 at a time.

Senator KING. Then, how are they made to adhere to the buckle?

Mr. COBLENTZ. They are riveted.

Senator KING. That is all done by machinery?

Mr. COBLENTZ. It is all done by machinery.

In this testimony of Mr. Kalish, mentioned at page 2132, Mr. Kalish stated that $3,200,000 worth of these buckles had been imported in 1925. According to the statistical department in 1925, there were imported $427,000 worth altogether. These included belt buckles, shoe buckles, and all kinds of imported metal buckles.

Senator KING. What proportion would be shoe buckles?

Mr. COBLENTZ. About four-fifths would be shoe buckles and one-fifth belt buckles. The domestic production of metal buckles, as we know, is about eight to ten millions a year.

Senator KING. What kind of buckles?

Mr. COBLENTZ. All-metal buckles.

Senator BARKLEY. You mean dollars?

Mr. COBLENTZ. In dollars; yes. There is no official figure for domestic production of metal buckles, but from information obtained in the trade, it would run between eight and ten million dollars a year. So the imports are only about 6 per cent. So far we have been paying 20 per cent on our product; but under this paragraph as it is written by the House we will have to pay 110 per cent—a 450 per cent increase. This would put us out of business.

Senator REED. You are talking about this plain-steel buckle now?

Mr. COBLENTZ. About the plain-steel buckle.

Senator REED. How about this cut-steel buckle? What do they sell for?

Mr. COBLENTZ. They are mostly attached to the shoe. We sell them to shoe manufacturers.

Senator REED. I understand that; but what is the invoice price, the foreign invoice price?

Mr. COBLENTZ. Thirty-six cents a pair for those buckles; that is 18 cents a piece.

Senator REED. That is the French invoice price?

Mr. COBLENTZ. The French invoice price. This buckle is sold to this concern at 27½ cents a piece. You have the French invoice price at 18 cents, then 20 per cent duty, which brings it to 21½ cents; and it is sold at 27½ cents to the shoe manufacturers.

Senator KING. And the 110 per cent——

Mr. COBLENTZ. One hundred and ten per cent would put this buckle absolutely out of reach because they could not afford to pay the price that we would have to sell them at. They sell the shoe and buckle complete at a set price; and we have letters from concerns all over the country, from the biggest shoe dealers and department stores.

Senator KING. Have you letters from shoe manufacturers?

Mr. COBLENTZ. Yes.

Mr. McLAUGHLIN. There are several.

Senator KING. You have submitted one letter from I. Miller & Sons (Inc.), shoe manufacturers, Long Island, a large concern.

Mr. McLAUGHLIN. Yes, sir.

Senator REED. In the House hearing you expressed a willingness to pay an ad valorem of 40 per cent?

Mr. McLAUGHLIN. Yes, sir.

Senator REED. Undoubtedly, the duty in the 1922 act was too low for these higher-priced buckles.

Mr. McLAUGHLIN. Well, it was not too low, but we were not paying enough. I have a letter here from one of the largest metal-buckle manufacturers in the country who claims that he is very well satisfied—the Reynolds Co., of Providence. If you wish to increase the duty we ask you not to increase it from 20 per cent to 110 per cent——

Senator BARKLEY. How do you figure 110 per cent?

Mr. McLAUGHLIN. By calculation at the rates proposed.

Senator BARKLEY. Not under section 346?

Mr. COBLENTZ. It is just this little phrase——

Senator BARKLEY. Not more than $1.66⅔.

Senator REED. That throws it into "sundries," Senator.

Mr. COBLENTZ. That throws it into the jewelry paragraph.

Senator REED. We calculated that, Senator, before you came in; and it amounts to a 22.2 cents duty on a 20-cent buckle.

Senator KING. I suggest that this letter from the Reynolds Co. be placed in the record.

Senator REED. At Senator King's request this letter will be placed in the record.

(The letter referred to is as follows:)

THE REYNOLDS CO.,
Providence, Rhode Island, June 13, 1929.

Mr. LOUIS J. COBLENTZ,
President United Shoe Buckle Dealers Association,
New York, N. Y.

DEAR SIR: We are manufacturers of most every type of shoe buckle or shoe ornament, and we can verify the fact that in so far as metal buckles being imported from Europe, we can manufacture this type of merchandise, which has a base of brass, at less cost than those of foreign make, with a duty as now being enforced under paragraph 346 of the tariff act of 1922.

The importation of steel-riveted shoe buckles or cut-steel shoe buckles does not interfere with our domestic product in any way.

We understand that steel-riveted shoe buckles are to be excluded from paragraph 346, and made dutiable under the proposed jewelry paragraph 1528. We wish to advise that we do not understand and that we oppose any increase of tariff on this type of imported buckle, and that they positively should not be classified as jewelry.

Therefore, we ask it to be known to your representative, who is to appear before the Senate Finance Committee, that we find that the present rate of duty under paragraph 346 of the tariff act of 1922 is ample to protect our domestic industry.

Very truly yours,

THE REYNOLDS CO.,
WM. REYNOLDS,
President.

Mr. McLAUGHLIN. We propose filing a brief and in that we want to include letters from people all over the country from houses like Kaufman, of Pittsburgh, and Woodward & Lothrop, of Washington.

Senator REED. I do not think the record is improved by that.

Senator KING. May I suggest that you just append a short statement to your brief that you handed letters to the committee from certain people, naming them, in which the statement was made substantially as follows, and then briefly state it and append that to your brief; and that statement will make a good record. Do you not think that is a good suggestion?

Senator REED. Yes. If I understand you gentlemen correctly you admit that section 346 as it stood in the old law was not a sufficient protection and that you are willing to pay 40 per cent ad valorem on this kind of buckle?

Mr. COBLENTZ. Forty per cent. I made the statement personally. Since then we have formed a little association and all the members have decided on 30 per cent.

Senator REED. Then you have changed your figure to 30. That is to say that you realize that the present law does not sufficiently give protection to the American labor engaged in this business and that in view of that fact that if it is an article of luxury you are willing to see the duty raised to 30 per cent?

Mr. COBLENTZ. That is right.

Senator REED. Is that right?

Mr. COBLENTZ. Yes, sir.

Mr. MCLAUGHLIN. We do not say that exactly, Senator. We saw that they wanted to increase it and we wanted to be fair.

Mr. COBLENTZ. We wanted to be reasonable. It really means a lot to about eight importers. If you raise th erate to 110 per cent I might just as well close my business. Last year the volume of my business was about $400,000. That is not much, but it means quite a lot to me; I make a decent living out of it.

Mr. MCLAUGHLIN. It is a business that is very much affected by style. They were selling boots in 1922; the women were wearing high boots and short skirts. Now buckles are being worn, and, of course, you can not sell a pair of high boots.

Senator BARKLEY. They are still wearing the short skirts but not the high boots.

Mr. MCLAUGHLIN. That is it.

Senator REED. Is not this the picture of the situation: We are talking about fine buckles. The cut steel buckle is not made in this country to any extent. The other buckle is cut here to a very large extent.

Mr. COBLENTZ. Yes.

Senator REED. The solid metal.

Mr. COBLENTZ. I do not think any manufacturer of metal buckles is demanding a high duty.

Senator REED. I beg your pardon. There is a brief here in the record which was filed with the House.

Mr. MCLAUGHLIN. I read you this letter from the Reynolds Co. in Providence in which Mr. Reynolds said he is very well satisfied. In fact he says that the importations of a few buckles helps his business because when we get a new style he duplicates it and that gives him additional business. They all know they can manufacture them much cheaper.

Senator REED. Here is the brief of the manufacturers of ornamental shoe and slipper buckles. They request that paragraph 346 of the tariff act of 1922 be amended to read as follows. I will not read this, all of it, but they want slipper buckles and parts thereof made wholly or partly of iron, steel, or other base metal, finished or unfinished, valued at more than $1.50 per hundred pieces to pay 80 per cent ad valorem.

Mr. COBLENTZ. That is what they did. They put in that paragraph.

Senator REED. That is what they asked.

Mr. COBLENTZ. Yes; and that is not right.

Senator REED. But you told us they did not ask it.

Mr. MCLAUGHLIN. No.

Mr. COBLENTZ. The largest one did not ask it.

Senator KING. Who is the largest?

Senator REED. What is the name of the largest one?

Mr. COBLENTZ. Reynolds, of Providence.

(Mr. Coblentz submitted the following brief:)

BRIEF OF UNITED SHOE BUCKLE DEALERS' ASSOCIATION

SENATE FINANCE COMMITTEE,
Washington, D. C.

GENTLEMEN: The undersigned dealers in shoe and slipper buckles wish to direct the attention of your committee to the proposed amendment made in H. R. 2667 to paragraph 346.

A phrase reading as follows, "and not more than $1.66⅔ per hundred" has been added to paragraph 346, as in the act of 1922. This added phrase renders the new paragraph 346 absolutely useless, as far as shoe buckles are concerned, since there are no shoe buckles imported costing as low as $1.66⅔ per hundred pieces, and throws all the shoe buckles imported into the jewelry paragraph 1527. This amendment would mean a 450 per cent increase in the actual rate of duty, as shown below:

Actual duty on a dozen metal buckles costing $3 per dozen under paragraph 346:

15 cents per hundred pieces	0.018
Plus 20 per cent ad valorem	0.60
Total actual duty	0.618

Equals less than 21 per cent.

Proposed duty on a dozen metal buckles costing $3, if made dutiable under paragraph 1527:

1 cent per piece	0.12
⅚ of 1 cent for each cent over 20 cents	1.68
Plus 50 per cent ad valorem	1.50
Total proposed duty	3.30

Equals 110 per cent.

We ask that a new clause be added to paragraph 346, or that a new paragraph be drafted to take care of cut steel shoe buckles and metal shoe buckles costing more than 1.66⅔ per hundred pieces, which shall read as follows:

"Shoe or slipper buckles, made wholly or partly of iron, steel, brass, or other base metals, such as, and including stamped metal shoe buckles and cut steel shoe buckles, costing over 1.66⅔ per hundred, 30 per cent ad valorem."

The total value of metal shoe buckles imported, valued at over 50 cents per hundred, has been:

1925	$427,969
1926	446,853
1927	456,810

We are unable to ascertain the exact value of buckles manufactured in the United States, as they are merged with the production figures for all boot and shoe findings, but from our own knowledge and information obtained in the

trade, we believe that the domestic production of metal buckles is at least six to eight million dollars a year.

The importation, therefore, of less than one-half million dollars of said product is in no way a menace to domestic industry.

There are two kinds of metal shoe buckles imported:

1. Stamped metal buckles.
2. Cut-steel shoe buckles.

The stamped metal buckles can be produced in this country cheaper than they can be imported, and the cut-steel shoe buckles are not produced in this country at all.

We do import some stamped metal buckles which we are able to sell in a limited quantity for a short period, by reason of new designs produced. These designs, however, are very quickly copied in this country by American buckle manufacturers, who by reason of their superior manufacturing organization and facilities, also the lower price of raw material (brass) are, as stated, able to place these buckles on the market at a much lower price, and as soon as this is done, our importations, of course, on these designs cease.

The importation of a very small quantity of these stamped metal buckles is therefore a source of benefit and stimulation to the domestic production, as it furnishes novel designs, which, as stated, are quickly produced in this country to the exclusion of the foreign article.

There is a different situation, however, with respect to the cut-steel buckles. The cut-steel buckle industry exists almost exclusively in Paris, France.

By reason of the continuous changes in styles, and the small demand for such buckles, as compared with the metal stamped buckles, we believe that it is not an article of any great moment to domestic buckle manufacturers.

The fact that the total imports of buckles in 1926 and 1927 was less than one-half million dollars, compared with the production of the United States, of at least six to eight million dollars, very clearly indicates that the present rate of duty is ample to protect the domestic industry.

Many of the American shoe manufacturers and dealers sell their shoes with cut-steel buckles attached, and consider them a necessary accessory to stimulate and increase sales. To assess a high rate of duty on these shoe buckles would render them prohibitive, and any substantial addition to the present duty would add an unnecessary burden to the shoe industry, and to the ultimate consumer of women's footwear in this country, as necessarily selling prices of shoes would have to be increased to absorb the added cost of the buckles with which they are equipped.

We wish to direct the attention of this committee to a few letters which we are attaching to this brief. These letters are from the leading houses in the shoe industry of this country, such as:

International Shoe Co., St. Louis, Mo.

I. Miller & Sons (Inc.), with main offices in Long Island City, and branches all over the United States.

Wise Shoe Co., New York, N. Y., large popular priced chain shoe stores, all over the United States.

A. S. Beck Co., New York, N. Y., large popular priced chain shoe stores, all over the United States.

National Shoe Retailers Association, Chicago, Ill.

They corroborate the following statements:

1. That metal shoe buckles can be produced in this country cheaper than they can be imported.
2. That cut-steel shoe buckles are not manufactured in this country.
3. That cut-steel shoe buckles are a necessary accessory to increase and stimulate the sale of shoes.
4. That any substantial increase in the actual rate of duty would be considered a burden to the shoe industry.

Also a letter from the Reynolds Co., one of the large manufacturers of metal buckles in this country, confirming our statements.

For the information of the committee we are attaching samples of the various kinds of buckles referred to in this brief, together with samples of similar buckles of domestic makes, proving that, as stated above, metal buckles can be duplicated here cheaper than they can be imported.

We can not send you samples of domestic made cut-steel shoe buckles, as we are unable to find any made in this country.

We do not believe that this committee wishes to put a prohibitive rate of duty on articles that are in common use by the people of the United States, especially when no American industry is menaced by the importation.

Under no condition, as we see it, should shoe and slipper buckles, made of base metal, be considered in any way akin to jewelry. In our estimation, the highest rate that they should possibly bear is about 30 per cent ad valorem.

Respectfully,

UNITED SHOE BUCKLE DEALERS ASSOCIATION,
47 W. 34th St., New York, N. Y.
LOUIS J. COBLENTZ, *President.*

Representing: Bassteel Novelty Corporation, New York, N. Y.; M. Gugenheim (Inc.), New York, N. Y.; Jefferson Import (Inc.), New York, N. Y.; Reynolds Co., Providence, R. I.; A. & H. Veith (Inc.), New York, N. Y.; Winkler-Thompson, New York, N. Y.; Leon Weil (Inc.), New York, N. Y.

[SEAL.] A. G. REYNOLDS,
Notary Public.

Commission expires March 30, 1931.

METAL BUTTONS

[Par. 349]

STATEMENT OF E. H. DAVIS AND W. F. KAYNOR, WATERBURY, CONN., REPRESENTING METAL BUTTON MANUFACTURERS

(The witness was duly sworn by the chairman of the subcommittee.)

Mr. DAVIS. I am statistician of the Scoville Manufacturing Co., of Waterbury, Conn., and with me is Mr. W. F. Kaynor, secretary and general manager of the Waterbury Button Co.

Senator REED. And you appear to talk upon section 349?

Mr. DAVIS. That is metal buttons. I hand to you herewith a sworn brief we are filing. We filed a brief before the House committee.

Senator REED. And testified in addition to filing the brief?

Mr. DAVIS. I did.

Senator REED. And you now wish to supplement your testimony before the House committee and the brief you filed there?

Mr. DAVIS. I think this is supplementary.

Senator REED. The House took no action on this section.

Mr. DAVIS. Correct. It is our belief, sir, that it was largely due to an opposing brief that was filed with the committee and printed in the record subsequent to the hearings. That opposing brief was drawn by three New York importers who presented an apparent very strong case against an increase in the duty.

We did not know of this opposed brief until well into April, and at which time we filed an answer that, in our judgment, was sufficient. The answer arrived too late to be considered in the framing of the act; and we have included the answer as an appendix in our present brief in order that it may have a place in the record. It now has no place in the record.

We believe, sir, that the misleading character of the statistics presented in the opposing brief are not sufficiently answered and think the true statistics are sufficient to justify reopening the question. That is why we are here.

Senator KING. Do you admit that the amount of metal buttons imported is small? It is less than 5 per cent of the value of the domestic production.

Mr. DAVIS. No, sir; it is not. I do not for the reason, sir, that metal buttons is a very broad term. We are appearing solely with reference to high finished buttons used for uniforms and dress trimmings.

Senator KING. Do you appear for metal trouser buttons?

Mr. DAVIS. No, sir.

Senator KING. Nickle bar buttons?

Mr. DAVIS. No, sir.

Senator KING. Steel trouser buttons?

Mr. DAVIS. No, sir.

Senator KING. Buttons of metal not specifically provided for?

Mr. DAVIS. Among others.

Senator KING. Three-quarters of 1 per cent per——

Mr. DAVIS. Among those buttons would be nickle dress trimming buttons which we do appear for.

Senator REED. Metal buttons embossed and designed. That would cover uniform buttons.

Mr. DAVIS. That would cover uniform buttons and dress trimming buttons probably.

Senator REED. And your present tariff is 45 per cent ad valorem?

Mr. DAVIS. Yes, sir.

Senator REED. I gather from a hasty reading of the brief of the importers which you mention, that you conceded that the domestic production was at least $1,750,000.

Mr. DAVIS. Metal buttons, but not dress trimmings and uniform buttons. That $2,000,000 includes the work clothing buttons and that production alone will represent substantially $2,000,000.

Senator REED. Those are buckles that go on overalls?

Mr. DAVIS. Yes, overalls, jumpers, work shirts——

Senator REED. Do they come under "metal buttons, embossed and designed"?

Mr. DAVIS. More likely they would come under "metal buttons not especially provided for." They are certainly included in that $2,000,000 figure.

Senator REED. What do you believe to be the value last year of the domestic production of buttons embossed and designed within the meaning of that phrase?

Mr. DAVIS. I should have to answer that "any other buttons used for uniforms and dress trimmings" and there are some dress trimming buttons not embossed and designed; and it is extremely difficult to state what the production was, because it is made by highly competitive concerns. They do not show their figures. However, we have reason to believe that in volume they would be about one-quarter of the amount of buttons sold and in value perhaps one-third.

Senator KING. That is one-third of the $1,734,000 sold in 1925?

Mr. DAVIS. Except that that $1,734,000 includes other than the buttons we are talking about. It includes work clothing buttons as well, sir.

Senator KING. I do not understand you. I understood you to say that the buttons just described by you constituted in value one-third of the entire production under paragraph 349.

Mr. DAVIS. I did not mean that, no, sir. I say about one-third of the dress trimmings and uniform buttons that are sold. The only

way that we could obtain the statistics was by statements made to us by button distributors and to others that one-quarter of the button business in this field is imported and representing probably not more than two-thirds of the value of the button business.

Senator REED. That is a little bit unsatisfactory, Mr. Davis. I would like to get the amount of the imports.

Mr. DAVIS. I have that.

Senator REED. Of the competing article.

Mr. DAVIS. I have that. The imports of all buttons embossed, designed, and all other buttons not specially provided for are given for 1923 through 1928. In 1923 they represented——

Senator KING. We have not got that statement.

Mr. DAVIS. Those figures are published by the Bureau of Imports for Consumption—the Bureau of Foreign and Domestic Commerce. In 1923 the value was $5,000 only.

In 1924, it was $20,000.

In 1925 it was $53,000.

In 1926 it was $127,000.

All this is foreign valuation.

Senator KING. I find here, on page 748 of the Summary of Tariff Information, that the imports in 1927, valued at $78,567, consisted of metal buttons embossed with a design, device, pattern, or lettering, $76,000; and the others were inconsequential.

Mr. DAVIS. Yes, sir.

Senator REED. And it is the first item that he is talking about.

Mr. DAVIS. Quite right.

Senator REED. Which goes to make up most of the $78,000 of imports of that year, 1927?

Mr. DAVIS. Yes, sir.

Senator KING. The imports in 1927 were $76,000 worth?

Mr. DAVIS. $78,000, I think, sir.

Senator KING. $76,000.

Mr. DAVIS. Oh, yes; and the "not specifically provided for" carries $2,000.

Senator KING. What was the domestic production for that year?

Mr. DAVIS. Statistically, I can not answer, because there is no record that states. The census of manufactures gives no specific figures on that.

Senator KING. What did your company produce?

Mr. DAVIS. There are half a dozen companies producing. Our company in 1926, did you ask, sir?

Senator KING. No; 1927.

Mr. DAVIS. In 1927 our company produced not more than $25,000 worth, and that is the lowest figure that we have produced—well, it carries back to the production figures of about 1911.

Senator REED. What did you produce in 1928?

Mr. DAVIS. This was in 1928 that I gave.

Senator REED. You were asked for 1927.

Mr. DAVIS. That would be about $5,000 more.

Senator KING. Have you not got it accurately from your company? You come here as a statistician.

Mr. DAVIS. Yes, sir; I have the exact figures if you would like to have them. In 1927 it was $24,531.

Senator REED. And in 1926?

Mr. DAVIS. And in 1926 it was $39,477.

Senator REED. Mr. Davis, you are willing to give us these figures for your client. Why are not your competitors willing to give theirs?

Mr. DAVIS. I did not want to give these, sir. I have done it on your request. We have kept them rigorously away from every one until this time.

Senator REED. But it is very difficult for this committee to give relief to this industry if the industry will not give information to the committee.

Mr. DAVIS. That is why I have stated them, sir.

Senator BARKLEY. You are speaking now of these metal buttons embossed with a design?

Mr. DAVIS. Yes, sir.

Senator BARKLEY. What proportion of the total product of that sort of button do you turn out?

Mr. DAVIS. I think your question would be equally pertinent as applied to the Waterbury Button Co. I think Mr. Kaynor will make a better estimate of that than I. I think his closeness to the trade will enable him to do so. What proportion, sir, of the total production is represented by our concerns?

Mr. W. F. KAYNOR. I am not under oath.

(Mr. Kaynor was thereupon duly sworn by the chairman of the subcommittee.)

Senator BARKLEY. What proportion of the total domestic production of these metal-embossed buttons is represented by the turnout of your company?

Mr. KAYNOR. Have we any figures?

Mr. DAVIS. We have no figures on domestic production. That is the trouble.

Mr. KAYNOR. I do not know what the proportion would be.

Mr. DAVIS. We are quite at sea. We do not know that situation.

Senator REED. You are taking up to sea with you.

Mr. KAYNOR. There are five manufacturers, sir.

Mr. DAVIS. It is a highly competitive field, sir, and the manufacturers who have joined in this petition have joined in nothing else at any time.

Senator BARKLEY. They have not even joined in giving information.

Mr. KAYNOR. Yes; in all respects except that they have not wanted to give their dollars and cents business to their competitors.

Senator BARKLEY. It is very difficult to figure out what proportion of the total consumption is represented by this $76,000 of imports unless we know how many are turned out by your company.

Mr. DAVIS. I will tell you, sir: Importers themselves have told us that 75 per cent of their volume of sales was imported. We felt that that was more conclusive than any figures of our own.

Senator REED. Importers have told you that?

Mr. DAVIS. Yes, sir—distributors.

Senator REED. How about jobbers and distributors in the United States?

Mr. DAVIS. I should have said, distributors who are also importers.

Senator BARKLEY. Then if $78,000 in 1927 represents three-quarters of the total consumption of that commodity, it would seem that the industry is a very small one.

Mr. DAVIS. Quite right, Senator. It does not. That $78,000 may represent imports. It does not represent the business, for two reasons:

First, the import value of $78,000 represents something like one-third the sales value of that material in this country; so we are really talking about three times $78,000, or $200,000 to begin with. Moreover, that huge importation in 1926, at which time the sales of my company dropped 60 per cent, unquestionably had a heavy carry-over that is still in stock, and accounts for the lesser importations subsequently.

Senator KING. If you will pardon me, I am trying to find out what huge importations you refer to.

Mr. DAVIS. In 1926, $127,521.

Senator KING. But that is all the buttons—imports of metal buttons, and you have been contending——

Mr. DAVIS. No; metal buttons, sir, embossed or not specially provided for, and dress-trimming buttons, are largely found in that class of "not specially provided for."

Senator KING. If you will pardon me for going back again, because I do not understand——

Senator BARKLEY. In 1926 the imports of all metal buttons are given as $128,042.

Mr. DAVIS. Not including, of course, the groups first read by me—steel buttons, nickle-bar buttons, and so forth.

Senator KING. I think it does include that.

Senator BARKLEY. Yes; it includes all.

Mr. DAVIS. There is practically no importation of steel buttons in the country. America exports steel working-clothing buttons. The question that we are now raising does not involve those buttons.

Senator BARKLEY. The total of buttons imported in 1926 was $128,000.

Mr. DAVIS. Yes, sir.

Senator BARKLEY. In 1927 it was $78,000.

Mr. DAVIS. Yes, sir.

Senator BARKLEY. In 1928 it was only $62,000.

Mr. DAVIS. Yes, sir.

Senator BARKLE. So that there has been since 1926 a falling-off of more than one-half.

Mr. DAVIS. I think the explanation of that is this: The 1926 imports was practically the breaking into the country of the fancy dress buttons, and they came in with a big wave, and undoubtedly filled distributors' stocks of supplies, and there remained there a certain amount of them to render unnecessary subsequent imports for a while.

Senator BARKLEY. The Tariff Commission states here that—

The amount of metal buttons imported is small, amounting in 1927 to less than 1 per cent of the value of the total domsetic consumption. The better grades of foreign buttons sold in the United States come from England, France, and Germany. Buttons from Czechoslovakia are largely of the cheaper kinds, and in recent years have formed the bulk of the imports to this country.

Mr. DAVIS. Fifty per cent of the imports are Czechoslovakian.

Senator BARKLEY. So it seems that including these embossed buttons, the total imports have been less than 1 per cent of the total consumption.

Mr. DAVIS. Because the total consumption is taken as including work-clothing buttons that are not in this question, and not concerned with the high-finsh buttons we are talking about. You see, the work-clothing button is likely to be a steel button. It is a patent button. It is a machine-made button. It is an automatic-machinery button, and does not involve the industrial or commercial problem of the high-finish dress button.

Senator REED. It is simply stamped out from a steel sheet?

Mr. DAVIS. That is all.

Senator REED. The button you make, I take it, is——

Mr. KAYNOR. Handmade.

Senator REED. It is bronze; it is made of several pieces?

Mr. DAVIS. Yes, sir.

Senator REED. It is crimped over a base?

Mr. DAVIS. Crimped over; oftentimes treated by hand burnishing, or otherwise highly decorated, given a high ornamental finish.

Senator REED. It involves a good deal of labor?

Mr. DAVIS. It does, indeed.

Mr. KAYNOR. It is used mostly for ladies' garments.

Senator KING. You are asking for 400 per cent duty, are you not?

Mr. DAVIS. On the foreign valuation; but the foreign valuation is almost negligible. You can see how small the figures are.

Senator REED. What you would ask would make this 45 per cent what?

Mr. DAVIS. I should like to have added a specific duty of 3½ cents per line per gross.

Senator REED. I do not understand the term "line."

Mr. DAVIS. The line is the measure of the diameter of the button. Buttons are measured in fortieths of an inch in the diameter across. That is a line. Three and a half cents per line per gross would mean, on an ordinary women's garment, only a fraction of a cent additional cost on the garment.

Mr. KAYNOR. So many of them wear few buttons at that.

Mr. DAVIS. It is necessary to establish the thing on a specific rather than an ad valorem basis, because you have extreme difficulty in determining foreign values. They are extremely small, and manifests may be open to question; but a specific duty upon an invariable physical measure, the diameter of the button, is a sound and easy method of applying it.

Senator REED. Then a uniform button 1 inch in diameter——

Mr. DAVIS. Would be a 40-line button.

Senator REED (continuing). Would be a 40-line button, and would carry a duty of $1.40 per gross, specific?

Mr. DAVIS. Per gross, specific.

Senator REED. Plus 45 per cent ad valorem?

Mr. DAVIS. Plus 45 per cent. Let me add that 80 per cent of all the buttons used in the country are less than 28-line; so, you see, this is hitting the small-sized button anyway. Eighty per cent are less than 28-line—that is to say, seven-tenths of an inch.

Mr. KAYNOR. Practically all the chain-store buttons are imported.

Senator KING. What are buttons of metal not specially provided for?

Mr. DAVIS. That would be such a button as this. [Indicating samples.]

Senator KING. Are you demanding this enormous rate on that, too?

Mr. DAVIS. Yes, if you call it enormous, sir.

Senator KING. Well, I do. Four hundred per cent is enormous.

Mr. DAVIS. Per gross, however.

Senator KING. Well, it is 400 per cent, whether it is per gross or otherwise.

Mr. DAVIS. It is because the base value itself is so extremely small.

Here, for example, sir, is one of those not specially provided for. There is the foreign button on the left, and the American-made button on the right, and the comparative prices of the two—the import price plus the duty, and the American production price.

Here is where we pass to the embossed button for that class.

Senator REED. Is this made of high-carbon steel?

Mr. DAVIS. No, sir; those are brass.

Senator REED. Nickel plated?

Mr. DAVIS. Nickel plated or silvered, as the case may be.

There is an embossed button. Here is another embossed button.

Senator REED. In quality, I do not think these are comparable, Mr. Davis.

Mr. DAVIS. I will tell you: The foreign button was taken from a sample sheet, and ours were taken from stock; and I think that may have a good deal to do with the superficial appearance.

This is significant, if I may call your attention to that: That button, there, has a hand operation in the burnishing of that bright edge.

Senator EDGE. You mean the one that you claim is made in Czechoslovakia?

Mr. DAVIS. And the same with ours. Now, as a matter of fact, that thing can be imported, duty and transportation paid, for about 25 per cent of what it costs us, with no profit, to make this button. Why? Because the hand work involved in burnishing is an expensive element in our cost, and it is a very inexpensive element in their cost; and that is the secret down at the bottom. We have the same thing again in the large-sized buttons; but in that case the metal, where the differences are not so great, is a larger share of the cost.

Here is a uniform button with a parallel situation.

There is a larger-sized uniform button.

Now, if I may have your attention, here is an extremely interesting illustration of what I speak of: There is a button that has involved a color finish applied by hand and then wiped off. You observe that that button is imported at about three-fourths the manufacturing price of the American button.

Here is another button that has two colors applied. That doubles the hand work involved. Had we produced that, it would have cost us so much that the import price is only 41 per cent of our cost. That shows what happens the minute you put hand work into it. It gives them a vast lead over us. It is the labor cost that makes the difference.

Senator KING. They are making a superior button, then?

Mr. DAVIS. Not so, sir. It is an identical button, but they are able to make it cheaply where it involves hand labor; and the fancy button is essentially a hand-finished button, leave alone the carding expense, which is a hand operation in itself—putting the buttons on the cards.

Senator REED. I think we have your point, sir. I am sorry you can not give us more definite figures about the domestic production.

Mr. DAVIS. I do not know where they can be found, sir. To begin with, while we are representing four or five companies before you to-day, we do not represent all the button manufacturers. There is no association that brings them together. The competition and rivalry are extremely keen between them; and there is the situation.

Senator REED. I think you can say to them, Mr. Davis, that if they do not get the relief they want it is largely their own fault.

Mr. DAVIS. I hardly think it would be practicable for us to get together or endeavor to get together. Perhaps it would. It is something that has never occurred. Realize, sir—I do not want to keep you unduly—that my company has been making buttons for over 130 years. It has never reached the low point in this particular field of uniform and dress-trimming buttons that it meets to-day. Mr. Kaynor's company has been making buttons since 1812. It is at the bottom of its button production in this field of dress-trimming and uniform buttons to-day.

Senator KING. Is not that because there is a change in the style? You can not say that the limited imports have had such a serious effect as your statement would seem to imply.

Mr. DAVIS. Absolutely. Those imports represent not less than two-thirds—they represent, according to the importers' statement, three-fourths of the buttons sold in this field.

Senator KING. But you stated that you manufactured 25 per cent of the buttons, or $25,000 worth of buttons, as I understood you.

Mr. DAVIS. Yes.

Mr. KAYNOR. That embraced uniform buttons.

Senator KING. I mean, of the character you have described.

Mr. DAVIS. Yes, sir.

Senator KING. And the imports were $78,000.

Mr. DAVIS. Foreign valuation, which represents about $210,000 of this valuation.

Senator KING. But then they have got to pay the tariff.

Mr. DAVIS. Which is insignificant.

Senator KING. You manufacture 25 per cent, you think, of the domestic production?

Mr. DAVIS. I can only say what I say as a vague estimate. I simply do not know. I wish I did. It would help us a lot in our business if we knew.

Senator REED. Do you make also the cheaper type of work-clothing button?

Mr. DAVIS. We do that, and we are not asking for any assistance in that matter at all.

Senator REED. That part of your business has been carrying this?

Mr. DAVIS. Absolutely. It is an automatic-machine business, and a large-scale production. May I point out that the orders for this kind of button are small-scale orders. We have to produce under small-scale production, whereas our foreign competitor has a world

market because of his low labor costs and his low prices, and is producing large-scale production for a world market. We are bumping against the American edge of that sort of thing under small-scale production and high costs.

Senator KING. And, of course, exports are out of the question?

Mr. DAVIS. Out of the question; and yet they were a very important thing 15 years ago.

Senator KING. Perhaps they will be again when Europe gets on its feet.

Mr. DAVIS. Perhaps so; but there will not be much industry left in this country in that field at the present rate. It is going down to the vanishing-point, and it is 130 years old in this country.

Senator KING. What was the total production of your company in all lines of production in 1928?

Mr. DAVIS. My company, sir, includes a brass-casting shop and foundry; it includes four different types of brass mills—sheet, rod, wire, and tube; it includes manufacturing departments that cover the entire range of brass products, from radios and automobile parts through the whole range; so my answer would throw very little light upon the button situation.

Senator KING. Have you any objection to stating?

Mr. DAVIS. I shall be very glad to answer the question, sir.

Senator KING. What was the total production of your company in 1928, expressed in dollars?

Mr. DAVIS. It includes, may I add, three divisions—brass goods, pins, etc.—and represents a total of about $25,000,000 worth of business. This is the line we originally started with, and it is a line that is reaching the vanishing point to-day.

Senator KING. What is the maximum of these brass buttons, these embossed buttons, that you have ever produced in any one year?

Mr. DAVIS. I can not answer, I am sorry to say, sir. It goes back beyond my knowledge and beyond our records.

Senator KING. Well, within your records or your recollection?

Mr. DAVIS. It was 100 per cent of our total production when we began.

Senator KING. Say 10 years ago?

Mr. DAVIS. That was during the war, and, of course, uniform buttons were an important element at that time.

Senator KING. Well, in 1923 or 1924?

Mr. KAYNOR. Perhaps, sir, as secretary of my company—a somewhat smaller company—I might be more familiar with the financial end of the thing.

Senator KING. Are you speaking for the same company that Mr. Davis is?

Mr. KAYNOR. No, sir; we are all speaking for the four companies.

Senator KING. I was asking about his company. If you will pardon me, I would rather not inquire about yours at this time.

Mr. DAVIS. In 1924, about $58,000. That was before this foreign situation developed.

Senator KING. So that with a business that produces $25,000,000——

Mr. DAVIS. Now.

Senator KING. What did it produce in 1924?

Mr. DAVIS. I am talking from memory, and I hate to talk into the record, sir. You understand, this includes mill goods as well—sheet, rod, wire, and tube.

Senator KING. Yes; whatever your company makes.

Mr. DAVIS. I should about 80 per cent as much as the present.

Senator KING. About $20,000,000?

Mr. DAVIS. Yes. That is my estimate, but I can not swear to it.

Senator KING. And you regard this embossed button, $25,000 to $40,000 a year, as so important as to warrant your presentation of the facts to the committee?

Mr. DAVIS. Absolutely; I do, sir, though of course we are not standing or falling on this particular line of our work.

Senator KING. What were the dividends of your company in 1927?

Mr. DAVIS. On our capital, par value, we pay on the average—our par value is $25—we pay $3 per year on the average. We cut our dividend once in the last twelve months, and we declared, I think, one extra dividend in the last 12 months. It is a very variable thing.

Senator KING. Have you, during the past eight or nine years, declared a stock dividend?

Mr. DAVIS. Yes, sir. We had a par value of $100 a share. We reduced it to $25 a share, and made a split at that time of five for one.

Senator KING. Five for one; and you put back your earnings—large earnings, I suppose—and surplus into expansion?

Mr. DAVIS. We do.

Senator KING. How much have you expanded in the past eight or nine years?

Mr. DAVIS. Since the war?

Senator KING. Yes.

Mr. DAVIS. Only in the amalgamation with certain plants which are subsidiaries of our own; not actually an increased building at all. We have affiliated with certain other producing plants which were customers before, and now, of course, are users of our mill matter.

Senator KING. And I presume you obtain a tariff upon the other products of your company? All of them bear a tariff?

Mr. DAVIS. I am afraid I should have to look it up to answer. I have not thought of it, even. This is the only thing that has come before me. It has been the problem. It is a small end of our work, but it is an important end, and it is directly in the line that we specialize in—high-finished manufactured products.

Senator REED. Do any of these articles sell as high as 20 cents a dozen, foreign-invoice price?

Mr. KAYNOR. Import price? It is barely possible, on a highly gold-plated button.

Mr. DAVIS. Twenty cents a dozen import? No, sir; I am sure not.

Mr. KAYNOR. It is possible on a gold-plated button or silver-plated button.

Mr. DAVIS. We did not find anything of that sort. What we did was this: We had sample cards presented to the importer. We picked out representatives of each type, size, and style of button, and simply established comparative figures; and that is why there is

a wide range of these figures, because we have not tried to prove a point; we have taken it precisely as it was found.

Senator REED. Originally, I see that these materials were taxed under paragraph 1428.

Mr. DAVIS. In 1909?

Senator REED. No; until a Treasury decision comparatively recently. (Reading:)

Metal buttons, gold plated and embossed with designs, prescribed by the military regulations of the United States for use on dress uniforms, were held dutiable under paragraph 349 rather than under paragraph 1428.

Mr. DAVIS. Touching the uniform button pure and simple.

Senator REED. Had they been under paragraph 1428, they would have borne a duty of 80 per cent ad valorem; but they have all been put into paragraph 349 at 45 per cent ad valorem?

Mr. DAVIS. At 45 per cent ad valorem.

The situation in regard to the uniform button is perfectly apparent. Our old-line customers have told us that they simply can not buy until we can get down to prices that are below our cost of production to-day. As you know, the uniform makers of the Post Office Department import the buttons used on them, simply because they can get them that much cheaper than we can make them in this country. that is all right so long as the situation is so; it is not surprising that they do it.

Mr. KAYNOR. I hope the Senator does not take the records of the concern with which Mr. Davis is identified as a rule for all button-makers.

Mr. DAVIS. We run 2,500 different lines of manufactured products. You have asked me about one, and the one that is approaching the vanishing point.

Senator KING. When the $25,000,000 output in a year was mentioned, I understood—and the witness was very frank and candid—he stated that it involved a large number of other commodities. I understood that.

Mr. DAVIS. Yes, sir. I am talking now about the vanishing-point. If we had allowed all our things to reach the vanishing-point, we would not be where we are; but this thing is reaching it, and it ought not to, because it is a traditional American industry where we have established a record that we ought to be able to keep.

(Mr. Davis submitted the following brief:)

BRIEF OF E. H. DAVIS, OF WATERBURY, CONN.

The undersigned personally appeared before the House Ways and Means Committee at its hearing in January, and filed a brief in behalf of metal button manufacturers requesting a change in paragraph 349 of the tariff act to increase duty on metal buttons for uniforms and metal buttons for dress trimmings. This brief was dated January 14, 1929, and is printed in full in Vol. III, Schedule 3, of Tariff Readjustments Hearings, 1929, beginning on page 2141.

Subsequently to the public hearings of the House committee, an opposing brief was prepared by three importers of New York City and was conveyed to the House committee. This opposing brief carried no date but was printed in full in the Vol. III, Schedule 3, above referred to, immediately after the brief presented by E. H. Davis, and it appears on pages 2150 and 2151.

It is pertinent to note that these objecting importers have also filed similar briefs in opposition to revision of other schedules which they feared would affect the profits of their trade.

Neither Mr. Davis nor the manufacturers whom he represented became aware of this opposing brief until late in April, 1929, at which time he prepared an

answering brief under date of April 23, 1929, and filed it with the House Committee through its chairman, its secretary, and members of its subcommittee on metals. This answering brief pointed out that the arguments presented in the brief of the importers were based upon statistics of a seriously misleading character. It now appears, however, that this answering brief was presented at a date too late to permit of its proper consideration in drafting the revised tariff bill; and in fact the revised bill had been virtually completed before the date of the submission of Mr. Davis's brief. In consequence, the misleading and subversive arguments of the importer's brief remained unanswered and were doubtless accorded an undue amount of consideration by the committee drafting paragraph 349 of the revised act, since no provision was made for any modification of that paragraph.

It is the purpose of the present brief, to put before the Senate's subcommittee on metals a copy of the answering brief filed on April 23 1929; and a copy is accordingly appended hereto. It is believed that the circumstances above narrated are sufficient to justify reopening the entire question of the proposed revision of paragraph 349, and it is hereby requested that your committee review the original petition submitted at the January hearing, together with the documents subsequently filed, including the papers tendered herewith.

It is the conviction of the undersigned that the original brief presented to the House committee is of compelling force in its demonstration of the absolute need of increased protection for metal buttons of the particular varieties applicable to use on uniforms or for dress trimmings. The petition has no reference to metal buttons of other descriptions, and least of all is it intended to refer to trouser buttons, overall buttons, or similar buttons used for working clothing. It is clearly indicated in Mr. Davis's subsequent brief filed April 23, 1929, that the production statistics presented in the brief of the importers have almost exclusive reference to buttons for working clothing and shirts, and are totally misleading in so far as they are applied to the problem of high finished uniform buttons or buttons for dress trimming.

Without further reference to the inaccuracies presented by the importers' brief, the undersigned now appears to urge that full and careful consideration be given to the needs of the metal-button manufactures of this country, and respectfully urges that paragraph 349 of the proposed tariff act be revised to provide for an increase of 3½ cents per line per gross in specific duties upon imported buttons for uniforms and dress trimmings.

Respectfully submitted in behalf of Scovill Manufacturing Co., Waterbury Button Co., Ball & Socket Manufacturing Co., and L. C. White Co.

By E. H. DAVIS.

Personally appeared before me this 25th day of June, 1929, E. H. Davis, of Waterbury, Conn., and deposed that the foregoing is a true and correct statement.

C. FEHL, *Notary Public.*

APPENDIX A

DESCRIPTIVE STATEMENT CONCERNING PARAGRAPH 349 OF TARIFF ACT, AS AFFECTING METAL BUTTONS FOR UNIFORMS AND DRESS TRIMMINGS

1. The paragraph makes no specific designation of metal uniform and dress trimming buttons, as such.

2. These buttons do, however, constitute a distinct and important class of product, with a definite and exacting industrial problem involved in their manufacture and sale. These buttons have been a staple product of American factories for more than 100 years. Prior to 1820 they struggled under the disadvantage of superior manufacturing art abroad. From 1820, for the century following, they mastered the art and technique and were without rivals in quality and style. Now, in 1929, they are confronted with a ruinous competition due solely to low wages and similar costs of manufacture prevailing in Europe.

3. The present tariff provision for these buttons is merely implicit in the following two classifications included under paragraph 349 on metal buttons:

(a) "Embossed with design, device, pattern, or lettering."

(b) "All other not specially provided for."

4. Practically all uniform buttons are inclusive under the "embossed" group

5. Buttons for dress trimmings may or may not be classifiable under the "embossed" group and, if not so classified, should come under the "n. s. p. f." group. As a matter of fact, however, it is believed that many such buttons are avoiding both these classifications, because of various superficial finishes such as glass or agate tops, etc., which tend to conceal the basically metal character of the button.

6. Statistics of importation, therefore, are incomplete and confusing, as an index of the import situation with respect to dress-trimming buttons.

7. Statistics of domestic manufacture (United States census) do not reveal in any particular the output of these buttons. The nearest census classification (under which these American buttons are in fact included) is so broad that it comprehends at least 10 times as great a volume and value of other metal buttons (for working clothing) which are not in any respect comparable with uniform and dress trimming buttons or similarly affected by their industrial and mercantile conditions.

8. The case for uniform and dress trimming buttons rests therefore upon evidence adduced directly from the trade, namely—

(*a*) Comparison of import costs with American manufacturing costs—showing in specific instances ratios of 1 to 4, 1 to 3, 2 to 5, 1 to 2, 3 to 5, 3 to 4, etc.

(*b*) Estimates by mercantile distributors that three-quarters of the volume of such buttons sold by them are imported.

(*c*) Common observation of the cheap lines carried by chain stores, which are practically 100 per cent imported.

(*d*) Experience of old-line American manufacturers, which shows that the business in this line is rapidly reducing to negligible proportions.

9. Ad valorem duties are ineffective, because of the unavailability of accurate foreign costs.

10. Specific duties, which are therefore requested, and based directly upon the measure of the diameter of the button and are of simple and exact application.

11. The effect of the higher rates desired will be very slight on the market cost of substantial and high-grade buttons. Such costs are now approximated in the market—except in the case of the cheapest lines carried by the 5 and 10 cent stores—and a correspondingly large profit is being assumed by the importers.

12. The rate required is, on all buttons (embossed and nonembossed) not specifically provided for—

(*a*) The present ad valorem duty of 45 per cent.

(*b*) A specific duty of 3½ cents per line.

(The following was not printed in the House hearing:)

APPENDIX B

Hon. WILLIS G. HAWLEY,
Chairman Committee on Ways and Means,
House of Representatives, Washington, D. C.

The undersigned submitted to your committee at its hearing in January a brief in behalf of metal button manufacturers, requesting a change in paragraph 349 of the present tariff act, to provide for an increased duty on metal buttons for uniforms and metal buttons for dress trimmings.

Now receiving Volume III of the Tariff Readjustment Hearings, 1929, he and the petitioners whom he represents have for the first time become aware of a brief filed by three importers of New York City in opposition to the petition for increase of tariff. The brief of these importers is printed on pages 2150 and 2151 of the Volume III above referred to.

It is the purpose of the present letter to file an answer to the brief of these importers, particularly as the statistics presented in their brief would be seriously misleading and subversive of a correct understanding, unless qualified by the explanations which we present below.

The burden of the argument contained in the brief filed by the three New York importers is that the statistics of importation of metal buttons embossed and nonembossed show in 1927 a value of only $78,343, and that the United States Census of Manufactures for 1927 shows a domestic production of metal buttons valued at $2,222,010. These references are made in the third and fourth paragraphs of the importers' brief.

We submit that an examination of the published sources of these figures will indicate that there is no pertinent relationship between them, as effecting the specific classes of buttons (that is, uniform and dress trimming buttons) referred to in the brief submitted by E. H. Davis. In the matter of domestic production, the census figure gives simply one over-all total for "metal buttons, not collar or cuff buttons." This classification necessarily includes, and is intended to include, metal buttons for trousers, nickel bar buttons, overall buttons, and metal shirt buttons: none of which have been brought into reference in any way by the brief submitted by E. H. Davis. In the absence of statistics directly bearing upon the question, it is, of course, impossible to state exactly how much of the quoted total of production is to to be ascribed these buttons for overalls and other work-

ing clothing. It is known, however, that certain manufacturers devote themselves exclusively to this type of button, and a fair estimate of the sales value of the production of simply two such manufacturers of whom we know would place the figure close to two million dollars annually. This would leave less than $300,000 as applying to the particular type of button for which protection was asked in the brief of E. H. Davis. The types referred to by Mr. Davis are required in only a limited market and, as explained by him in presenting his brief (Rec. p. 1563: Tariff Read., Vol. III, p. 2143), themanufacture takes place on a small scale of production, and the average size of order is less than 100 gross. In short, the production figures advanced by the Importers are grossly misleading when presented with reference to dress trimming and buttons, and their argument based upon the figures is not to the point.

In paragraph 4 of their brief, the importers state that "Mr. Davis concedes that the domestic production was at least $1,750,000 (Rec. p. 1564). It is necessary to state that Mr. Davis did not concede anything of the sort and the record cited does not indicate that he did. Mr. Garner mentioned the figure, calling it your, production, but the context of the record will show that he had reference to the broad, all-inclusive class of metal buttons as presented in the census report: and in his reply Mr. Davis answered (Rec. pl 1565: Tariff Read. V. III, p. 2145) * * * The figures you present * * * do not apply in this case. We are talking about dress trimming and uniform buttons. I think your figures have other application."

With reference to the quoted statistics of importation, which were also advanced by Mr. Garner in the discussion at the hearing, it should be stated that the Government report does not make it certain that all of the varieties of metal dress trimming buttons are included in the stated value of $78,343. Further in the report, the Bureau of Foreign Commerce has an additional item regarding imports of "buttons not specifically provided for," showing a value for that item of $167,242. It is probable that this includes certain types of dress trimming buttons, such as stamped buttons, or buttons pierced in filigree design, or buttons enameled, or set with imitation stones, or hand painted, etc., all on a metal base. There are no reliable statistics to show what the actual import value of uniform and dress trimming buttons has been. Assuming, however, that the figure of $78,343 is correct, we call attention to the fact that this is the foreign value placed upon the import and that the price level of such buttons in our market is sufficiently high to have such import represent an American valuation approximately three times as great; that is to say, upwards of $250,000. In short, we submit that the import figures advanced in the importers' brief sustain the argument advanced by Mr. Davis, and are in all probability an understatement of the case.

We question whether it is the intention of the three importers to put their seal of approval upon the figure of $78,343 as representing the full value of imported metal buttons in 1927. Since three-quarters of the volume of metal button business is of imported buttons, the above figure would indicate a total metal button business of less than $110,000 handled by such distributors. We can not assign to them a mercantile activity so inconsiderable. We regret that the importers did not present in their brief a statement of the volume of their imports in this field, thus furnishing a reliable basis for the discussion.

Reference has been made above to various particular types of dress trimming buttons, which are susceptible of import under classification other than "metal buttons embossed" and "other metal buttons"; and it is these types of button in particular against which the American manufacturer has practically no opportunity to compete, under the present duties, because of the high degree of hand labor involved in their manufacture. This is the class of button upon which the importer makes an excessively high profit and will, therefore, desire to prevent an effective rate of protective tariff.

The fifth paragraph of the importers' brief presents statistics of button export from the United States. The paragraph carries its own answer. The most casual reference to types of button "other than pearl or shell" will disclose the distinctive American export groups, such as vegetable ivory buttons, papier-mâché buttons, casein buttons, and composition buttons: All of which are nonmetal buttons and are wholly outside of the reference of the brief filed by E. H. Davis and should have no place in the brief of the Importers. We take this occasion, however, to cite the case of one of our petitioning companies whose export of metal buttons before the War represented 33⅓ per cent of its output, while at the present time less than 5 per cent of the product is exported.

Attention is called to the fact that the Importers have not challenged the statement of Mr. Davis, noted by them in their twelfth paragraph, that these

foreign buttons are laid down in the United States at costs ranging as low as 23 per cent of the American cost of manufacture. It should be stated that the importation costs cited in Mr. Davis's brief were based upon reliable records of importers receiving goods through the port of New York.

It is not our intention to review here the arguments already presented in Mr. Davis's brief and discussed by him at the hearing with your committee. Nor do we consider it profitable, or necessary, to examine too closely into the reasons for the recommendation of the Importers that the present tariff rates in paragraph 349 be retained. That they are satisfied with the present situation, despite the statement in their brief that "the present rates are too high," is not surprising in view of the profits in distribution: Or that they are disinclined to patronize American products at considerably higher base cost. We are not undertaking to argue the principle of protective tariff. We assume that question to have been already settled. We are presenting simply a statement, fair to the best of our knowledge and belief, of how the existing rates should be modified in order to realize the purpose for which they were established in the beginning. We can do this with conviction, since we have among our petitioners concerns of long standing, which can show that their business in this field has shrunken to almost negligible proportions.

Respectfully submitted in behalf of Scovill Manufacturing Co., Waterbury Button Co., Ball & Socket Manufacturing Co., and L. C. White Co., by

E. H. DAVIS, *Waterbury, Conn.*

APPENDIX C

SUMMARY OF BRIEF PRESENTED IN JANUARY, 1929 AT HEARING BEFORE WAYS AND MEANS COMMITTEE OF THE HOUSE OF REPRESENTATIVES

[NOTE—The brief is printed in full in Vol. III, Schedule 3, Tariff Readjustment, 1929: pages 2140 to 2150.]

Paragraph numbers refer to corresponding paragraph numbers in original brief.

1. Keen competition now exists among American manufacturers of these buttons.

2. Present tariff act simply continues duties originally set in act of 1909. The present import situation has arisen since the war, and notably within the last few years.

3. Actual samples of imported buttons, with import price given, show an undervaluation of 15 per cent to 74 per cent of the costs of American manufacture.

4. The American costs above referred to do not include profit.

5. Even the retail prices of such imported buttons have been less than cost of domestic manufacture.

6. Uniform Buttons (as for Post Office Department uniforms) are imported by tailors making garments for carriers for the reasons stated above.

7. Import figures are not directly informative on this question.

8. Foreign sources are chiefly in 5 countries, but Czechoslovakia supplies the majority of dress trimming buttons.

9. The labor cost of the button is the component that mades the great cost disparity between the imported and the domestic button. Many styles of dress trimming button invlove much hand labor.

10. American costs run low on large-scale production. But these buttons represent a small-scale demand, increasing our unit cost of domestic production.

11. The distinction in rates of duty set up in the present Act between embossed and non-embossed buttons is not essential. The manufacturing operations are identical in both cases.

12. Higher rates are now granted on buttons of pearl or shell. But the justification, in manufacturing costs, is even greater in the case of metal buttons.

13. More than 80 per cent of such buttons used in United States are under 26 "line."

14. A specific duty is advisable, as simple to administer and difficult to misapply through fraudulent invoices or manifests.

15. A specific duty of 3½ cents per line, added to the present duty of 45 per cent ad valorem, is essential to sustain the American product in the market.

16. An increasing domestic demand for these buttons is found to be coincident with a relative retrogression in the American production.

17. This retrogression is shown in this line of business in the cases of the petitioning manufacturers named in our brief.

18. Statistics of American manufacture in these lines were published last in 1921.
19. The experience of our factories since 1921 has shown the ineffectiveness of the present tariff, paragraph 349, under existing conditions.

SUMMARY OF FOREGOING ARGUMENT

A. (Based on item 9 above.)
We can not sell plain buttons—such as may be manufactured by most modern mechanical methods, at low cost—in competition to foreign buttons which are extensively decorated by hand painting, hand relieving, and hand burnishing. These foreign buttons look richer and command a preference over our plain and "staple" types and are imported at a price competitive to plain domestic buttons.
B. (Based on item 10 above.)
We can not create a world demand, with the resulting advantage of large-scale production, because the cheap labor rates existing in Czechoslovakia and other European countries have given them the world market. The competitive situation in America is only one reflex of a world situation.

PINS AND SAFTEY PINS

[Par. 350]

STATEMENT OF C. C. SHEE, WATERBURY, CONN., REPRESENTING MANUFACTURERS OF PINS AND SAFETY PINS

(The witness was duly sworn by the chairman of the subcommittee.)

Senator REED. Mr. Shee, did you testify before the House committee?

Mr. SHEE. Mr. Earl Kopp did.

Senator REED. Did he file a brief?

Mr. SHEE. He did, sir.

Senator REED. We have the benefit of both of those. It will not be necessary to repeat what he stated there.

Senator KING. Do you desire now to speak about pins?

Mr. SHEE. Pins; yes, sir.

Senator KING. Anything else?

Mr. SHEE. Pins and safety pins. That all comes under one head.

Senator KING. What paragraph is that?

Mr. SHEE. Paragraph 350.

Senator KING. The House committee did nothing for you?

Mr. SHEE. No, sir. Here is a supplementary brief for the Senate committee.

Senator KING. I find that the production in 1925 was $4,654,000, and the imports were only $286,000. Is that right?

Mr. SHEE. Senator, in your imports for 1925 you have a division of hairpins, in which we are not interested. It is not included at all.

Senator KING. Then it was not as great as I stated it?

Mr. SHEE. No, sir. Now, if you will permit me to make an explanation on the pins and safety pins——

Senator KING. Yes.

Mr. SHEE. They are made of steel and brass. At the present time the ad valorem duty of 35 per cent applies to both commodities.

As regards the steel common pins and safety pins, the situation is further than the labor differential in foreign countries. Steel rod, from which the wire is drawn, costs in Germany $26.50 a ton, compared with $42 a ton in the United States.

Senator KING. You are buying your steel cheaper now than you did three or four years ago; are you not?

Mr. SHEE. No, sir; I would not say so. On the 1st of July steel is costing us more than it has previously.

Senator REED. There is no compensatory duty. That is one of your difficulties?

Mr. SHEE. Yes; that is it. In other words, we are asking for a specific duty gaged fairly on the different commodities made of brass and steel. The specific rate—which is the only consistent manner in which to arrive at it, on account of the variation of the class of goods—is so set up that we are asking for considerable increase on steel pins, and not on brass pins.

Senator REED. Brass is just as cheap for you as it is for the Germans?

Mr. SHEE. Yes; brass is absolutely a world market. To point out our situation clearly from the figures of the census of common or toilet pins, made out of steel wire, in 1919 the total value was $1,521,202. In 1925 it was $366,656.

Senator KING. What was it in 1926?

Mr. SHEE. The census is every two years.

Senator REED. Have you the figures for 1927?

Mr. SHEE. No; I have not the figures for 1927 here. Have you the figures there? It is in total in 1927, and it is not divided between brass and steel, and that is the reason why you can not make any comparison.

Senator KING (to one of the experts). Have we the figures for pins for 1927 and 1928?

(The expert stated that the amount was $1,432,900.)

Senator BARKLEY. Imports?

Senator KING. No; production.

Senator REED. That is a little bit higher than in 1925.

Mr. SHEE. That is due to a higher brass market at that time. It is all in the brass goods. If you had had that separated on the basis of steel, I think you would find that the steel production was less than the year 1927. I know it was. Our production capacity has only run a very small percentage during the past few years on steel goods.

Senator REED. Are many common pins being made of brass nowadays? I though that industry had gone out.

Mr. SHEE. It will go out if we do not get relief. The situation is this: The figures represented by imports are 95 per cent steel pins. We can not compete with the steel market profitably. In fact, it is something we have not shown in our previous reports, but I have a record here: On steel common pins for the year 1928 our loss, figured on investment, on sales of that item was 9 1/16 per cent. In the last five years there have been five companies who have depended solely on pins and safety pins as a product to make a profit on who have gone out of business, and in three cases of the five their material was sold to other concerns at really junk prices. I can give you the names of those companies if you wish.

Senator REED. The American production of common pins and safety pins appears to have run about three and one half million dollars in 1925. That was a year of big imports.

Mr. SHEE. 1925?

Senator REED. Yes; the last year for which we have full figures. In that year the imports were $294,000 worth, or less than 10 per cent in value of the domestic production.

Mr. SHEE. Mr. Chairman, you can not make your comparison on a basis of dollars-and-cents valuation, for this reason: Brass pins are double and more than double the price of steel pins. The complete import records show nothing but steel pins. If you take it on a poundage or gross basis, you will see here that—we have a report of the Bureau of Commerce—a total of 192,000 pounds—here, where they show it in units, 192,000 pounds in 1922; 1,243,000 in 1927; and in 1927 the census shows a production in this country of 1,948,508 pounds.

Senator REED. That includes hairpins?

Mr. SHEE. No; I am only speaking of——

Senator REED. But the import figures do include hairpins.

Mr. SHEE. They do include hairpins. They could not include them in the pound schedule, because hairpins are not sold or quoted by the pound.

Senator REED. But they are listed here in pounds, not separately. They are obviously included in the 1,243,000 pounds.

Mr. SHEE. I do not know how it would be possible to establish a pound basis for hairpins as a unit. If they were established on a pound basis, and if the total of hairpins imported in valuation compared with the $334,554, total it would be a very small percentage in pounds, because the value of them on a pound basis would not figure out very big.

Senator REED. Of the total value imported last year, more than one-quarter was hairpins.

Mr. SHEE. In dollars and cents?

Senator REED. In dollars and cents.

Mr. SHEE. Well, now——

Senator REED. All right; you go ahead.

Mr. SHEE. In 1922 the average price of imported goods was 31.17 cents. In 1926 it was 26.91 cents, and it dropped to 23, something about 4 cents, in 1928. The imports for the first four months of 1929——

Senator KING. Imports of what?

Mr. SHEE. Of pins and safety pins—for the first four months of 1929 show an increase of about 100 per cent over the year 1919.

Senator KING. What are they in value?

Mr. SHEE. Toilet and other pins—I will speak of them separately; we are speaking now of common pins—for the full year 1929—this is the Department of Commerce report——

Senator KING. 1928?

Mr. SHEE. 1928—we imported $161,846.

Senator KING. Will you pardon me? I do not quite understand that. [Reading:]

Imports of pins in 1928, amounting in value to $286,386, consisted of the following kinds and values: Toilet, $3,688; safety, $50,634; hair, $79,630; and other, $152,434.

Mr. SHEE. That is the toilet and other pins. Toilet pins are pins put up on papers, for which there is a very small demand.

Senator KING. What is the first item, then—"toilet, $3,688"?

Mr. SHEE. That is added to the $152,434 to put toilet and other pins under the one classification of common pins. The other pins

are pins packed in bulk, one-half pound to the box, of which there is the big importation and the larger sale.

Senator KING. You are concerned only with toilet and safety pins?

Mr. SHEE. Toilet and other pins, common pins—that is, common pins put up in two manners. The word "toilet" applying to pins has reference to pins being stuck on papers, 160 to the paper or 200 to the paper to 300 to the paper, for which there is a very small demand. "Other pins" are bulk pins put up a half gross in the box, which are sold for manufacturing purposes, for office use, and other requirements of that nature.

Senator KING. Mr. Shee, I may not follow you; but, as I try to understand the facts here, the quantity and the value were less in 1928 than in some preceding years.

Mr. SHEE. I am making a comparison here——

Senator KING. Is not that true of the articles or commodities in which you are interested?

Mr. SHEE. In 1928, according to these figures that I have here, they are smaller in dollars-and-cents valuation; yes.

Senator KING. And in quantity?

Mr. SHEE. I have not got the quantities here.

Senator KING. Well, you gave it in poundage. Would it be less?

Mr. SHEE. No, it would not; $286,386 is the total value of those pins for 1928, and compared with $334,554 in 1927 would be greater in poundage, due to the fact that the market value has been reduced considerably, 3 and 4 cents a pound each year, as represented in these figures that you see prior to that.

Senator REED. Mr. Shee, let me ask you some questions about the manufacture of these pins. You make common pins out of steel wire or brass wire?

Mr. SHEE. Yes, sir.

Senator REED. Let us consider steel wire now. What is its thickness?

Mr. SHEE. They vary according to the length of the pin. There are different grades of pins that run in different diameters of wire.

Senator REED. Take the common pin that we all know.

Mr. SHEE. The common pin varies according to its size and length. The size of No. 5, which is an inch and one-sixteenth long, is smaller in diameter than a No. 2 pin, which is an inch and three-eighths long. They vary right through.

Senator REED. All right. What is the diameter of the wire from which they are made?

Mr. SHEE. It will average from about 0.032 to 0.045.

Senator REED. From 0.032 of an inch to 0.045?

Mr. SHEE. Or even greater than that.

Senator REED. Most of them are made of wire that is smaller than 0.065; are they not?

Mr. SHEE. Well, that I could not definitely state without having specification records with me. You see, that is governed by the number to the pound, anyhow. The larger the pin and the heavier the wire, the less there are to a pound.

Senator REED. That I understand; but I am trying to get the size of the wire. You say the common pin is about 0.045?

Mr. SHEE. Yes.

Senator REED. All right. The duty on that wire, if it were brought in from abroad, would be 1½ cents a pound. Do you draw your own wire?

Mr. SHEE. Not steel wire.

Senator REED. How much do you pay for your steel wire at present?

Mr. SHEE. I do not know the cost figures. We buy it from the American Steel & Wire Co.

Senator REED. Do you know approximately what it costs?

Mr. SHEE. No, sir; I have no information on manufacturing costs.

Senator REED. The duty on that wire, anyway, would be $30 a ton. The duty on your pins is 35 per cent ad valorem?

Mr. SHEE. Yes, sir.

Senator REED. What does a pound of pins or a ton of pins sell for?

Mr. SHEE. It is in accordance with the size and the locality.

Senator REED. Allright; take the common pin.

Mr. SHEE. The common pin in the No. 4 size would sell for about 38 cents a pound. That is a general average.

Senator REED. Thirty-eight cents a pound?

Mr. SHEE. Steel pins.

Senator REED. Yes.

Mr. SHEE. Brass pins of the same size run about 55 cents a pound

Senator KING. You represent about 90 per cent of the domestic production; do you?

Mr. SHEE. Yes, sir.

Senator KING. Who are the companies interested in the manufacture of these pins aside from yourselves?

Mr. SHEE. The Risdon Manufacturing Co. of Naugatuck, Conn.; Delong Hook & Eye Co., Philadelphia, Pa.; Crescent Brass & Pin Co., Detroit, Mich.; Consolidated Safety Pin Co., Bloomfield, N. J.; Vulcanite Manufacturing Co., Lindenhurst, Long Island; Plume & Atwood Manufacturing Co., Waterbury, Conn.; Star Pin Co., Derby, Conn.; Union Pin Co., Winsted, Conn.; and F. Kelley Co., Derby, Conn.

Senator KING. I find that Mr. Kopp represented these interests before the House committee.

Mr. SHEE. Before the House committee; yes, sir.

Senator KING. He stated then that—

> We have invested in our industry about two and one-half million dollars, and our total sales in safety pins in 1925 were $2,100,000.

Mr. SHEE. Yes, sir. Mr. Kopp's statement of the investment of two and one half millions has reference to the safety-pin industry alone. Mr. Kopp and the Consolidated are manufacturers of safety pins only. We manufacture both pins and safety pins.

Senator KING. What company is it that you represent?

Mr. SHEE. The Oakville-American Pin Division of Scovill Manufacturing Co.

Senator KING. Is that the company that was represented by the former witness?

Mr. SHEE. That is a division of that company—an entirely different plant.

Senator KING. Where the output in 1926 was $25,000,000?

Mr. SHEE. That is the total of the Scovill Co.

Senator KING. Do you make safety pins?

Mr. SHEE. Yes, sir; we make both common pins and safety pins of brass and steel.

Senator KING. What was your output of safety pins last year, 1928?

Mr. SHEE. Our total output?

Senator KING. Yes.

Mr. SHEE. I have not that in separate figures. I have used purely the figures of the combined output of the industry, which are given in the statistics of the Bureau of Commerce.

Senator KING. Do you know anything about the earnings of your corporation?

Mr. SHEE. No, sir; I do not. You see, our company, the Oakville-American Pin Division, is entirely separate from the main division of the Scovill Manufacturing Co.

Senator KING. It is a subsidiary?

Mr. SHEE. It is a subsidiary, and they are not given in separate form at all. I made a quotation there in reference to our steel pin industry with regard to safety pins. On common pins our loss was 9⅛ per cent on investment, and on safety pins made of steel our loss was 13¾ per cent on investment for the year 1928. That was taken separately from our records. The Oakville-American Pin Division depends largely at the present time, due to the situation as we are encountering it now, with free competition on pins and safety pins, upon other products that we make. We make special items for the jewelry trade in Providence, hose-supporter trimmings, piano hardware, and things of that nature, which represent the profit of our company that is taking care of the losses that we are encountering to-day on steel pins and safety pins.

Senator KING. As I see it from the tariff summary, the entire value of pins in 1928, imported, was $286,000.

Mr. SHEE. Yes.

Senator KING. What was the value of the domestic products for that year?

Mr. SHEE. A comparison on that basis would hardly be justified on the ground of this foreign valuation, in addition to the fact that the value of $286,000 of imported goods is totally steel merchandise. The comparison in the census of domestic manufactures is steel and brass. Brass represents a considerably higher price, and a much greater proportion of our goods made here to-day are brass, for the simple reason that we can not compete favorably at all with the steel market set up by the German competition, as is represented in the drop of our figures from $1,521,000 of steel in 1919, reduced to $366,000 in 1925.

Senator KING. You have not answered the question. In 1925, Mr. Copp stated, as you will find on page 2152 of the House hearings, that the total sales in safety pins were $2,100,000.

Mr. SHEE. Yes, sir.

Senator KING. Was that this company alone?

Mr. SHEE. No. That was the total of all safety-pin manufacturers.

Senator KING. All; or those represented in that brief?

Mr. SHEE. All safety-pin manufacturers.

Senator KING. All in the United States?

Mr. SHEE. All in the United States. Those figures were taken from the Tariff Commission's reports.

Senator KING. In 1926 there were $2,100,000 worth of pins manufactured in the United States. Those were safety pins?

Mr. SHEE. Safety pins only.

Senator KING. Do you know what the ratio would be of safety pins to the ordinary pins—toilet pins, as you call them? Would it be more or less?

Mr. SHEE. You have it here, Senator. It is right here in the census report of 1925, which will give you that relationship. We have a total here made of brass, $995,440; made of steel, $366,656, of common pins. That is a total of——

Senator KING. You mean that is domestic production?

Mr. SHEE. Domestic production, from the census report.

Senator KING. What is this $2,100,000?

Mr. SHEE. That is safety pins only.

Senator KING. What would be the total production of all other pins, of which you have been speaking?

Mr. SHEE. The total production of all other pins would be $1,361,000.

Senator KING. What year was that for?

Mr. SHEE. That was for the year 1925.

Senator KING. The imports in 1925 were 1,085,000 pounds, and they dropped down to 1,243,000 pounds in 1927. In 1928 the value was $286,000 as against $1,000,000 plus in 1925.

Mr. SHEE. You are speaking of imports there in 1925. They were 1,085,829 pounds. In 1927 the imports increased to 1,243,048 pounds.

Senator KING. I called attention to that, and that has been put in the record three or four times. I gave the value in 1928, because it did not show the poundage, as $286,000.

Mr. SHEE. Yes, sir.

Senator KING. That is all.

Senator REED. I think I catch your point, but the trouble comes from the fact that the Tariff Commission reports to us of the imports of last year of toilet pins amounted to only $3,600. That certainly is not ruining your business.

Mr. SHEE. Toilet pins, Senator, are pins put on papers. The imports of pins alone, in one shipment, amounts to that. There is one company in New York City that brings in three or four shipments a month, William Prym, of America. They have one of the largest factories in Germany, and they have established a branch in New York, on account of the great volume of business. One shipment alone amounts to that much. The classification "all other pins" is the classification that carries pins put up in bulk, 1 pound, or half a pound in a box, which are sold for business use or manufacturing. "Toilet pins" has reference to pins stuck on papers, 18 to a row. There is a very small demand for that class of pins, getting less and less all the time, due to the fact that there is no more home dressmaking. Those are sold through the channels of the notion trade. The combination of those two is what rightfully represents the importation of what we term "common pins," or toilet pins put on paper, and all other pins, representing bulk pins. Ninety-five per cent of that total, Senator, is represented by steel pins, and the reason for that is this. That total of $286,000——

Senator REED. You have made that all clear.

Mr. SHEE. Compared to our steel production, that is pretty nearly 100 per cent of what we are producing in steel pins here to-day.

Senator REED. With respect to safety pins, the imports last year were only $50,000. We have not the figures of domestic production, but they seem to have run pretty constantly at about $2,000,000.

Mr. SHEE. Yes, sir.

Senator REED. Have you the domestic production for the last year?

Mr. SHEE. For 1927? I believe I have.

Senator KING. For 1928?

Mr. SHEE. No; I have 1927.

Senator REED. What is 1927?

Mr. SHEE. I have it all the way through here. I have it up to 1929.

Senator REED. What was it in 1927?

Mr. SHEE. 1927 was $2,186,365.

Senator KING. That is safety pins?

Mr. SHEE. That is safety pins.

Senator REED. What was it for 1928?

Mr. SHEE. I do not have 1928 available.

Senator REED. The imports appear to amount to about 2 per cent in value of the domestic production. Assuming that they produce one-half what we do, you still have only 4 or 5 per cent.

Mr. SHEE. We have the census report for each two years up to 1927.

Senator REED. Are you answering my question?

Mr. SHEE. I am getting to it, yes, sir. In 1919, taking it on a gross basis, the same thing applies to safety pins as applies to common pins. The safety pin importations are principally steel, due to the fact that they have that advantage in the cost of the raw material, besides their labor advantage. That permits them to exercise an advantage on the steel goods here at a longer margin of profit than on the brass goods.

The census report, per gross of manufactured goods, in 1921 shows 43½ cents per gross, average. It dropped in 1927 to 23.6 cents per gross, which represents our situation.

Senator KING. Have you answered the question of Senator Reed yet? You are coming right back to the same point you have covered three or four times.

Senator REED. Am I correct in thinking that the imports of safety pins represent something less than 5 per cent of the domestic production?

Senator BARKLEY. Mr. Chairman, are you not mistaken there in your arithmetic? $50,000 in imports would not be 2 per cent of $2,192,000.

Senator REED. It would be 2½ per cent.

Senator BARKLEY. No. It would not even be 1 per cent.

Senator REED. One per cent of $2,000,000 is $20,000.

Senator BARKLEY. I am mistaken.

Mr. SHEE. We have quoted the percentage basis of imports against domestic manufactured goods, on the basis of combining the pins and safety pins, in the brief we have just filled.

Senator REED. I am trying to take them one by one.

Mr. SHEE. We do not have them separated here.

Senator REED. If my impression is correct, you are not being ruined by the importation of 2½ per cent of the domestic production of safety pins.

Mr. SHEE. Your 2½ per cent is arrived at by an application on our total production of brass and steel safety pins, which is the same thing I am representing, too. The brass safety pin production is

something that is not included in the importations. We have not asked for any considerable increase, it not being necessary. If you take our steel production separately, and gauge your percentage of importations against the domestic manufactured goods, which are all steel, you would find that the percentage basis is considerably more than four per cent, many times more.

In 1927, on pins and safety pins combined, from the census reports of the Department of Commerce, with the import values increased 50 per cent to put them on the basis of the domestic sales valuation, on which the figures are represented here, the comparison is 13.9 per cent of imports compared with domestic production, which is represented in the brief we have just submitted.

Senator REED. That is combining common pins and safety pins.

Mr. SHEE. Yes.

Senator REED. All right. I think we have your point.

(Mr. Shee submitted the following brief:)

BRIEF OF THE MANUFACTURERS OF COMMON AND SAFETY PINS

This brief is a supplement to the briefs submitted to the Ways and Means Committee of the House of Representatives (report of hearings, pp. 2151–2156, inclusive) and contains additional information not quoted in our previous briefs. This new evidence further sets forth the justification of our request by indicating a tremendous increase in imports and further decline in average domestic selling prices to meet growing foreign competition.

RECENT IMPORTS SHOW MARKED RISE

The most recent import figures, taken from reports of Department of Commerce, are as follows:

	Toilet and other pins	Safety pins
Full year of 1928	$161,846	$52,122
First four months 1929	95,494	39,256

To permit comparison for the full year of 1929, comparable to the above figures given for full year of 1928, we have estimated the 1929 figures from the four months record by multiplying by 3:

	Toilet and other pins	Safety pins
Full year of 1928	$161,846	$52,122
Estimated for year 1929	286,482	117,768

These figures clearly indicate that imports for this year have increased by approximately 100 per cent over last year.

DOMESTIC PRODUCTION—SAFETY PINS

The 1927 figures of the Census of Manufactures have become available since our earlier briefs were submitted. We particularly call your attention to the decline in the average selling price realized from the sale of safety pins between years 1919 and 1927.

Report of the census for the year 1927 is the last available.

	1919	1921	1923	1925	1927
Total gross sold	8,427,719	5,186,818	7,878,319	7,833,307	9,252,187
Total value sold	$2,977,498	$2,256,760	$2,488,746	$2,192,612	$2,188,365
Average selling price	0.3532	0.4350	0.3108	0.2799	0.236

The above census figures show a greater decline in the average selling price per gross of safety pins than that reported in our brief to Ways and Means Committee. The figures we reported was based on estimates by various manufacturers for the year 1927, and was placed at slightly more than 3 cents per gross. The census figures show a decline of 0.0439 per gross.

DOMESTIC PRODUCTION—COMMON OR TOILET PINS

The Census of Manufactures reports production of common or toilet pins as follows:

	Made of steel wire	Made of brass wire	Total
1919	$1,521,202	$1,268,533	$2,789,735
1921	543,453	1,430,277	1,973,730
1923	425,161	1,483,672	1,908,833
1925	366,656	995,440	[1] 1,362,096
1927	[2]	[2]	[1] 1,432,900

[1] The slight recovery in 1927 was occasioned by change in market conditions of those two years in regard to demand. This is verified and reflected upon by the report of imports, given below.
[2] Separate figures for pins made of steel or brass wire not reported.

COMPARISON OF IMPORTS AGAINST DOMESTIC PRODUCTION COMBINING TOILET AND ALL OTHER PINS AND SAFETY PINS

In the following calculations we have taken the import figures as reported by the Department of Commerce and added 50 per cent to those figures to cover transportation, duties, and selling expenses by their domestic distributors in view of the fact that import figures by the Department of Commerce are arrived at by foreign valuation, whereas the Census figures are shown on the basis of domestic manufacturers' selling price.

	U. S. Census figures, domestic production, pins and safety pins	Department of Commerce report, imports and 50 per cent of imported value, pins and safety pins	Percentage of imports to domestic production
1921	$4,951,228	$292,134	5.9
1923	4,357,579	372,718	8.6
1925	3,554,708	441,918	12.4
1927	3,621,265	501,831	13.9

COMPARISON OF DOMESTIC AND FOREIGN COST OF PRODUCTION

This information is given in detail in our brief to Ways and Means Committee (p. 2153, Hearings, Tariff Readjustment) along with illustrations with evidence in way of bills of sale and counter samples, foreign and domestic, quoted on pages 2155 and 2156.

Since the presentation of our brief to Ways and Means Committee new importers have entered the field becoming very active and quoting prices approximately 10 to 15 per cent below the former low competition set forth in our brief to the Ways and Means Committee.

An illustration of one of these new importers is set forth as follows: Sample, Mirabil steel safety pins, size No. 1, carded 1 dozen, attached being quoted at

14 cents per gross safety pins. Our cost with selling expenses and without profit being 16½ cents per gross safety pins. This 14-cent price represents the distributor's selling price, which on the basis of cost or selling price by the foreign manufacturer having fair comparison would be equal to 25 per cent less, or 11½ cents compared with our cost of 16½ cents.

TARIFF

The present rate on tariff applying to these items, covered by paragraph 350, is 35 per cent ad valorem.

Specific duties have been recommended in our brief to Ways and Means Committee, based on the classification set forth therein in view of the extreme variation in foreign and domestic goods in the different classifications, which would make a set ad valorem rate inconsistent.

Respectfully submitted.

Oakville-American Pin Division, Scovill Manufacturing Co., Oakville, Conn.; Risdon Manufacturing Co., Naugatuck, Conn.; De Long Hook & Eye Co., Philadelphia, Pa.; Crescent Brass & Pin Co., Detroit, Mich.; Consolidated Safety Pin Co., Bloomfield, N. J.; Vulcanite Manufacturing Co., Lindenhurst, Long Island; Plume & Atwood Manufacturing Co., Waterbury, Conn.; Star Pin Co., Winsted, Conn.; Union Pin Co., Winsted, Conn.; F. Kelly Co., Derby, Conn.

STEEL PENS

[Par. 351]

STATEMENT OF F. T. BLAKEMAN, REPRESENTING THE SPENCERIAN PEN CO., AND ALFRED FIELD & CO., NEW YORK CITY

(The witness was duly sworn by the chairman of the subcommittee.)

Senator REED. Mr. Blakeman, did you testify before the House Committee on Ways and Means?

Mr. BLAKEMAN. I did.

Senator REED. Did you file a brief?

Mr. BLAKEMAN. I filed a brief. I do not wish to take up your time unnecessarily, but I would like to emphasize certain points in my brief, and point out certain inaccuracies in the brief presented by the witnesses for the domestic manufacturers.

Senator REED. Do you import your pens?

Mr. BLAKEMAN. Yes. I represent the Spencerian Co. and Alfred Field & Co., both of New York City, in the importation of steel pens.

Senator REED. Where are your pens made?

Mr. BLAKEMAN. They are made in Birmingham, England.

Senator REED. Is the Tariff Commission correct when it states that imports are about 20 per cent of the domestic consumption?

Mr. BLAKEMAN. Yes, sir. I should think that was approximately correct.

Senator REED. The imports appear to have remained about constant since 1920.

Mr. BLAKEMAN. Yes, sir.

Senator REED. The House has changed the duty to give a sliding scale of specific duties, from 15 to 20 cents per gross. We shall be glad to hear what you have to say about it.

Mr. BLAKEMAN. Heretofore there has been a specific duty of 12 cents a gross on metallic pens, and the House has divided them as between gray steel pens and so-called plated pens and increased the duty on gray steel pens 3 cents and increased the duty on plated pens 6 cents.

Senator KING. What would that represent in terms of ad valorem?

Mr. BLAKEMAN. I do not know what that would be, Senator. We have always had a specific duty on pens.

Senator KING. Of 12 cents?

Mr. BLAKEMAN. Twelve cents on metallic pens.

Senator REED. The duty on all types of pens collected last year amounted to 30.9 per cent ad valorem.

Mr. BLAKEMAN. The imports from 1922 to 1927 show an average increase of only 9 per cent a year, whereas the exports for that same period show an increase of 65 per cent. In 1927——

Senator REED. That is, comparing what years?

Mr. BLAKEMAN. 1922 to 1927, inclusive.

Senator BARKLEY. I see here that 20 per cent of the domestic consumption is imported from England. Practically all of it is from England.

Mr. BLAKEMAN. Yes.

Senator BARKLEY. Twelve per cent of our domestic production is exported, and it goes to England.

Mr. BLAKEMAN. It practically all goes to England, with the exception of a certain proportion that goes to South American countries buying from England.

Senator BARKLEY. It seems rather an anomolous situation that we are importing these pens from England to the extent of 20 per cent of our domestic consumption, and at the same time sending right back over there 12 per cent of our domestic production.

Mr. BLAKEMAN. Yes, sir. That is a point I wanted to touch on later.

In 1927, 19 per cent of the domestic production was exported, at an average price per gross of 49 cents, whereas the same pens are listed to the home trade at 70 cents per gross.

Senator KING. That is, they sold them abroad——

Mr. BLAKEMAN. They are exported at 49 cents.

Senator KING. And sold to the domestic consumers——

Mr. BLAKEMAN. To the foreign trade. The domestic pens are exported.

Senator KING. I understand; but they sold them for 49 cents?

Mr. BLAKEMAN. No, sir. That is the invoice cost that the foreign jobber bought the domestic pens at.

Senator KING. What did the domestic producer sell them for to the domestic consumer?

Mr. BLAKEMAN. At 70 cents.

Senator KING. That is, they were sold cheaper abroad?

Mr. BLAKEMAN. Yes, sir. A certain popular type of domestic pen is exported to South America at 35 cents, and sold to the home trade at 70 cents per gross.

The domestic production in 1927, as compared with 1921, shows an increase of 78 per cent.

Those figures I am quoting from the Department of Commerce. Although exporting a large percentage of their production at prices considerably less than quoted the home trade, domestic manufacturers deplore the importation of pens at an average cost per gross of 54 cents, including the present duty of 12 cents per gross, as against a manufacturing cost of 35 cents, or a spread of 19 cents.

I quote this manufacturing cost from the brief presented by the domestic manufacturers. Please note that the average cost per gross of 54 cents on imported pens is derived from figures supplied by the Department of Commerce, which give yearly importations from 1922 to 1927, in gross and in dollars. As a matter of fact, the average cost per gross of Spencerian pens in 1928 was 55.8 cents, which checks with the Department of Commerce figures.

Senator KING. Let me see if I understand. The domestic manufacturers, then, are producing cheaper than the Spencerian producers in England, or wherever they are made?

Mr. BLAKEMAN. They are producing for less than the cost of imported pens landed in New York, which is 54 cents, average cost.

Senator KING. Why is it that the domestic consumer would pay more for your pens, or for the imported pens than for the domestic pens which are sold cheaper?

Mr. BLAKEMAN. Well, sir, I do not want to take up your time unnecessarily, but the Spencerian Pen Co. was started in 1858, at a time when pens were just beginning to be manufactured in this country. Due, I think, to good salesmanship, and advertising, and a quality product, we have created the demand for the Spencerian pen, and a great many of the consumers will still pay more for a Spencerian pen, on account of the quality.

In 1922, before the House Ways and Means Committee, the domestic manufacturers stated that we might expect a large importation of cheap pens from Japan and Germany. That was in 1922. Since 1922 there has been no importation of pens from Japan, and a very slight importation from Germany in 1928—less than 1,000 gross. That is a particular type of drawing pen.

Domestic manufacturers seek to classify tin-plated pens and pens with a triple deposit of brass and copper with noncorrosive or rustless steel pens, a new type of pen imported for the first time in 1928 and not sold by domestic manufacturers. They may have been imported slightly in 1927. This would make the average cost of so-called plated pens landed in New York 60 cents if the increase in the tariff recommended by the House is adopted, and yet domestic plated pens are sold to the trade as low as 25 cents per gross.

Senator KING. How would they compare with those upon which they are asking this increase of tariff?

Mr. BLAKEMAN. They are not at all the same quality of pen.

I should like to leave with you some samples of ordinary plated steel pens and the new noncorrosive or rustless steel pens which have a landed cost in New York, including duty, of 98 cents per gross, as against 54 cents, the average cost per gross of ordinary plated steel pens, and I submit that it is not equitable to classify ordinary plated steel pens with rustless steel pens.

The average production cost in England is 32 cents per gross, whereas the witness for domestic manufacturers stated that certain school contracts in England are taken at 12 cents per gross and therefore assumed that the manufacturing cost in England is 12 cents per gross. I submit that it is entirely erroneous to cite a school contract for a cheap grade of pen and take this price as the average manufacturing cost in Great Britain. In England, as in the United States, school contracts are occasionally taken below production cost as a matter of advertising policy, and in order to compete with cheaper

pens, and be able to sell to schools which usually buy at the very rock-bottom prices.

Senator KING. Have you made an investigation so that you have knowledge of the cost in Great Britain?

Mr. BLAKEMAN. Yes, I have, sir. Following our appearance before the House committee, I was somewhat amazed to read this production cost of 12 cents a gross, and I went over to England. I believe that the average manufacturing cost in New England is 32 cents a gross. There are certain pens, of course, made very much cheaper. On the other hand, there are pens made very much more expensively. That, I believe, is the average production cost.

I cite the spread on school contract prices of from 28 to 50 cents per gross in the United States. If domestic manufacturers can export at an average cost per gross of 49 cents (see Export Table for 1927), how could they compete with English goods if the production cost in England, as implied by the domestic manufacturers, is only 12 cents per gross. The inference intended by the statement is obviously misleading and as a matter of fact is incorrect and not in accordance with the actual facts. A large contract for the United States Postal Service was recently taken by a domestic manufacturer at 29 cents per gross. Furthermore, if the manufacturing cost in England was 12 cents per gross, the average invoice cost of imported pens would be considerably less than 41 cents, the present average imported cost per gross before duty and carriage is added.

Senator REED. You say, Mr. Blakeman, that your cost is about 54 cents?

Mr. BLAKEMAN. Fifty-four cents.

Senator REED. Duty paid?

Mr. BLAKEMAN. Yes, sir; 41 cents plus 12 cents duty, and seven-eighths of a cent carriage.

Senator REED. I am told you took the contract for the Baltimore schools recently at 37½ cents. Is that correct?

Mr. BLAKEMAN. Three years ago, sir; and I took that, as you can see, considerably under cost.

Senator REED. Was it under cost? Did you lose money on it?

Mr. BLAKEMAN. Yes, sir; absolutely.

Senator REED. How much did you lose per gross?

Mr. BLAKEMAN. The average cost of those pens was approximately 43 cents.

Senator REED. You took it at a loss of 6 cents a gross.

Mr. BLAKEMAN. Yes.

Senator REED. Why?

Mr. BLAKEMAN. In order to carry on the name and to have children grow up using these pens, I concluded it was better to get these pens out and to carry the loss with the profit on the other pens. As a matter of fact, sir, that, I believe, is an idle theory, because in another year that contract will probably be taken by domestic pens, anywhere down to 29 or 30 cents.

Senator REED. They do not make any rustless pens in this country, the Tariff Commission says.

Mr. BLAKEMAN. No, sir.

Senator REED. Why not?

Mr. BLAKEMAN. I can not tell you that, sir, because I am not a domestic manufacturer, but I know that manufacturers in England

have been working on this process for some 5 years. They have only lately produced them, They are absoultely rustless and noncorrosive.

Senator REED. What alloy is used to get that quality?

Mr. BLAKEMAN. I can not tell you that, Senator.

Senator REED. You mean you do not know?

Mr. BLAKEMAN. No, sir; I know that you can take an ordinary so-called plated pen, and with your eraser you can rub that plate off; but if you take a rustless, noncorrosive pen, you can not rub that surface off.

Senator KING. Then, the domestic manufacturer not producing that, there is no competition on that particular pen?

Mr. BLAKEMAN. I should not say so.

The witness for domestic manufacturers before the House committee implied that there is a very wide spread between the wages paid in England and those paid in the United States and quoted a female wage in England of $6 per week. It is interesting to note that in their brief before the House committee in 1922 domestic manufacturers cited this same figure, viz: $6 per week when obviously since 1922 due to trade unionism, and so forth, there has been a wide advance in wages in England as well as this country. The average wage paid to-day for female labor in English pen factories is $10.20 per week. Many of the initial processes in English factories such as cutting the steel strip, marking the name and piercing are done by girls, by hand processes, entailing more operators and less production per operator. Male labor in England runs from $19.44 to $34.30 per week, that is for unskilled labor, while skilled labor runs from $24.30 to $38.58 per week, not widely less than the average per week paid to United States skilled labor of $41. I quote from the brief submitted by domestic manufacturers. I might add, gentlemen, that the Spencerian Pen Co. has the highest list of net trade prices due to the high cost of our goods and that if it were not for our high list, certain domestic manufacturers would not enjoy their present range of prices.

I should like to add that all of the figures at the close of our brief illustrating comparative prices as between domestic and imported pens, imports to the United States in gross and in dollars, exports and production in the United States and labor cost in England were obtained from the Department of Commerce and the British Board of Trade and I personally vouch for the statements in my brief which were carefully prepared and are to the best of my knowledge and belief correct.

We therefore request that the present duty of 12 cents a gross specific, on ordinary metallic pens both in gray steel and plated, and 15 cents on pens with nib and barrel in one piece, be reduced 2 cents on each item. This reduction would still leave the domestic manufacturer a margin of 17 cents on his production cost, as between the domestic manufacturing cost of 35 cents a gross, and 52 cents, the cost per gross of imported pens landed in New York.

Senator KING. State that again. You ask that the tariff on——

Senator REED. He asks that the 15-cent rate be reduced to 13 cents, and the 12-cent rate reduced to 10.

Mr. BLAKEMAN. That is right.

Senator KING. Why was the word "metallic" stricken out in the House? It read "pens, metallic, not specially provided for."

Mr. BLAKEMAN. I do not know, sir. All pens are metallic.

Senator KING. That was regarded as superfluous, was it?

Senator REED. That is probably a relic of the bygone days when pens were made of quills.

Mr. BLAKEMAN. I do not know what that signifies.

Senator KING. Is it necessary to state "plain and carbon steel?"

Mr. BLAKEMAN. No, sir. The foundation is all high carbon steel.

Senator KING. The present rate is 12 cents?

Mr. BLAKEMAN. Yes.

Senator KING. You ask for a reduction.

Mr. BLAKEMAN. Yes.

Senator KING. To what?

Mr. BLAKEMAN. To 10 cents; and a reduction on pens with nib and barrel in one piece, from 15 to 13 cents. I chiefly ask that ordinary steel pens, both in gray steel and plated, be not confused with the rustless or noncorrosive.

Senator KING. Where are they dealt with in paragraph 351, as amended?

Mr. BLAKEMAN. They are covered by a duty of 6 cents. The House recommended that all pens finished in gray steel be increased 3 cents—that is, from 12 to 15 cents—and that all so-called plated pens, both ordinary plated and rustless, be increased to 18 cents.

Senator REED. That is because they are wholly or in part of other metal.

Mr. BLAKEMAN. Yes.

Senator REED. They probably have included in them nickel, chrome, and that sort of thing.

Mr. BLAKEMAN. Yes.

Senator KING. You object to that?

Mr. BLAKEMAN. Yes.

Senator KING. What rate do you ask for that—"wholly or in part of other metal?"

Mr. BLAKEMAN. I am afraid I have ignored that, sir. The importation will never be very large, on account of the cost landed here. They cost 98 cents a gross landed here. They cost $2.50 to the consumer. There is never going to be any great sale of them.

Senator KING. You could not import them?

Mr. BLAKEMAN. We could import them, but the sale will never be large compared with an ordinary plated pen which does the work.

Senator KING. Can you explain why the domestic producers exported to England and sold there pens at 49 cents per gross, if the rates are so much cheaper there?

Mr. BLAKEMAN. No, sir; I can not. There is not a very large difference, as a matter of fact. The consumer in England pays 5 shillings a gross, or, roughly, $1.25 a gross. Over here he pays $1.50, and we ask $1.75.

Senator KING. As I understand you, your contention is that the foreign cost of pens laid down in New York is 54 cents.

Mr. BLAKEMAN. Yes, sir.

Senator KING. Then there must be added to that the overhead and profit.

Mr. BLAKEMAN. Exactly, sir. Our cost is 54 cents. Our selling price is 80 cents on the gray and 95 on the metallic pens.

Senator KING. Would the 54 cents include the duty?

Mr. BLAKEMAN. Yes. The average imported cost is 41 cents, plus duty and carriage.

Senator KING. Are you familiar with the kind of pens that the domestic manufacturers made and sold in other countries at 35 cents?

Mr. BLAKEMAN. I was referring particularly to a very popular type of pen termed the "Falcon" pen. I am familiar with that. That is the only type I am familiar with. It is the bronze falcon.

Senator KING. That is produced in the United States and sold abroad at 35 cents a gross.

Mr. BLAKEMAN. In Mexico it is sold at 35 cents.

Senator KING. Is it sold in Canada?

Mr. BLAKEMAN. Yes, sir, but not at those prices.

Senator KING. What do they charge in Canada?

Mr. BLAKEMAN. I do not know absolutely, sir. I would rather not state.

Senator KING. Can you compete with those pens at that price?

Mr. BLAKEMAN. Spencerian pens are not sold in South America. We can not compete.

Senator KING. Is machinery used very much in the manufacture of pens?

Mr. BLAKEMAN. Yes, sir. It is very largely used in this country. I should have brought that point out, that in the English factories a large part of the labor is necessary because they still retain hand processes, in order to give more precision. That, of course, entails more labor.

Senator KING. That increases the price?

Mr. BLAKEMAN. Yes.

Senator KING. In the United States is there less hand labor in the production?

Mr. BLAKEMAN. I do not know, sir. I am not a manufacturer over here, and I do not know anything about the manufacturing in this country. I presume that we have a little more machinery than they have in other countries.

May I leave these samples?

Senator REED. Yes. Have you a brief you wish to submit?

Mr. BLAKEMAN. Yes, sir.

Senator REED. Very well. At this point also we will put in the record the brief submitted by Mr. Edward S. Wood, for the Esterbrook Steel Pen Manufacturing Co.

Senator KING. Is Mr. Wood going to appear?

Senator REED. No. He was scheduled to appear to-day, but he said he would simply leave the brief, and let it go at that.

Mr. BLAKEMAN. Senator, may I have the samples illustrating the rustless steel pens and the other things?

Senator KING. You might want to examine Mr. Wood's brief, to see if you have any reply.

Senator REED. It is mostly a discussion of his statement before the Ways and Means Committee. He complains that Mr. Blakeman shows 1921 as a basis year of comparison with recent years. Of course, we are all familiar with the fact that 1921 was a depressed year.

Mr. BLAKEMAN. I have shown all those years.

Senator REED. And the Tariff Commission shows them all. We can get the comparison

Senator KING. These is nothing new, then, in Mr. Wood's brief?

Senator REED. I do not think so. Thank you, Mr. Blakeman.

(Mr. Blakeman's brief is as follows:)

BRIEF OF F. T. BLAKEMAN, REPRESENTING SPENCERIAN PEN CO., AND ALFRED FIELD & CO., NEW YORK CITY

GENTLEMEN: I refer to Schedule 3, metals and manufacture of, paragraph 351, covering steel pens, the ordinary metallic pens, not fountain pens. I represent the Spencerian Pen Co., Alfred Field & Co., and A. L. Salomom & Co., New York City, importers of steel pens from England. Together we import 75 per cent of imported pens.

We request that the present rate be reduced to 10 cents per gross on ordinary metallic steel pens both gray finish and plated and to 13 cents per gross on pens with nib and barrel in one piece, a reduction of 2 cents per gross on each item.

The first duty on steel pens was a specific duty of 12 cents per gross. This was reduced under the Underwood Tariff Act to 8 cents per gross and advanced to 12 cents per gross under the Fordney Tariff Act in 1922. The proposed tariff calls for an increase of 3 and 6 cents per gross, respectively, on ordinary metallic pens, in gray steel and plated finish.

The following percentages, relating to imports and exports, and domestic production are verified at the conclusion of this brief by figures obtained from the Department of Commerce and the British Board of Trade.

Since 1922 importations of steel pens show an average yearly increase of only 9 per cent, while domestic exports, for the same period, show an average yearly increase of 65 per cent (see table of imports and exports), domestic production in 1927, the last year available, as compared with 1921, shows an increase of 78 per cent.

In their statement before the Committee on Ways and Means in 1922, domestic manufacturers viewed with alarm possible importations of cheap pens from Japan and Germany. As a matter of fact, since 1922, no importations from Japan have been received and importations of German pens have been negligible (less than 1,000 gross for 1928). The market for cheap pens in America is entirely in the hands of domestic manufacturers, as illustrated in the comparative price list, paragraph 4, of our brief. Certain manufacturers have secured and will continue to do so, all contracts for steel pens purchased on a price basis.

Domestic manufacturers deplore the importations of pens already taxed 12 cents per gross. But they actually exported in 1927—the last year for which figures are available—19 per cent of their production and sold them profitably in competition with English-made pens, at prices lower than realized in the home market.

The average production cost in England is 32 cents per gross, whereas the witness for domestic manufacturers stated that certain school contracts in England are taken at 12 cents per gross and therefore assumed that the manufacturing cost in England is 12 cents per gross. I submit that it is entirely erroneous to cite a school contract for a cheap grade of pen and take this price as the average manufacturing cost in Great Britain. In England as in the United States school contracts are occasionally taken below production cost as a matter of advertsiing policy. I cite the spread on school contract prices of from 28 to 50 cents per gross in the United States. Further, if domestic manufacturers can export at an average cost per gross of 49 cents (see export table for 1927) how could they compete with English goods if the production cost in England, as implied by the domestic manufacturers, is only 12 cents per gross. The inference intended by the statement is obviously misleading and as a matter of fact is incorrect and not in accordance with the actual facts.

From 1922 to 1927 the average cost of imported pens was 54 cents per gross, 41 cents being the invoice cost, 12 cents duty and 1 cent carrying charges. As against an imported cost of 54 cents you have a domestic manufacturing cost of 35 cents as stated in the brief presented by domestic pen manufacturers. A spread of 19 cents. Domestic manufacturers supply over 80 per cent of the pens used by schools and Government departments, at prices which even the domestic manufacturer of high grade pens is unable to compete with. Certain domestic pens are sold at almost half the average cost per gross of imported pens, and I

submit that the domestic manufacturer can not lay this situation at the door of imported pens.

In our brief you will find a comparative net price list which clearly states the wide divergence between prices charged by domestic manufacturers and importers.

The true labor cost in England is 75 per cent as against the domestic labor cost of 80 per cent. My brief shows a schedule of wages in England, and I beg to point out that the representative of domestic manufacturers in his brief before the House committee quoted the same figure, as applying to female labor in England, as he quoted before the House committee in 1922, e. g., $6 per week, whereas the average female wage to-day in England is $10.20 per week, based on a 47-hour week.

Domestic manufactures, before the House Committee, requested that ordinary plated pens be classed with a new type of pen only recently perfected and imported for the first time in 1928, a "noncorrosive and rustless steel pen." Only 700 gross of these rustless pens were imported in 1928 at a very high cost, and these rustless pens are not sold by domestic manufacturers. The sale of rustless pens will be negligible owing to their high cost and high list price.

I submit samples of ordinary metallic pens both in gray steel and plated and also samples of noncorrosive or rustless pens. Ordinary plated steel pens are not noncorrosive or rustless and should not be classed, from a tariff standpoint, with rustless pens.

The increase proposed by the Committee on Ways and Means would make the average cost price of imported pens, including duty, 58½ cents per gross or 23½ cents more than the domestic manufacturing cost of 35 cents per gross, as stated in the brief submitted by domestic manufacturers.

I have endeavored to fairly state the salient points as affecting the proposed change in the tariff on steel pens and submit that domestic manufacturers are over-protected by the present tariff of 12 cents per gross on ordinary metallic pens, both in gray finish and plated.

May I again cite the production cost in the United States of 35 cents per gross, as quoted by witness for the domestic manufacturers as against 54 cents, the average cost of imported pens landed New York, duty included, which allows a 19-cent margin of production per gross. It can not be claimed by domestic manufacturers that such a margin does not afford them ample protection.

I appreciate that the sense of your committee is to adequately protect the domestic manufacturer, but may I emphasize that the American manufacturer now enjoys and seeks additional outlets for his surplus production to Great Britain and countries buying from Great Britain, from which country he deplores the importation of steel pens at an average cost per gross of 54 cents landed New York as compared with 35 cents the domestic cost of production.

Does the gain, through an increased duty, to the domestic manufacturer, who under existing conditions can afford in certain instances to market his goods abroad for 50 per cent less than he charges the local consumer, bear logical or economic comparison to the further hardship resulting to the American consumer as a result of opening the avenue to increased prices in this country for both imported and domestic goods? (See comparative list price.)

The proposed schedule of the Committee on Ways and Means calls for an increase in the duty on pens. For the reasons above given we submit that the domestic manufacturer is at present over-protected and request that the rates as outlined in the beginning of this brief be put in force, as follows:

Pens, metallic not specially provided for, 10 cents per gross. With nib and barrel in one piece, 13 cents per gross.

I submit below supporting figures supplied by the Department of Commerce, covering:

Comparative net price list

	Domestic				Foreign	
	Esterbrook	Hunt	Eagle	Miller	Spencerian	Field
Trade prices	$0.72-$0.82	$0.65	$0.45	$0.25	$0.80-$0.05	$0.81
School	.50	.24	.28	.25	.50	.48
Government	.58	.35	.35	.35	.80	.....
Export	.35-.60	.....	.....	.....	.80	.....

Imports to United States in gross and dollars

[Figures supplied by Department of Commerce]

	Gross	Dollars		Gross	Dollars
1922	670,124	303,635	1925	767,184	333,009
1923	712,487	300,884	1926	909,074	360,541
1924	734,120	308,330	1927	730,765	287,911

NOTE.—0.09 per cent = average yearly increase in volume; 0.54 cent = average invoice cost per gross, including 0.12 cent duty and 0.01 cent carriage.

Exports from United States in gross and dollars

[Figures supplied by Department of Commerce]

	Gross	Dollars		Gross	Dollars
1922	203,551	134,758	1925	325,307	178,150
1923	202,614	154,459	1926	442,533	217,438
1924	388,853	203,285	1927	371,024	183,887

NOTE.—0.65 per cent = average yearly increase in exports; 0.49 cent = export price per gross in 1927.

Production in United States in gross

[Figures supplied by Department of Commerce]

	Gross		Gross
1921	1,111,366	1925	1,750,215
1923	1,948,945	1927	1,979,479

NOTE.—0.78 per cent, increased production, 1921 *v.* 1927. Figures compiled every two years.

Labor cost, England

[Figures supplied by British Board of Trade]

Wages prevailing to-day in the pen trade, based on a 47-hour week are as follows:

Male, skilled, $24.30 to $38.58 per week.
Male, unskilled, $19.44 to $31.30 per week.
Female, average, $10.20 per week.
Overtime 0.25 per cent increase.

Pen cost:	Per cent
True labor cost	0.76
Raw material, rent, taxes, insurance, maintenance, etc	.24

Respectfully submitted, June 26, 1929.

F. T. BLAKEMAN,
Representing SPENCERIAN PEN CO., New York,
ALFRED FIELD & CO., New York.

LETTER FROM SPENCERIAN PEN CO.

NEW YORK, *July 3, 1929.*

SENATE FINANCE COMMITTEE,
Senate Office Building, Washington, D. C.

DEAR SIRS: I inclose, as requested, information covering the new series of so-called noncorrosive or rustless steel pens. As stated before the committee, these pens were put on the market within the last 18 months and are not sold by domestic manufacturers.

Spencerian Rustless Steel Pens are made from Firth's Staybrite steel, Thos. Firth & Sons (Ltd.), Sheffield, England. Messrs. Perry & Co. (Ltd.), Birmingham, England, who make for us our Spencerian series have been experimenting for the last 10 years with all makes of stainless steel and it is only recently that they have arrived at a result warranting placing stainless steel pens on the market.

"Stainless" steel is the name applied to an alloy steel containing 14 per cent of cromium and requires a different treatment to that of ordinary high carbon steel and lends itself to the manufacture of certain types of pens only, dependent upon the shape of the model. Ordinary high carbon steel is hardened from a temperature of 780° C. for the maximum hardness to be obtained; with stainless steel, however, the temperature for effective hardening is higher, a temperature of 1,000° C. being used. This is due to the fact that the phase changes take place at a much higher temperature than in ordinary carbon steel. A difference in hardening temperature can be illustrated by stating that ordinary steel may be hardened from a red heat while stainless steel should be taken to an orange yellow heat.

Stainless steel possesses a very valuable feature of being able to withstand rust, corrosion, and staining to a remarkable degree. The most common of corrosive influences, i. e. weathering agents, have little effect on stainless steel. Samples have been exposed to the weather, wet and dry, frost and snow for many months and at the end of the time have been perfectly bright and unaffected in any way.

Comparative tests have been made with stainless steel pens and ordinary steel pens where the samples were immersed in ink. The stainless steel pens were immersed for seven days and the carbon steel for two days with the effect that the stainless steel pens were unaffected and the ordinary pens uniformly attacked, showing marked corrosion.

Stainless pens are more highly polished and are slightly less flexible than ordinary plated steel pens, the tin plating on which can be rubbed off, revealing the copper deposit underneath the tin plate. Such not being the case with stainless pens.

We are sending by separate inclosure a box of assorted stainless pens.

I trust that I made clear to the committee the difference between ordinary plated steel pens, the average cost of which is 54 cents per gross landed, New York, including duty, and noncorrosive or rustless steel pens which cost 98 cents per gross landed, New York, including duty. Ordinary plated pens carry a triple deposit of tin or copper and brass on a base of high carbon steel, while the rustless pens are a solid unit of stainless steel finished to a high polish.

I beg to refer the committee to the samples of ordinary high carbon steel pens, both in gray finish and plated and prices applying to these various brands of pen will be found in the comparative net trade price list in our printed brief.

If we can furnish any additional information, kindly advise us.

Very truly yours,

SPENCERIAN PEN CO.,
F. T. BLAKEMAN, *President.*

BRIEF OF EDWARD S. WOOD, CAMDEN, N. J., REPRESENTING THE UNITED STATES STEEL-PEN INDUSTRY

COMMITTEE ON FINANCE,
United States Senate.

GENTLEMEN: The United States Pen Industry asked the Committee on Ways and Means for a duty on unplated pens of 16 cents per gross and of 25 cents per gross on plated pens and pens made from special alloys. The Ways and Means Committee in H. R. 2667 had fixed the duty on unplated pens at 15 cents per gross and on plated pens at 18 cents per gross.

We respectfully renew our request to your committee upon two specific reasons; first, increased competition from foreign countries, principally England as indicated by increased importations as per Tariff Information, Schedule 3, page 751, as follows:

	Gross		Gross
1919	584, 670	1924	739, 501
1920	928, 739	1925	769, 495
1921	485, 502	1926	911, 562
1922	713, 268	1927	735, 093
1923	717, 789	1928	770, 223

The imports for the first five months of the present year show still greater proportionate increases as compared with the same period 1927 and 1928, as follows:

	Gross
1927	206, 866
1928	309, 734
1929	358, 734

second, the gradual decrease in domestic production during 1928 and the first five months of 1929.

There are no Government statistics available to prove this statement but our knowledge of the facts and conditions warrant us in making the statement that production decreased 10 to 12 per cent in the United States and a corresponding reduction in employment has taken place. Employment has decreased 15 per cent since 1927.

The Tariff Information, page 750, gives the following table of domestic production:

Year	Number of factories	Gross	Year	Number of factories	Gross
1919	4	1, 070, 541	1925	5	1, 445, 573
1921	4	846, 277	1927	6	1, 657, 855
1923	5	1, 171, 070			

These figures were in part used by Mr. F. F. Blakeman, importer of the English Spencerian pens on page 2162 of the Tariff Readjustment Hearings, Volume III, to mislead the Committee on Ways and Means. He states, "From 1921 to 1927, the production of steel pens in the United States showed an average yearly increase of 78 per cent." Again on page 2163, he states, "I again cite the increase of production in the United States of 78 per cent and the increase in exports of 61 per cent."

The misleading character and intent of these statements is so apparent that it seems hardly necessary to call your attention to them when you have the tables before you. He did not include the year 1919—the year of highest production. He did not point out the well-known reason for the abnormal low production of 1921. This was on account of the great mass of left-over war production being thrown on the market. Nor did he mention the slow and gradual recovery from the effect of these conditions as indicated by the figures in 1923 and 1925. This increase in reported reduction is further accounted for by the fact that five factories reported in 1923 and 1925 as against four factories in 1921. Again the still larger figures of 1927 are accounted for because of the fact that six factories reported that year as against five factories in 1923 and 1925.

Taking as the basis for his statement the production figures of four factories in the depressed and abnormal year of 1921 and comparing these figures from six factories in 1927, shows clearly the unfairness and the absurdity of the percentage of increased production at which he arrives.

The same is true as to his claim of 6 per cent increase of exportations. The following table of exports from Tariff Information, page 751:

	Gross		Gross
1919	1, 098, 677	1924	388, 853
1920	968, 805	1925	325, 367
1921	155, 497	1926	442, 533
1922	203, 551	1927	371, 624
1923	292, 614	1928	334, 118

Mr. Blakeman, in his statement, ignores the figures of 1919 and 1920 and starts with the abnormal low figures of 1921 to calculate his percentages. Nothing more need be said than to call your attention to the above table. It is well in connection with the export figures to note that there has been a steady decline of exports since 1926 and an increase in imports during the same period with the notable exception of the large imports of 1926. This was due to a great extent to very large orders of two of our greatest cities in the United States for their school supplies of pens being captured by the English manufacturers.

Our normal production has declined. Our normal exports (which are largely made up of special varieties of pens) have declined and imports have steadily increased.

The value of the importations as given in Tariff Information, page 751, is incorrect and misleading. This is due to no fault of the statistical department of the Government but to the overvaluation of the import invoices. The average value, as per the import table for 10 years, indicates 42½ cents per gross as being the foreign value and for the single year of 1928, 38⅝ cents per gross As the merchandise is assessed for dutiable purposes on a specific rate per gross the question of value does not enter into consideration at our ports of entry. The facts are that the foreign merchandise is sold at prices in this country even below the invoice value to say nothing of duty and other costs for landing. Sales have been and are made including duty at 12 cents per gross, freight, insurance, and other charges, overhead and profit at from 27 to 29 cents per gross for unplated pens and for plated pens from 40 cents for silver to 50 cents for gold plate per gross.

As proof of the above statement, we submit a copy of a letter from Birmingham, England, dated December 3, 1928, wherein silver-coated pens are quoted at 1/2d. or 28 cents per gross, and gold plated at 1/9d. or 42 cents per gross.

If desired we can furnish the committee the original of this letter.

T. HESSIN & Co.,
STEEL PEN MANUFACTURERS
Birmingham, December 3, 1928.

The TURNER & HARRISON PEN MANUFACTURING Co. (Inc.),
Philadelphia.

DEAR SIRS: We beg to acknowledge receipt of your letter of the 21st ult., for which we thank you.

In accordance with your request we have much pleasure in inclosing herewith, samples of pens similar to the samples inclosed by you. Our present lowest prices for these pens, for the quantities mentioned by you, are as follows:

No. 1380, silver finish, 1/2d. per gross.
No. 1380, gold finish, 1/9d. per gross.
No. 607F, silver finish (ball point), 1/4d. per gross.
No. 607F, gold finish (ball point), 1/11d. per gross.

We inclose herewith, sample of our pen No. 1382 to show the gilt finish we use for these two pens.

Trusting these prices will enable you to secure the business, we are, dear sirs,

Yours faithfully,

Per pro T. HESSIN & Co.,
W. M. RICHARDS,
General Manager.

We also submit photostatic copies of two invoices showing purchases in the ordinary course of business of "armour plate" steel pens at 7d. or 14 cents per gross, less 2½ per cent discount. The landed duty-paid price of these pens is, in round figures, 26 cents per gross. The price of the similar American-made product is 35 cents per gross and when plated with silver, 71 cents per gross, or with gold, 75 cents per gross.

Imported pens to-day supply approximately 40 per cent of the domestic consumption.

We need the protection requested from the Ways and Means Committee and earnestly renew our request that paragraph 351 be changed so far as rates are concerned, to read as follows:

"PAR. 351. Pens, not specially provided for, of plain or carbon steel, 16 cents per gross; wholly or in part of other metal, 25 cents per gross; any of the foregoing with nib and barrel in one piece, 20 cents per gross."

Respectfully submitted.

EAGLE PENCIL CO.
ESTERBROOK STEEL PEN MFG. CO.
C. H. HUNT PEN CO.
MILLER BROS. PEN CO.
TURNER & HARRISON PEN CO.
[SEAL.] EDWARD S. WOOD,
Treasurer Esterbrook Steel Pen Mfg. Co.
(For the above manufacturing companies).

Sworn and subscribed to before me this 29th day of June, 1929.

PHILIP E. SCOTT, *Notary Public.*

My commission expires March 4, 1934.

MAGNETIC WORKS, WHEELEYS LANE, BIRMINGHAM

Bought of T. Hessin & Co. (proprietors of the late M. Turner & Co. and C. Smith & Co.), manufacturers of steel pens, penholder tips, and stationers' sundries.

Messrs. Turner & Harrison Pen Manufacturing Co., February 9, 1927:

	£	s.	d.
87 gross pens, Armor-Plate, No. 120 (7d.)	2	10	9
2½ per cent		1	3
	2	9	6
1 box		1	0
	2	10	6
88 gross pens, Armor-Plate, No. 120 (7d.)	2	11	4
2½ per cent		1	4
	2	10	0
1 box		1	0
	2	11	0
263 gross pens, No. 71417, Armor-Plate 120 (7d.)	7	13	5
2½ per cent		3	11
	7	9	6
3 boxes		3	0
	7	12	6

SUPPLEMENTAL BRIEF OF THE STEEL-PEN INDUSTRY

FINANCE COMMITTEE,
United States Senate, Washington, D. C.

SIRS: On behalf of the steel-pen industry of the United States, I beg to call your attention to a number of erroneous and misleading statements made to your committee by Mr. F. T. Blakeman, of New York City, on July 1, 1929.

Mr. Blakeman stated that he represented the Spencerian Pen Co. He failed to state that the Spencerian pen is one of the specially advertised brands of Perry & Co., who own and manufacture the Spencerian as well as other brands—namely, Perry pens, Perry-Mason pens, Sir Josiah Mason pens, and Summerville pens. Mr. Blakeman is the representative of Perry & Co. and not the Spencerian Pen Co., which does not exist as a separate entity.

Mr. Blakeman did not claim to represent, nor did he make mention of 14 other English and French manufacturers selling pens in this country, i. e.: England—M. Myers & Son, Gillott, Wm. Mitchell, John Mitchell, Leonardt & Co., Hinks, Wells & Co., Baker & Fennemore, Smith's Pen Co., Mitchell, Turner & Co.,

T. Hessin & Co., St. Paul's Pen Works. France—Baignol y Farjon, Mallot & Co., Blanze Poure.

Perry & Co., have recently quoted standard commercial pens in Canada at 10d. per gross.

Mr. Blakeman also stated that Spencerian pens were selling at 80 cents per gross in this country. I have a letter in my possession which I can furnish to the committee if desired, showing a quotation of 50 cents per gross for the Spencerian pen.

Had we only the extensively advertised and well-known Spencerian pen to compete with we would have little trouble, but we are competing against all the above-named makes. For example, besides the invoices submitted in our brief, we have quotations upon the Hessin & Co. pens, as follows:

	Pence
Pen No. 237	8½
Pen No. 292 C	7
Pen No. 292	7¼
Pen No. 303 C	7
Pen No. 303	7¼
Pen No. 404 C	7
Pen No. 404	7¼
Pen No. 437	8½
Pen No. 508 C	7¼
Pen No. 508	8½

Less 2½ per cent cash, cases extra, f. o. b. works.

Also the more highly finished pens, as follows:

	Gray finish	Silver finish
	s. d.	s. d.
Pen No. 1301	1 2	1 6
Pen No. 1322	1 3	1 7
Pen No. 1323	10	1 2
Pen No. 1335	1 2	1 6
Pen No. 1370	1	1 4
Pen No. 1377	11	1 3
Pen No. 1378	11	1 3
Pen No. 1379	1 2	1 6
Pen No. 1380	11	1 3
Pen No. 1381	1 3	1 7
Pen No. 1382	1 2	1 6
Pen No. 1383	1	1 4

Any of these pens can be had in gold finish for 7d. per gross above the gray finish. Terms, 2½ per cent discount, cases extra, f. o. b. factory.

Mr. Blakeman stated that our 048 pen was sold for 35 cents per gross in Mexico. This statement is without foundation in fact. Our price to Mexico is 60 cents per gross, f. o. b. New York.

A telegram received from our representative in Mexico states that the average price of the English pens sold in that country is about 17 cents per gross, the highest price being 33 cents per gross and the lowest 11 cents per gross. Perry & Co. have only a small share of the Mexican business.

In Central America the various English manufacturers sell at 35, 30, 16, 14, and 11 cents per gross.

In Argentine, Perry & Co. have a large trade. Their highest price is 33 cents per gross. The other English and French manufacturers bulk trade show prices of 16, 14, and 12 cents per gross.

Another statement made by Mr. Blakeman and questioned by Senator Barkley, was that wherein Mr. Blakeman stated (speaking of exports):

"It practically all goes to England with the exception of a certain portion that goes to South America and countries buying from England."

Senator BARKLEY. "It seems rather an anomalous situation that we are importing these pens from England to the extent of 20 per cent of our domestic consumption and at the same time sending right back over there 12 per cent of our domestic production."

The explanation of this anomaly is that during the World War many of the British Colonies purchased our American pens and on account of their satisfactory quality have continued to use them. The records show that these goods

were shipped to England. They were, as a matter of fact, shipped through the English merchants to India, Australia, Egypt, South Africa, and other British possessions. There are also a few highly finished pens made by us that seem to be preferred by certain critical users in England.

The statement was made by Mr. Blakeman that unskilled labor in the pen industry in England ran from $19.44 to $34.50 per week, and that skilled workmen were paid from $24.30 to $38.58 per week. From conversations and from correspondence we have had with English manufacturers, and from evidence secured from English penmakers who have come to this country, Mr. Blakeman's statement is not warranted. Such evidence as we have obtained more closely conforms to the report of the Department of Labor, covering the Metal Trades Industries of Manchester, published at the request of Senator Shortridge, as follows:

Weekly wage rates for metal trades in Manchester, 1928

Occupation:	Weekly rate
Smiths	$14. 09–14. 58
Strikers	10. 94–11. 42
Fitters	14. 09
Turners	14. 09
Millwrights	14. 09
Planers	13. 37
Borers and slotters	13. 37
Millers	13. 37
Coppersmiths	14. 82
Brass finishers	14. 90
Brass molders	15. 19
Pattern makers	15. 07
Die sinkers or press toolmakers	14. 58
Electrical engineers	14. 09
Armature winders	14. 46
Roll turners	14. 09
Machinists	12. 15
Drop hammer forgers	14. 09
Forgemen	15. 80
Scientific instrument makers	14. 09

Although the list does not give the wages of pen makers, yet Mr. Blakeman's statement is so outrageously out of line with the department figures as to show that it is not warranted.

Other matters referred to I feel are adequately covered in our brief, submitted to you on the first instant.

Respectfully submitted.

ESTERBROOK STEEL PEN MANUFACTURING CO.
EDWARD S. WOOD, *Treasurer*

(On behalf of Eagle Pencil Co., Esterbrook Steel Pen Manufacturing Co., C. H. Hunt Pen Co., Miller Bros. Pen Co., Turner & Harrison Pen Co.).

Sworn and subscribed to before me July 8, 1929.

[SEAL.] PHILIP E. SCOTT, *Notary Public.*

TWIST DRILLS, REAMERS, AND OTHER METAL-CUTTING TOOLS

[Par. 352]

BRIEF OF R. S. GLENN, REPRESENTING MANUFACTURERS OF TWIST DRILLS, REAMERS, ETC.

The SENATE FINANCE COMMITTEE,
Washington, D. C.

GENTLEMEN: This brief is filed on behalf of the manufacturers of twist drills, reamers, milling cutters, taps, dies, and metal-cutting tools of all descriptions. Plants are located in the New England States, New York, Pennsylvania, Ohio, Illinois, Michigan, and several other States.

The output of this industry is used in the metal-working trades, the artisans using the tools in fashioning the finished product from the raw material. Thousands of varieties of these tools are produced to meet the needs of the metal-working trades, and a large industry has developed therefrom, giving employment to over 10,000 men, and with a yearly output which exceeds $25,000,000 in value.

Small tools, which include twist drills, reamers, taps, dies, and milling cutters, are commercially divided into two general classes, known as carbon-steel tools and high-speed tools. High-speed steel tools are those made from steel containing superhardening alloys, such as tungsten and molybdenum, and are used where it is desirable that tools retain their cutting qualities even when heated to a high temperature. Carbon-steel tools are made of ordinary tool steel known as carbon steel.

Originally small tools were operated entirely by hand, but with the development of artificial power, machines were invented to transfer and direct this power to the tools, and these appliances are generally known in the metal-working industry as machine tools.

Prior to the enactment of the tariff act of 1922, there was no provision for small tools by name. They were classified for duty under paragraph 167 of the tariff act of 1913 as "articles or wares not specially provided for." No separate provision was made at that time for tools containing over six-tenths of 1 per cent of tungsten or molybdenum, such tools being also classified for duty under the provisions of paragraph 167.

The tariff law of 1922, paragraph 305, carried a proviso that certain steel products containing over six-tenths of 1 per cent of tungsten or molybdenum should pay an additional duty of 65 cents per pound on the molybdenum content and 72 cents per pound on the tungsten content contained therein in excess of six-tenths of 1 per cent. In the same act, paragraph 398 provided that—

"PAR. 398. Twist drills, reamers, milling cutters, taps, dies, and metal-cutting tools of all descriptions, not specially provided for, containing more than six-tenths of 1 per centum of tungsten or molybdenum, 60 per centum ad valorem."

No special or eo nomine provision was made for tools containing less than six-tenths of 1 per cent of tungsten or molybdenum, it being understood in the industry, and also we believe by Congress, that such tools would be classified for duty under paragraph 399, providing for articles or wares of steel not specially provided for (in exactly the same manner as they had previously been classified in the similar paragraph in the tariff act of 1913), and would pay duty as there provided at the rate of 40 per cent ad valorem.

The customs officials placed the same construction on paragraph 399 and classified these tools (twist drills) thereunder at 40 per cent ad valorem. The importer protested, and the case finally came before the Customs Court, second division, for decision. The court held that twist drills were parts of machine tools and as such should be classified under paragraph 372 of the tariff act of 1922 at the rate of 30 per cent, instead of being classified under paragraph 399 at the rate of 40 per cent, as claimed by the collector of customs and which classification had been uniformly followed by customs officials for many years preceding the decision of the Customs Court.

Since the above decision was rendered in 1927, there has been a great increase in the importation, especially from Germany, of small tools. It is not possible to give exact figures as most of those articles are now classified as parts of machines, and are not shown separately in the statistics. We do know from the greatly increased quantity of small tools imported from Germany, which our selling agents are encountering in the trade, and from the large and growing losses which we are suffering in various grades of small tools, particularly in the cheaper grades, that this competition is becoming very serious.

Labor is the largest cost item in the manufacture of small tools. Evidence has been produced before the committee showing that the cost of labor in Germany is about one-fourth of the cost of similar labor in the United States. Another considerable advantage possessed by German manufacturers of small tools is in the price which they pay for the steel from which these tools are manufactured. This is made from cheap ore, with cheap fuel, and very low priced labor, and costs considerable less than the price paid for similar steel in the United States. By reason of these advantages, and the present low tariff rate, small tools are exported from Germany and offered for sale in the United States at prices with which we are unable to compete.

As a result of an investigation recently made by the salesmen in the employ of a domestic manufacturer of small tools, it was established that the sale of German-made small tools is very widespread in this country, and that in various retail stores an imported set of drills could be purchased at retail for $2.25 per set, whereas the price of a similar set of domestic manufacture would be $4.30. This statement refers to twist drills made from carbon steel.

Until recently, small tools made from high-speed steel have not been exported to the United States in such quantities as to give serious competition to the domestic industry. Our best information at the present time is that high-speed tools are being rapidly developed in Germany, and will soon be offered in quantities to importers in the United States. The manufacture of small tools from high-speed steel is the most important branch of the industry, and we are seriously concerned at the prospect of competition in this line from German manufacturers whose cost of production is so much less than ours.

We also wish to present for consideration by Congress the situation which has been developed by a recent decision of the United States Customs Court, holding that these tools should be classified for duty under paragraph 372 as parts of machines dutiable at 30 per cent ad valorem. This decision is one of a long line of similar decisions by which numerous commodities which, in the manufacturing world at least, were believed to be protected by higher rates of duty, but which were decided by the Customs Court to be parts of machines dutiable at 30 per cent ad valorem, thereby greatly reducing the protection which the different industries believed they had received from Congress. This decision, if applied to high-speed steel tools, would be nothing less than disastrous, as it would cut our present protection from 60 per cent to 30 per cent.

We presented our situation to the Ways and Means Committee, and in H. R. 2667, which is now before the Senate, the House, in paragraph 352, provided for the articles in which we are interested in the following language:

"PAR. 352. Twist and other drill bits, reamers, milling cutters, taps, dies, die heads, and metal cutting tools of all descriptions, and cutting edges or parts for use in such tools, composed of steel or substitutes for steel, all the foregoing, not specially provided for, 50 per centum ad valorem; if containing more than one-tenth of 1 per centum of vanadium, or more than two-tenths of 1 per centum of tungsten, molybdenum, or chromium, 60 per centum ad valorem. The foregoing rates shall apply whether or not the articles are imported separately or as parts of or attached to machines."

While this paragraph does not give us the relief which we requested, as far as the rates of duty are concerned, the industry is satisfied in the knowledge that an appeal may be taken to the President, through the Tariff Commission, in the event that foreign competition becomes destructive. We believe, however, that the phraseology of the first line of paragraph 352, to wit, "twist and other drill bits," will almost certainly lead to litigation by importers in the customs courts.

There is nothing known in the trade as a "twist drill bit." The principal articles intended to be covered by the language quoted above are twist drills, which is the term by which they are known in the trade, and which is the term under which they were provided for in paragraph 398 of the tariff act of 1922, and which has never been questioned in any court proceeding. It is quite certain, if the law be enacted in the language quoted above, that the importer who first imports twist drills will immediately claim that they are not provided for in paragraph 352, and will cite the change in the language from that used in paragraph 398 of the tariff act of 1922 in support of his contention. The importer's claim would be even more strongly supported by showing that when H. R. 2667 was first reported to the House, on May 7, 1929, the language of the paragraph was—

"PAR. 352. Twist and other drills, * * *."

After the bill had been referred back to the committee the change was made to the present form:

"PAR. 352. Twist and other drill bits, * * *."

We believe that this change was made through inadvertence, but we feel certain that the effect of the change made by the committee will be to exclude twist drills from the protection of paragraph 352, and we have been so advised by customs lawyers to whom we submitted this matter. As twist drills are

the most important, in point of value, of the products made by us, we respectfully request that paragraph 352 be amended to read as follows:

"PAR. 352. Twist and other drills, bits, reamers, milling cutters, taps, dies, die heads, and metal cutting tools of all descriptions, and cutting edges or parts for use in such tools, composed of steel or substitutes for steel, all the foregoing, not specially provided for, 50 per centum ad valorem; if containing more than one-tenth of 1 per centum of vanadium, or more than two-tenths of 1 per centum of tungsten, molybdenum, or chromium, 60 per centum ad valorem. The foregoing rates shall apply whether or not the articles are imported separately or as parts of or attached to machines."

Respectfully submitted.

The Cleveland Twist Drill Co., Cleveland, Ohio; Greenfield Tap & Die Corporation, Greenfield, Mass.; Morse Twist Drill & Machine Co., New Bedford, Mass.; National Twist Drill & Tool Co., Detroit, Mich.; Pratt & Whitney Co., Hartford, Conn.; the Standard Tool Co., Cleveland, Ohio; Union Twist Drill Co., Athol, Mass.; Whitman-Barnes Corporation, Detroit, Mich.; Winter Bros. Co., Wrentham, Mass.

I, R. S. Glenn, chairman of tariff committee, do solemnly swear that the above information regarding classification of various tools as outlined is, to the best of my knowledge and belief, true and correct.

R. S. GLENN.

Signed and sealed in the presence of—
EMMA L. VORTIMAN.

Acknowledged before me on this 26th day of June, A. D. 1929.
[SEAL.] H. M. JACOBS, *Notary Public.*

ELECTRICAL INSTRUMENTS

[Par. 353 and 372]

LETTER OF THOMAS ALLEN, BOSTON, MASS., REPRESENTING THE NATIONAL ELECTRICAL MANUFACTURERS' ASSOCIATION

Senator REED. I am asked by Mr. Thomas Allen, a witness who has been listed, to put into the record a letter addressed to the committee, stating that no changes in rates are requested on behalf of the National Electrical Manufacturers' Association. That will appear in the record at this point.

Senator KING. On what point?

Senator REED. On electrical instruments.

Senator KING. He represents the domestic producers, does he not?

Senator REED. Yes.

(The letter referred to is as follows:)

WASHINGTON, D. C., *July 1, 1929*

Hon. DAVID A. REED,
Chairman Subcommittee No. 3, Senate Finance Committee.

DEAR SIR: On behalf of the National Electrical Manufacturers' Association I beg to state that in presenting our brief on tariff act of 1922 on paragraphs 399 and 372 thereof before the House committee we drew attention to the fact that there had been confusion in the interpretation thereof by the Customs Court, as fully set forth in our brief; we asked no change in rate, only the classification of the wording of the act. The changes as now embodied in H. R. 2667, paragraph 353, with the changes made in paragraph 372 (of the 1922 act) in the House bill, while not exactly what we requested, do in fact satisfactorily accomplish what we intended and desired.

Respectfully,

THOMAS ALLEN,
Chairman National Electrical Manufacturers' Association,
Tariff Committee, 84 State Street, Boston, Mass.

WASHINGTON, D. C., *July 1, 1929.*

Then personally appeared Thomas Allen and made oath that the facts set forth in the brief by him filed before the Ways and Means Committee of the House for the National Electrical Manufacturers' Association on paragraphs 399 and 372 of the 1922 tariff act and the facts stated in the communication written on the reverse side herefo are true to the best of his knowledge, information, and belief.

Before me.

[SEAL.] CHAS. E. ALDEN, *Notary Public, D. C.*

My commission expires October 13, 1932.

POCKET PENCIL SHARPENERS; COMPASSES AND DIVIDERS

[Pars. 354 and 360]

BRIEF OF THE EAGLE PENCIL CO., NEW YORK CITY

Hon. REED SMOOT,
Chairman Committee on Finance, United States Senate.

DEAR SIR: Our testimony and brief in respect to pocket pencil sharpeners are printed on pages 2648 to 2651, with a supplemental brief on pages 2254 to 2255, of the 1929 tariff readjustment hearings before the Committee on Ways and Means of House of Representatives. The facts now presented are in substance new matter.

The following changes in H. R. 2667 are requested: In paragraph 354, page 77, line 11, after the word "articles," insert the word "above," and in line 15, page 77, after the word "thereof," insert the following: "Pocket pencil sharpeners, made wholly or in part of metal, 1 cent each and 60 per cent ad valorem." When paragraph 354 as amended will read:

"PAR. 354. Penknives, pocketknives, clasp knives, pruning knives, budding knives, erasers, manicure knives, and all knives by whatever name known, including such as are denominatively mentioned in this act, which have folding or other than fixed blades or attachments, valued at not more than 40 cents per dozen, 2 cents each and 50 per centum ad valorem; valued at more than 40 and not more than 50 cents per dozen, 5 cents each and 50 per centum ad valorem; valued at more than 50 cents and not more than $1.25 per dozen, 11 cents each and 55 per centum ad valorem; valued at more than $1.25 and not more than $3 per dozen, 18 cents each and 55 per centum ad valorem; valued at more than $3 and not more than $6 per dozen, 25 cents each and 50 per centum ad valorem; valued at more than $6 per dozen, 35 cents each and 55 per centum ad valorem; blades, handles, or other parts of any of the foregoing knives or erasers shall be dutiable at not less than the rate herein imposed upon knives and erasers valued at more than 50 cents and not exceeding $1.25 per dozen; cuticle knives, corn knives, nail files, tweezers, hand forceps, and parts thereof, finished or unfinished, by whatever name known, 60 per centum ad valorem: *Provided*, That any of the foregoing, if imported in the condition of assembled, but not fully finished, shall be dutiable at not less than the rate of duty herein imposed upon fully finished articles of the same material and quality, but not less in any case than 15 cents each and 55 per centum ad valorem: *Provided further*, That all the articles above specified in this paragraph, when imported, shall have the name of the maker or purchaser and beneath the same the name of the country of origin die sunk conspicuously and indelibly on the shank or tang of at least one or, if practicable, each and every blade thereof; pocket pencil sharpeners made wholly or in part of metal, 1 cent each and 60 per centum ad valorem."

The above rate is requested to enable domestic manufacturers to compete with the foreign manufacturers of pocket pencil sharpeners. As these sharpeners are nowhere specially provided for in the present tariff law, there are no statistics as to importations available, but we believe that in 1922 practically the entire United States market for these sharpeners was supplied by domestic manufacturers, of which our company was the largest. Since 1922 the domestic consumption has undoubtedly increased greatly, and so far as we can determine, about 90 per cent of these sharpeners are now imported, and in the most popular styles they are 100 per cent imported.

We gave the United States Tariff Commission figures showing that our production of these sharpeners was practically 50 per cent less in 1928 than in 1927 and that we have lost practically 80 per cent of our business since the great

influx of these pencil sharpeners from Germany. This year we are practically out of production on these sharpeners because under present tariff rates there is no possibility of our competing with the foreign manufacturer on the particular type of sharpener which is now in demand.

Your committee should understand that we and several other American manufacturers make pocket pencil sharpeners which retail for the same prices as the imported sharpeners. We consider our sharpeners, which are made entirely of base metal, more efficient than the imported ones and a better investment for the people who buy them. However, the foreign manufacturer attaches the blade or blades of his sharpeners to very attractive blocks of colored materials, such as bakelite, gallilith, and pyroxylin, or of aluminum, which materials he obtains far under their cost in this country where the import duties on them is very substantial. Because of their beauty, the present demand is all for these imported sharpeners and we would like to make them in this country, if we can get the protection necessitated by our much higher costs for the required materials and labor.

The duty on these pencil sharpeners in the present tariff law is not only inadequate but it varies greatly depending on the material of which the base is made and on technicalities in the law. The rates run all the way from 25 per cent ad valorem, when the component of chief value is gallilith, to 60 per cent when it is pyroxylin. The foreign manufacturer can switch from one rate of duty to another by changing the material he uses for the base and he has a wide range of suitable materials that he could use, if necessary.

The tariff law also makes no provision for the fact that each of these pocket pencil sharpeners has one or more flat sharpened blades of cutlery steel and is really a substitute for a pocket knife. If the blades alone were made dutiable at the rate provided for the blades of pocket knives in H. R. 2667, the duty would be several times more than we are now asking on the complete article. Or if the complete sharpeners were dutiable at the same rates as pocket knives in H. R. 2667, the duty would be much greater than we are now asking.

The imported pencil sharpeners with bases of gallilith, bakelite, etc., retail in this country at 10 cents each. The foreign valuation is low enough so that under the proposed duty they can still be imported to sell at 10 cents each with a good profit. We and other American manufacturers will then be able to compete for this business and our sharpeners will also be sold at 10 cents with a fair profit to the jobber and retailer. On sharpeners which now retail at 5 cents each the price would remain at 5 cents each.

The Gilt-Edge Razor Blade Co., of New York City, on page 2651 of the 1929 tariff readjustment hearings says there are approximately 10,000,000 of these sharpeners used per year, and the imports are approximately $300,000 per year and that if they could market this item in the right way the number of employees affected would be between 250 and 300. We mention this here to show that the matter is of importance to American manufacturers other than ourselves.

We gave the Ways and Means Committee an exhibit showing the type of imported sharpeners that we refer to with the American selling prices and our comparable sharpeners and selling prices.

We now urgently request that you make special provision for these sharpeners in paragraph 354 where they properly belong because of their character and use. The rate asked for is fair to all concerned. It will foster competition, because the foreign manufacturer now has no effective competition on this article.

Respectfully yours,

EAGLE PENCIL CO.,
By FRANK W. LILLEY.

DISTRICT OF COLUMBIA:

Sworn to before me this 1st day of July, 1929.

[SEAL.] HUBERT G. ROSBORO, *Notary Public.*

Commission expires October 19, 1933.

BRIEF OF THE EAGLE PENCIL CO., NEW YORK CITY

COMPASSES AND DIVIDERS, PARAGRAPH 360

Hon. REED SMOOT,
Chairman Committee on Finance, United States Senate.

DEAR SIR: Our testimony and briefs in respect to compasses and dividers are printed on pages 2251 to 2255 of the 1929 tariff readjustment hearings before the Committee on Ways and Means of the House of Representatives. The facts now presented are in substance new matter.

The following changes in paragraph 360, H. R. 2667, are requested: On page 81, line 2, after the word "closed" insert a semicolon and the words "compasses and dividers, and parts thereof, valued at not more than $15 per gross, 1 cent each and 60 per centum ad valorem," when paragraph 360 as above amended will read:

"PAR. 360. Philosophical, scientific, and laboratory instruments, apparatus, utensils, appliances (including drawing, surveying, and mathematical instruments), and parts thereof, wholly or in chief value of metal, and not plated with gold, silver, or platinum, finished or unfinished, not specially provided for, 40 per centum ad valorem: *Provided*, That all articles specified in this paragraph, when imported, shall have the name of the maker or purchaser and beneath the same the name of the country of origin die sunk conspicuously and indelibly on the outside, or if a jointed instrument on the outside when closed; compasses and dividers, and parts thereof, valued at not more than $15 per gross, 1 cent each and 60 per centum ad valorem."

We ask for this rate to enable us and other American manufacturers to compete with the foreign-made compasses and dividers which are rapidly capturing our domestic market, because they are exact imitations of our own manufactures and are sold at prices that we can not possibly meet.

We filed with the Ways and Means Committee an exhibit showing compasses and dividers of our manufacture with the comparable imported articles and the selling prices in all cases. If your committee will examine that exhibit, we know you will realize both the fairness and the necessity of the rate we are asking for.

We wish to point out particularly that the increase of duty which we ask for affects only compasses and dividers valued at $15 per gross or less. These are very cheap instruments, the great bulk of which retail from 10 cents to 25 cents each. They are not the type of compasses and dividers that are ever considered as philosophical, scientific or laboratory instruments, although they happen to be dutiable in a paragraph which was specifically framed to cover philosophical, scientific and laboratory instruments. All the compasses and dividers that are really suitable for scientific work, of for any serious work in industry or the arts are valued at many times $15 per gross, and none of them would be affected by the rate which would apply to our type of compasses and dividers.

We can also assure your committee that the proposed increase in duty will not increase the cost of these cheap compasses and dividers to the American consumer. Both the domestic and the imported product retail at the same prices, which prices are just what they were before the imported product came on the market. The retail prices of 10 cents and 25 cents for compasses and dividers are not only fixed by custom but at these prices the American manufacturer, jobber and retailer can all obtain a fair profit.

There is also keen competition for this business among American manufacturers, and the proposed duty will by no means eliminate the foreign manufacturer from this market. It will, in fact, enable him to still undersell us, but no longer to the extent of putting us out of effective competition.

Respectfully submitted,

EAGLE PENCIL CO.,
By FRANK W. LILLEY.

DISTRICT OF COLUMBIA:

Sworn to before me this 1st day of July, 1929.

[SEAL.] HERBERT G. ROSBORO, *Notary Public.*

Commission expires October 19, 1933.

CUTLERY IN GENERAL

[Pars. 354, 355, 357, and 358]

STATEMENT OF CHARLES A. CORBET, NEW YORK CITY, REPRESENTING THE CUTLERY IMPORTERS' ASSOCIATION

[Including pliers, par. 361]

(The witness was duly sworn by the chairman of the subcommittee.)

Mr. CORBET. Mr. Chairman and gentlemen, I appear in connection with the cutlery schedule, paragraphs 354, 355, 357, and 361.

I represent the Cutlery Importers' Association. Its membership includes practically all of the long established wholesale cutlery dealers who still are in the business of importing cutlery from abroad.

Mr. Emilio Iwersen, of the J. A. Henckels Co., of New York, a member of our association, testified on behalf of the association before the Ways and Means Committee in January, and at that time we filed a brief which is intended as a full and complete statement of the cutlery situation from the importer's standpoint. I do not intend to repeat the testimony given by Mr. Iwersen, nor do I intend to refile the brief which was filed with the Ways and Means Committee.

Senator REED. We will read that brief, because we realize its importance.

Mr. CORBET. I do wish to file a brief which is supplemental to the former brief and is also in the nature of an answer to some statements and representations made by some of the domestic manufacturers. The condition of the cutlery importing business is very greatly changed since the passage of the Fordney-McCumber bill, in which tremendous increases in rates were made. So far as the general business of importation of cutlery is concerned, it can truthfully be said that it has been killed. The articles that are now coming in are chiefly those things which are practically tools of trade and are used by professionals. In other words, we still import English and German butchers' knives, carving knives, and other articles which are sold to men who are employed in such trades as slaughtering and butcher business, cooks in hotels and restaurants, and so forth.

The record of 1927 shows that the imports amounted to about $1,350,000, of all kinds of cutlery. The domestic production for the same year was about $60,000,000.

Senator KING. That is for 1927?

Mr. CORBET. For 1927, the last year available, showing that the imports are only about two and a quarter per cent of the domestic production.

Senator KING. May I inquire whether this includes all cutlery produced in the United States and all that is imported?

Mr. CORBET. Yes.

Senator KING. The high grade and the poorer classes?

Mr. CORBET. Yes.

Senator KING. Sheffield, if there should be any?

Mr. CORBET. Yes.

Senator KING. Do you mean to say, then, that the entire imports, including high-grade cutlery, amount to but $1,352,000?

Mr. CORBET. That is the record we get from the Department of Commerce. That is the only way we have of checking it. We assume that it is right. We have no reason to doubt it.

We also still import the old-style straight razors from Germany, which are sold almost exclusively to barbers. The public generally has practically ceased to buy straight razors of any kind and use the safety razors almost exclusively. It is a fact that the hollow-ground German razor has acquired a reputation among the barbers, so that they seem to prefer to purchase the German razors in preference to any domestic makes, regardless of price.

There are also a limited number of high-grade pocketknives and high-grade manicure scissors still imported, especially by such firms as J. A. Henckels (Inc.), which have a market here because of their very fine quality and reputation.

Senator KING. I have not read the brief. Just briefly state the character of the imports. You have mentioned razors. Is there any table and kitchen cutlery?

Mr. CORBET. Yes. Pocketknives, table knives, which include kitchen and butcher knives and kindred articles, scissors, pliers, and so forth.

In the hearing before the Ways and Means Committee there were shown to the members of the committee a number of pocketknives, butcher knives, scissors, and so forth, both imported and domestic, which were carefully selected so as to be a fair average of the lines which are still being imported. The domestic articles had been purchased only a few weeks before the hearing and were purchased from the retail dealers over the counter. In some instances it was found that the landed cost of the imported article was actually higher than the price to the retailers for the comparable domestic article. In purchasing from the retailers we learned from each retailer the price which he paid to the jobber or to the manufacturer. As a general rule the price of a domestic manufacturer to a jobber is at least 25 per cent less than the price to the retailer. In other words, if a retailer pays $1 to the manufacturer the jobber can buy the article for 75 cents.

I might show you one or two examples here. Here [indicating] is a knife which is imported by J. A. Henckels, known as their No. 774½ C. P. The cost abroad is $2.35. The duty is $3.45.

Senator REED. Per dozen?

Mr. CORBET. Per dozen; yes. The expenses we estimate at a minimum of 5 per cent, which is absolutely a minimum, bringing the landed cost of that knife to $5.92.

Senator KING. Does that 5 per cent include freight and insurance?

Mr. CORBET. Yes.

Senator KING. Overhead?

Mr. CORBET. No.

Senator KING. A commission?

Mr. CORBET. No. It includes expenses to the port of entry only; no overhead.

There [indicating] is the comparable knife which is sold to the retailer for $6.60. This knife [indicating] cost $5.92 landed. That [indicating] sold to the retailer for $6.60.

Senator REED. Is this [indicating] a domestic knife?

Mr. CORBET. That is a domestic knife, made by the Ulster Knife Co., their No. A–21315 WP.

Senator KING. They sell, then, practically as cheaply as you; is that it?

Mr. CORBET. They sell that knife for $6.60. Our landed cost on that knife [indicating] is $5.92. We can not hope to meet the competition at the present rate of duty.

Senator Reed. What is the invoice value of that knife you showed us, the Henckels knife?

Mr. CORBET. The foreign invoice value?

Senator REED. Yes.

Mr. CORBET. The foreign cost is $2.35 per dozen.

Senator REED. So that the duty is 18 cents per knife and 55 per cent ad valorem?

Mr. CORBET. Yes, sir, or $3.45.

Senator REED. The House has not changed that duty.

Mr. CORBET. No.

Senator REED. They have changed it only on the cheapest quality of knife.

Mr. CORBET. That is all.

Senator REED. Selling for less than 40 cents a dozen.

Mr. CORBET. Yes.

Senator KING. With respect to the higher grade cutlery products, such as these knives [indicating] and comparable ones, does the same situation exist? The rates are so high, or the tariff is of such character that you can not compete with them?

Mr. CORBET. Yes.

Senator BARKLEY. Are you asking for a reduction?

Mr. CORBET. Yes.

Senator KING. Have you indicated in your brief the reductions for which you are asking?

Mr. CORBET. Yes; we have.

Senator KING. Have you pointed out in your brief the manufacturers of these particular articles and their profits so far as disclosed by public records?

Mr. CORBET. No; we have not.

Senator KING. Proceed.

Mr. CORBET. Here is another example of an English knife, made by Joseph Rodgers & Sons (Ltd.), 25126-P. The foreign cost of that knife is $6.55. The duty is 35 cents each and 55 per cent, or $7.89. The one with the "A" label is the imported knife, and the one with the "B" label is the domestic knife. That makes a total landed cost of that knife of $14.64. The comparable American knife, which I show you, is made by Remington, their No. R 6914. It sells to the retailer at $9. The Rodgers knife landed cost is $14.64.

Senator KING. Per dozen?

Mr. CORBET. Per dozen. The American knife sells to the retailer at $9 per dozen.

Senator BARKLEY. The Rodgers knife is the imported knife?

Mr. CORBET. Yes.

Senator BARKLEY. Imported from England?

Mr. CORBET. Yes; from Sheffield.

Senator KING. Then that means that the cost of production of the domestic knife, apparently, is very much less than that of the English knife.

Mr. CORBET. Yes; but the duty on the English knife is over 100 per cent—$7.81 for a knife the foreign cost of which is only $6.57.

Senator KING. What domestic company makes that knife?

Mr. CORBET. The Remington Arms Co.

Senator REED. You say it sells at wholesale at $12.

Mr. CORBET. No. The foreign knife, the Rodgers knife, costs $14.64 landed.

Senator KING. That is more than a dollar a knife.

Mr. CORBET. Yes.

Senator KING. At what price does the domestic knife that you have just referred to retail? Of course, I know that prices would vary.

Mr. CORBET. It would probably retail for about $1.50, the usual retail price. There [indicating] are the kind of knives we sell. We

do not sell the cheap merchandise. We can not import it. Those knives are knives that retail for about $5 apiece.

Senator KING. $5 for this knife [indicating]?

Mr. CORBET. Yes, sir.

Senator BARKLEY. What is that?

Mr. CORBET. Bronze.

Senator KING. Then you import nothing but very high-grade material?

Mr. CORBET. That is the only thing we can import under the present duty.

Senator KING. Under the present tariff law the markets are closed to the cheaper goods and medium price goods.

Mr. CORBET. So far as the regular importers are concerned, that is true. There are some very cheap goods that come in, but they do not go through the regular channels. They go through other channels. We are really not interested in them.

Senator KING. What are they, for the record?

Mr. CORBETT. I think you will find that the cheap pocketknives and scissors go into the chain stores direct. They send abroad and buy them themselves. It is not a profitable business for an importer.

Senator KING. Probably they are used as bait to induce the wary and the unwary to go into the chain stores to buy their goods.

Mr. CORBET. I would not be surprised. I could not say. I just want to show you an illustration of skinning knives which will show you the German, English, and American. The German knife is 19-A. That is imported by J. A. Henckels, as their No. 55 five-and-a-half inch; cost, $2.85, abroad.

Senator KING. Per dozen?

Mr. CORBET. Per dozen, yes. I refer to all these prices per dozen. The duty is $2.24. The expenses are 5 per cent, 14 cents, making a total cost of $5.23 landed at the port of entry.

Knife 19-B is a knife made by Harrington. It is a domestic knife, their No. 1576-R, and sells to the retailer at $6.75.

No. 19-C is a knife made by Joseph Rodgers & Sons (Ltd.), of Sheffield; No. 4415 S. K. The foreign cost is $4.39; the duty $2.94; making the landed cost $7.55 per dozen.

Senator KING. A corresponding knife in the United States would cost what?

Mr. CORBET. The Harrington knife, which I have shown you, No. 19-B, costs the retailer $6.75.

Senator KING. That does not afford us any very satisfactory standard, does it, to determine what would be a fair duty?

Mr. CORBET. Yes. I have given you the cost of the German knife landed in New York at $5.23; the English knife at $7.55; and the selling price of the American knife to the dealer is $6.75.

Senator KING. Is that wholesale?

Mr. CORBET. Yes; that is the price to the dealer.

Senator KING. I understood you to give merely the retail price.

Mr. CORBET. No. These are the prices to the retailer; the wholesale price to the retail dealer.

Senator KING. By the manufacturer?

Mr. CORBET. By the manufacturer or the jobber.

Senator BARKLEY. Are these knives that you say are imported such knives as you would import if you could?

Mr. CORBET. Yes.

Senator BARKLEY. I understand you do import some.

Mr. CORBET. We import a few, because there is a certain type of work that demands the quality that they feel they can get only through the imported knife.

There are three carving knives [indicating] that I would like to call to your attention. No. 24–A is a knife imported by J. A. Henckels, No. 80, eight-and-a-half inch, costing $1.86 per set.

Senator BARKLEY. Knife and fork?

Mr. CORBET. Knife and fork.

Senator KING. $1.86 for the two?

Mr. CORBET. Yes.

Senator REED. That is German?

Mr. CORBET. That is German; yes. The total landed cost of that knife and fork is $3.03. No. 24–B is a domestic knife, made by Landers, Frary & Clark. The selling price, which, of course, is the only price that we can procure, to the dealer, the wholesale price, is $3.25. Knife No. 24–C is Rogers——

Senator REED. These are both stainless, are they not?

Mr. CORBET. Yes; they are all stainless. No. 24–C is a Rogers knife, No. 3575, eight-inch; the landed cost of which is $5.81 for the pair.

Senator REED. That pretty well puts them out of the running, does it not?

Mr. CORBET. Except for people who demand that quality and are willing to pay that price.

Senator REED. Is that a noticeably better quality than the domestic knife?

Mr. CORBET. To me it is.

Senator REED. Wherein is the superiority?

Mr. CORBET. In the steel, the workmanship, and in the wearing quality, the grinding, and the general make-up of the article.

Senator KING. Then, it is more than the reputation of the Rogers house.

Mr. CORBET. Yes, sir. Experience has proven that, and that is about the only thing that will prove it.

Senator BARKLEY. This is not the same Rogers who makes the Rogers Bros. silverware?

Mr. CORBET. Rogers Bros. I think you refer to the domestic concern.

Senator BARKLEY. "1847."

Mr. CORBET. That is domestic.

Senator BARKLEY. Yes.

Mr. CORBET. This plant dates back over 200 years.

Senator REED. I think your brief makes your point very clear. It gives us the information we need about the relative imports and exports. It does not tell us much about comparative costs, but the Tariff Commission has studied that. Has any application ever been made to the President or the Tariff Commission for a readjustment of the duties under paragraph 315?

Mr. CORBET. Not by the Importers' Association. I believe there have been isolated cases, but I do not know of them.

Senator REED. By the importers, or domestic manufacturers?

Mr. CORBET. By importers.

Senator REED. Was any action ever taken?

Mr. CORBET. No.

In the brief filed by the association with the Ways and Means Committee, we have recommended certain reductions in the rates on pocket knives, butcher and carving knives, and so forth, razors, and scissors, which, according to our data, can safely be made without depriving the domestic manufacturer of a full measure of protection. In other words, if the rates suggested in our brief were adopted, the landed cost of the imported merchandise would still be higher than the American manufacturing cost. In fact, in most instances it would be somewhat higher than the manufacturing selling price to the jobber.

The Fordney-McCumber rates have proven to be absolutely prohibitive. I might qualify my statement a little further by saying that there is a quantity of very cheap knives and scissors imported costing less than 50 cents per dozen abroad, in which we are not interested. No member of the Cutlery Importers' Association handles this cheap trash.

I wish to call your attention to the fact that for the first time in the history of tariff legislation the domestic manufacturers have not asked for any increases in rates on cutlery, excepting as against that cheap trash, which costs less than 50 cents per dozen abroad.

Mr. KING. Mr. Corbet, suppose that the committee, or Congress, should take the view that there should be some reduction in the rates on the articles as to which you are testifying, but none with respect to what you call these cheap commodities, in which your association is not interested. How could the amendment be drawn to the existing law so as to fully accomplish what you have in mind?

Senator REED. That is all in Mr. Corbet's brief.

Mr. CORBET. We have given that in our brief. A specific might be made on those articles at 50 cents a dozen and under.

Senator KING. Your brief, then, deals with the cheaper product?

Mr. CORBET. Yes. It deals with it, although we are not interested. It makes a suggestion.

Senator KING. It deals with it for the purpose of prescribing——

Senator REED. Your brief opposes the increase made by the House in the specific duty on the cheaper knives.

Mr. CORBET. No.

Senator REED. I beg your pardon. Your brief suggests the adoption of the duty of 1 cent specific and 50 per cent ad valorem, and the House made that 2 cents.

Mr. CORBET. Yes; but that was after we had asked that reduction. We scaled our reduction on the whole schedule including that; but I am speaking now from the standpoint that we are really not interested in that lower bracket.

The fact is that the competition among the domestic manufacturers has been so keen that approximately one-third of the factories have been compelled to shut down. I believe that if the present rates, both ad valorem and specific, were cut right in half, the prices of the domestic articles to the jobbers would still be in many instances much below the landed cost of the comparable imported article.

Senator REED. The competition here is what keeps prices down, and not the competition of the imported article, is that the point?

Mr. CORBET. Undoubtedly that has been the case in the last few years, because I have shown you illustrations of the prices at which

merchandise has been coming in, and yet the domestic manufacturers have testified themselves that many of them have been obliged to go out of business.

Senator REED. So, the domestic manufacturer has not really got the benefit of the duty that was given him in 1922?

Mr. CORBET. He has had the benefit of overprotection, which has caused, in our opinion, overproduction.

Senator REED. His predicament is the same as that of the wheat grower, who has a tariff, but who produces more than the country can use?

Mr. CORBET. It seems to be.

Senator KING. Or the bituminous coal men. That is your theory, is it?

Mr. CORBET. Yes.

Senator KING. It seems to me, from your statements here, that the domestic prices are still very high.

Mr. CORBET. They are lower than anything we can compete with. So far as we are concerned, we can not meet them and pay the rates of duty we are obliged to pay at the present time.

Senator REED. In other words, if I get your point, it is that the rates are now so high that you can not compete except upon the basis of quality?

Mr. CORBET. Yes, sir; that is it exactly.

Senator REED. And this superstition about the superiority of the imported article?

Mr. CORBET. That is it exactly.

We have not asked for any such reduction. We have merely asked for a reduction in the specific rates, and the reduction, if made, would still leave rates so high that the major portion of the general line of cutlery would still be barred out.

Senator KING. Are some of the rates as high as 150 per cent?

Mr. CORBET. Yes. Some of them are as high as 350 per cent.

Senator KING. What articles bear 350 per cent?

Mr. CORBET. Straight razors.

In the Hawley bill, paragraph 361, providing for pliers, pincers, and nippers, an increase in rate has been incorporated, in that a specific duty of 10 cents each is imposed on all nippers and pliers valued at not more than $2 per dozen, and 20 cents each if valued at more than $2 per dozen.

Senator KING. Which paragraph is that?

Mr. CORBET. Paragraph 361. It is not my intention to argue here the plier schedule. What I want to bring to your attention is the fact that these nail nippers, under the present ruling, are included with pliers.

Senator KING. First, let me understand; 361 increases the existing duty, does it not?

Mr. CORBET. Yes. It was formerly an ad valorem duty. It adds a sliding scale of specifics as well.

Senator KING. How much does that increase it?

Mr. CORBET. I have not the figures worked out on a percentage basis, because I did not intend to refer to the rate of duty. I simply wanted to clarify the situation with regard to goods that are included in there which we think should not be.

Senator KING. Just state that——

Mr. CORBET. For instance, here is a common shoemaker's nippers, which would obviously come under that paragraph, which specifies pliers and nippers of all kinds. Here is a plier [indicating].

These [indicating] are nail nippers and cuticle nippers, which, you will see, are very fine instruments and are made by a very much higher class of labor and are practically not made in this country.

Senator REED. I think I have seen some of these articles made in this country.

Mr. CORBET. Our information would indicate that there is only one manufacturer. I do not make that as a positive statement, but so far as we have been able to find out, there is only one manufacturer, who makes a very, very cheap article, which does not merit any protection, and is not a usable article for the purpose for which it is made. These are, as you will see, very highly finished, and require very expert workmanship.

Senator REED. You make that statement pretty confidently, Mr. Corbet.

Mr. CORBET. Yes, I do. I think there are many American manufacturers, one or two of whom intend to appear before this committee, who will agree with me, that they are obliged to buy their nail nippers and cuticle nippers, for use in their manicure sets, from abroad, because they can not secure a satisfactory article at home.

Senator REED. Of course, nippers of this type——

Mr. CORBET. That [indicating] is an American nipper. That is a shoemaker's nipper.

Senator REED. They are made in large quantities here?

Mr. CORBET. Yes.

Senator REED. As well as pliers, of course.

Mr. CORBET. Yes.

Senator REED. But your point is that these finger-nail nippers do not belong in the same paragraph as ordinary mechanical tools.

Mr. CORBET. That is it, exactly. In changing this paragraph, as the House committee has, they have unnecessarily increased the duty on these fine articles, which really would cause nobody any trouble if they were on the free list.

Senator REED. You are talking about paragraph 361?

Mr. CORBET. Yes, sir.

Senator KING. You would suggest, then, of course, a subdivision of that paragraph, in order to deal with those?

Mr. CORBET. Yes. We suggest that they be put into paragraph 354, where there is a provision for cuticle knives, corn knives, nail files, tweezers, and hand forceps of all kinds.

Senator REED. What would be the difference in duty if that were done?

Mr. CORBET. It would put them back to the old rate of duty of 60 per cent, as they were in the previous bill.

(Mr. Corbet subsequently submitted the following statement:)

I wish to speak with special reference to cuticle nippers and nail nippers. As to these, there is no reason whatsoever for an increase in duty. These articles are not made in the United States at all, excepting one manufacturer who turns out very cheap junk which does not need or deserve any protection. I show you some cuticle nippers and nail nippers, and you will see that they are fine articles requiring a high-grade of workmanship and finish. Under the present law they pay a duty of 60 per cent, which certainly is enough. If they were put

on the free list they would not injure anyone. However, we do not ask that they be exempt from duty but we do strongly protest against the additional duty in the specific rates in the Hawley bill.

As a matter of fact, cuticle and nail nippers should be placed in the same paragraph as for manicuring and pedicuring articles, namely, paragraph 354, where there is a provision for "cuticle knives, corn knives, nail files, tweezers, hand forceps" of all kinds. These are all articles that are used for a certain kind of work, namely, manicuring and pedicuring work. They carry a rate of 60 per cent ad valorem, the same as all nippers carry under paragraph 361 under the present law. I have no doubt that if there had been a difference in rate between the two paragraphs, the question of classification would have been raised before this. In our brief we tell about a case decided by the Court of Customs Appeals, in which surgical forceps had been classified by the appraiser as "hand forceps" under paragraph 354, but the Court of Customs Appeals stated that surgical forceps must be classified as surgical instruments under paragraph 359, and not as hand forceps in the manicure group under paragraph 354. In that case the court paid a great deal of attention to the wording "cuticle knives, corn knives, nail files, tweezers, hand forceps, "in paragraph 354, and pointed out that these articles all have to do with either manicuring or pedicuring work. We therefore believe and urge that cuticle and nail nippers should be placed in paragraph 354 together with the other manicuring articles.

Senator REED. Was there anything more you wanted to say, Mr. Corbet?

Mr. CORBET. I simply wanted to impress the committee with the fact that, in a general way, the only important cutlery in the lines that we are interested in, that are salable, are those that are used because of their reputation for quality, almost regardless of price.

Senator REED. It has been suggested to me that no matter where we put this tariff, there always would be some imports of Henckels & Rogers cutlery, because of their reputation.

Mr. CORBET. I think that is probably true, but the experience of the present tariff shows that the imports will be steadily declining.

Senator REED. I have no more questions. I should be glad if you would leave those samples on the table there for an hour or so.

Mr. CORBET. All right.

Senator KING. Are you interested in razors?

Mr. CORBET. Yes.

Senator KING. You mentioned that the other day.

Mr. CORBET. Yes. Our members do import some razors.

Senator KING. Are you interested in what might be called safety razors—safety-razor blades?

Mr. CORBET. Some of our members import safety-razor blades. I do not know of any importing safety razors.

Senator KING. Have you referred now to all of the grades of cutlery in which you are interested?

Mr. CORBET. Yes.

(Mr. Corbet submitted the following brief:)

BRIEF OF THE CUTLERY IMPORTERS' ASSOCIATION

The Cutlery Importers' Association is composed of most of the long-established firms engaged in the importation of such cutlery as can be imported despite the almost completely prohibitive rates of the Fordney-McCumber bill.

In the hearings before the Committee on Ways and Means in January, 1929, the association was represented by Mr. Emilio Iwersen, of J. A. Henckels, whose testimony will be found at page 2171. In the brief filed on behalf of the association (p. 2173), an honest effort is made to present fairly and conservatively the disheartening conditions of the industry, both for the domestic manufacturers and the importers, and such moderate reductions in rates are earnestly recommended as will not deprive the domestic manufacturers of full and adequate protection. We shall not repeat the statements of the brief, but we do earnestly

urge that the Senate Finance Committee give it due consideration. We believe that that brief is a truthful exposition of the cutlery situation in the United States in so far as questions of tariff are concerned.

THE EFFECT OF THE RATES IN THE ACT OF 1922

If the Congress intended by the act of 1922 to exclude foreign cutlery it certainly succeeded in doing so, excepting only as to such limited lines of cutlery as the American consumers still insist upon obtaining, because of special considerations which characterized a few special lines. But the great bulk of the import trade, as constituted before the World War, has been completely annihilated. The imports to-day consist of a small selection of pocketknives and manicure scissors of exquisite quality and finish, of straight razors, sold almost exclusively to barbers, and of various types of knives, such as butchers', cooks', carving, hunting, etc., knives. The razors, butchers', and other special knives, are, in fact, tools of trade, sold to professional users.

The German hollow-ground razors long ago acquired a reputation among the barbers, who prefer to buy a German razor at $3 to $6 apiece, rather than the best made domestic article at half the price. Likewise the butchers and workmen in slaughterhouses will buy a Wilson or a Rodgers butcher knife in preference to any of the domestic makes, even though they may have to pay 50 or 100 per cent more for the English knife.

Samples of the domestic and imported articles of cutlery were shown to the Ways and Means Committee (all described in Schedule A of the aforesaid brief), and it was pointed out that the selling prices of the domestic samples to jobbers, and in some instances to retailers, in each case, were less than the landed cost of the comparable imported articles.

To what extent, then, has the domestic cutlery industry been benefited by the inordinately excessive rates of the Fordney-McCumber bill?

Mr. J. Louis Schrade, a domestic pocketknife manufacturer, testified (p. 2188) that 10 years ago there were 31 pocketknife factories in the United States, and now, after receiving the blessings of the Fordney-McCumber rates, there are only 20, the others having gone out of business. The competition among the domestic manufacturers became so fierce, after 1922, that there has been a steady "decline in prices of American-made pocketknives to the ultimate consumer." After erecting a tariff wall effectively barring out the foreign makes, the domestic trade has degenerated into a war of attrition. Mr. Schrade, incidentally, seemed to wish to create the impression that the imports of knives were very heavy. He said the total American production in 1927 was 11,000,000 pieces, and that over 4,000,000 pieces were imported into this country. But there is a vast difference between the domestic "pieces" and the imported "pieces." The domestic pieces are real pocketknives retailing at prices from $1 to $5 and more each, whereas more than 80 per cent of the 4,000,000 imported pieces are veritable junk costing less than 50 cents per dozen and retailing at not more than 10 cents each, which are not considered real pocketknives but rather are cheap toys given to children to play with and practically incapable of cutting. To say that the sale of these 4,000,000 "pieces takes away 4,000,000 potential buyers," is absurd.

The domestic manufacture of straight razors also is fast losing ground. In 1922 more than 500 workmen were employed in the domestic factories, but to-day there are considerably less than 200. In spite of equivalent ad valorem rates, ranging from 154.32 to 479.26 per cent, as computed by the Department of Commerce, the domestic manufacturers are steadily but surely going backward. It is not a question of tariff or protection. They are losing ground because they can not make a razor which the barber is willing to buy, and because of the further reason that the public has practically ceased to purchase straight razors.

The situation with the domestic scissors manufacturers seems to be somewhat analogous to that of the pocketknife industry. In their brief, filed with the Ways and Means Committee, they say (p. 2219):

"The American manufacturers have also reduced their selling prices, due partly to excessive competition, and, in some instances, due to American factories having to liquidate because of this competition; the factories liquidating have been selling their stock below cost.

"In the United States the facilities in manufacturing of all kinds of cutlery are far in excess of the demand * * *."

The difficulties of the domestic manufacturers are not due to any lack of tariff protection, but rather are the natural consequences of over protection which is the inevitable forerunner of overproduction, and then heart-breaking competi-

tion. Many manufacturers were misled by the stimulus of the tremendous war orders and failed to realize that the volume of the war period could not be maintained in peace time. The value of scissors produced in 1919 was $9,966,000, more than twice the value in 1925 or in 1927. After the abnormal imports of 1921 and 1922, the importation of scissors was under $300,000 each year, those for 1928 being only $249,868, or about 5 per cent of the domestic production.

The manufacturers themselves seem to realize that they are suffering from too much protection. For the first time in the history of tariff legislation, they have failed to ask for higher rates, excepting as against the very cheap merchandise, valued at less than 50 cents per dozen. The members of the Importers' Association do not import any of this cheap stuff, and are not affected by the rates in the lowest brackets for knives and scissors, although they believe that even those rates are too high.

In this connection, attention should be called to the attempt of the scissors manufacturers to "break into" the domain of surgical instruments. In the first place, the maker of household scissors can not make the fine, perfectly adjusted surgical scissors. The boast that the domestic factories made 1,000,000 pairs during the war which we are told were pronounced by Doctor Mayo to be "perfect in every respect," is answered by the fact that the Government, despite their perfection, dumped them on the market at about 5 per cent of their cost to the Government. In the second place, the hospitals consume about 75 per cent of all surgical instruments sold in this country, and they certainly should not be forced to pay the exorbitant prices which would be charged if the rates of paragraph 357 were imposed. And, lastly, why have a separate classification for surgical instruments and then have surgical scissors, such as the very delicate instrument used for operations on the eye, classified with a common household scissors, or animal clippers, or a clumsy tailor shears? When the domestic manufacturers attempted to procure such an interpretation immediately after the enactment of the act of 1922, the entire medical profession, including the famous Doctor Mayo, arose in protest.

PARAGRAPH 361—PLIERS, NIPPERS, ETC.

In the proposed Hawley bill the rate of duty on nippers, pliers, etc., has been increased by adding to the present ad valorem duty of 60 per cent a specific duty of 10 cents each on all nippers and pliers valued at not more than $2 per dozen, and 20 cents each, if valued at more than $2 per dozen.

We understand that when Congress prepared the Fordney-McCumber bill, it had in mind that paragraph 361 covered the mechanical tools used in the various mechanical trades, such as plumbers, electricians, steam fitters, pipe fitters, etc. We do not believe that it was the intention of Congress to include in this paragraph any instruments or articles which are used for ordinary manicuring work. In paragraph 354 special provision is made for manicuring instruments, to wit, "cuticle knives, corn knives, nail files, tweezers, hand forceps," on which an ad valorem duty of 60 per cent is assessed and no specific duty.

The language quoted above was considered in the case of Kny-Scheerer *v.* U. S. (T. D. 41670, and also in the Opinion on Appeal, 14 Ct. Cust. Appls., 446; T. D. 42,080). In that case an attempt had been made to classify surgical forceps as "hand forceps" under paragraph 354, rather than as "surgical instruments" under paragraph 359. The language "cuticle knives, corn knives, nail files tweezers, hand forceps," was given careful consideration by Judge Fischer in the lower court, as well as by the Appellate Court, and it was found that these terms were intended to include instruments or articles used for manicure or pedicure work. It would therefore seem that cuticle nippers and nail nippers, used only for manicure and pedicure work, should not be classified under paragraph 361 with tools that are used by plumbers, electricians, etc., but should be classified and included in the special group in paragraph 354, which was especially intended by Congress to embrace instruments, or articles, particularly designed or adapted for manicure and pedicure work.

As a matter of fact, it is a question whether the term "hand forceps," is a commercial designation for any specific article, or whether it is not intended to cover articles designed to operate on the principle of forceps or nippers especially adapted for manicure or pedicure work. Cuticle nippers and nail nippers are of a different design and construction from the nippers, pliers, and pincers used by plumbers, electricians, and other mechanics. The cuticle and nail nipper is a smaller and more delicate instrument or tool, whereas the plier or nipper of paragraph 361 is necessarily of a stronger and bulkier construction, intended for a purely mechanical and usually much heavier and rougher type of work.

In order that there may be no confusion, we suggest that the words "cuticle and nail nippers" be inserted in paragraph 354, after the word "tweezers" and before the words "hand forceps."

We also respectfully suggest that the words "not otherwise provided for" be inserted in paragraph 361 immediately after the words "nippers, of all kinds."

CUTICLE AND NAIL NIPPERS NOT PRODUCED IN THE UNITED STATES

So far as we have been able to learn, cuticle and nail nippers are not produced by any domestic manufacturers, with the possible exception of a negligible quantity of very cheap and inferior nippers, which neither need nor deserve any protection. In so far as domestic industry is concerned, cuticle and nail nippers might be admitted free. In any event, there is no reason why they should be taxed more than the other articles used for manicuring and pedicuring work, specified in paragraph 354, and carrying a rate of 60 per cent ad valorem.

FOREIGN AND DOMESTIC LABOR COSTS

In the brief of the manufacturers of scissors it is stated that the difference in wages in this industry between Germany and the United States is as 1 to 4, and even 1 to 5. Particular reference is made to the Solingen district of Germany. Our information is quite at variance with these allegations.

The resident agent, in Solingen, of one of our members, has recently reported that among the scissor makers in that district the following average wages are paid per week of 48 hours:

Ordinary mechanic	$14.50
More expert and experienced mechanic	20.50
Exceptionally good mechanics, assigned to special work	20.50–32.00

It would appear therefore than the actual difference is scarcely 2 to 1, the corresponding American wages ranging from $28 to $44 per week.

It is a matter of common knowledge that wages and materials in Germany have been steadily increasing. It is significant that German manufacturers themselves are establishing branch factories in Czechoslovakia, Italy, and elsewhere in order to get the benefit of cheaper labor.

REDUCTION IN RATES

For the reasons fully set forth in our brief, filed with the Ways and Means Committee (p. 2173), we urge the adoption of the following rates of duty:

Paragraph 351—Penknives, etc.

Value (per dozen)	Specific	Ad valorem
		Per cent
Up to 50 cents	1 cent and	50
$0.50 to $1	4 cents and	50
$1 to $2	8 cents and	50
$2 to $3	12 cents and	50
$3 to $6	18 cents and	50
$6 and up	30 cents and	50

Paragraph 355, table, butchers', etc., knives.—A uniform ad valorem duty of not more than 50 per cent and no specific duty.

Paragraph 357—Scissors and shears

Value (per dozen)	Specific	Ad valorem
		Per cent
Up to $0.50	2 cents and	45
$0.50 to $1.75	8 cents and	45
$1.75 to $3	12 cents and	45
$3 and up	25 cents and	45

Paragraph 358—Razors

Value (per dozen)	Specific	Ad valorem
		Per cent
Up to $1	8 cents each and	45
$1 to $3	15 cents each and	45
$3 to $5	20 cents each and	45
$5 and up	35 cents each and	45

IMPORTS INSIGNIFICANT

The importation of cutlery, compared to the domestic production, is a small business, as may be seen from the following figures for the year 1927:

Type of article	Value of imports	Value of domestic products
Table and kitchen	$265,788	$6,487,231
Pocketknives	234,531	5,177,093
Safety razors	10,172	1,228,824
Other razors	150,476	373,182
Safety-razor blades	285,817	38,413,455
Scissors and shears	328,655	4,813,527
Other cutlery	76,604	3,508,075
Total	1,352,043	60,001,687

The total exports for that year were $10,231,827, including safety-razor blades, amounting to $7,020,903.

The foregoing figures indicate how solidly the domestic industry is established in its several branches. There is no danger whatsoever to this industry from foreign competition. It has suffered and may continue to sufier from excessive competition among the domestic mnaufacturers. The reduction of the rates, which were fixed when the currency in Germany was in a chaotic condition and hence were made exceptionally high, may well be effected without any unfavorable reaction upon domestic industry and at a saving to the purchasing public.

Respectfully submitted.

TARIFF COMMITTEE OF CUTLERY IMPORTERS' ASSOCIATION.
EMILIO IWERSEN (of J. A. HENCKELS), *Chairman.*
CHARLES A. CORBET (of ALFRED FIELD & Co. (INC.)).
CHARLES WESTER (of WESTER BROS.).
H. P. KOCH (of F. A. KOCH & Co.).

ERNEST W. STRATMANN, *Counsel.*

STATEMENT OF EDWARD GRAFMUELLER, REPRESENTING H. POKER & CO., NEW YORK CITY

[Including pliers, par. 361]

(The witness was duly sworn by the chairman of the subcommittee.)

Mr. GRAFMUELLER. I am not going to repeat anything that is in the brief.

Senator KING. In what paragraph are you interested?

Mr. GRAFMUELLER. I am interested in paragraphs 354, 355, 358, and 361.

Let us take the question of pocketknives. We are manufacturers in America. We have approximately $1,000,000 invested, and, while, we are importers, our big interests are in our American factory, because that is where our money is.

Senator REED. You are both importers and manufacturers here?

Mr. GRAFMUELLER. Yes, sir. That is my reason for thinking that I might give you gentlemen an angle that is a little different from one who is exclusively an importer or exclusively an American manufacturer.

Senator REED. We shall be glad to hear from you.

Senator KING. Before you begin your statement, let me ask whether you accept the statement in the Tariff Summary that in 1927 the production of pocketknives in the United States was $5,177,093, and the imports were $234,531?

Mr. GRAFMUELLER. I have no such figures, so that I do not know what the proportion was in 1927, but I do know that we import high-grade goods only, and that business has fallen steadily and steadily, so that now it is a very small business.

Senator REED. What do you manufacture—high-grade knives?

Mr. GRAFMUELLER. We manufacture knives the equal of any American knives made in this country. We are what is called old-line manufacturers; and one of my chief objects in talking orally and telling you gentlemen my angle of it is this: Take the situation some years ago, a matter of 10 years ago, when the consumer bought an American knife, his impression—and it was a correct one—was that all American knives are good knives, because in those days the manufacturers who were making knives in this country made them all about the same way; I mean, as relates to the cutting quality of the blade. The difference were in the finishes and in the cutler work, but when a man bought an American knife it was a good knife, because they were made about the same way—the blades.

Now, due to this very high tariff within the past few years, two manufacturers have come into the field who make goods similarly to the cheap German truck that used to come in. In other words, they stamp their blades, while good American knives have forged blades. They are enabled to sell them at prices with which no manufacturer who makes good American knives can compete, and my contention is that the very high duty furnished an inducement for these concerns to go into the manufacturing of cheap goods.

Now, we hear this every day—we go to a jobber; we cater largely to the wholesale trade—and we will say, "Well, this knife here, made the way we make it, we have got to get $5 a dozen for." "Oh, well, what is the use? I can buy a knife that looks just the same for $3 a dozen," and that is just about the proportion. The jobber or wholesaler buys this $3 knife; he sells it to the retailer, and the retailer sells it to the consumer and says, "Oh, this is an American knife." It is undermining the good impression that American knives made; that it took years to make; and my contention is that the importation of the better grades of goods tends to stabilize the industry, and also prevents overproduction.

There is another angle that I want to tell you gentlemen: The overproducing is not altogether due to the very high tariff. It is also due to the lack of knife consciousness of the average individual.

For instance, we have the Eversharp pencils, and in every commercial establishment we have the machines to sharpen pencils; and the average man to-day thinks, "Why, that is about all I need a pocketknife for. Why buy a pocketknife?" I have tried that out a dozen times with a group of four or five people. "Have you got a

pocketknife?" "Oh, no; I have not got a pocketknife." Out of five people, it is safe to say that not over two had. The last time I tried it, there were six in the party, and I was the only one that had a knife. That, of course, also very seriously interferes with the volume that we would sell.

Senator KING. We are becoming more peaceful. We do not use knives now.

Mr. GRAFMUELLER. Senator, if a man only realized it, if he carries a pocketknife there are a hundred and one places where he can use it. Of course most people carry a knife for the nail blade. The nail blade is handy, but a lot of people carry a little nail file in their pockets, and they figure that that is all they have use for.

Senator REED. Do your imports of knives amount to as much as your manufacture of knives?

Mr. GRAFMUELLER. I should say that our imports of knives are less.

Senator REED. Less in number or in value?

Mr. GRAFMUELLER. Less in dollars and cents or dozens—in dozens, without any question—because the imported goods are very much higher; and we only import the nicer two, three, and four blade knives, which naturally cost more than what is known as a jacknife.

We used to have a very fair import business—that is, business on the imported knives—and I have contended, because we have been manufacturers since 1893, that the bringing in of a reasonable percentage of imported goods stabilizes the industry, as I stated before, and prevents overproduction, and I think we can take industry after industry, and I think that same condition would apply.

Now, my personal opinion is this: Let us say an American knife costs $4, and the imported knife costs $4. I feel that the American manufacturer should have some protection, and my theory is that if the American manufacturer had a protection of, let us say, from 10 to 15 per cent, if an American knife costs $4, the imported knife should cost from $4.40 to $4.60.

Senator KING. Per dozen, you mean?

Mr. GRAFMUELLER. Yes; always per dozen. Then we would have a reasonable competition, and we would stabilize that industry, and we would prevent a lot of the class of goods coming on the market that is undermining what we as manufacturers in America have taken so many years to build up. We did make and we do make good knives in America.

Senator KING. Are you speaking now for penknives, pocketknives, clasp knives, pruning knives, budding knives, etc.?

Mr. GRAFMUELLER. No; end at "pocketknives."

Senator KING. Penknives and pocketknives?

Mr. GRAFMUELLER. Yes—well, pruning knives, yes; those are pocketknives—any pocketknife.

Senator KING. Are you speaking for manicure knives?

Mr. GRAFMUELLER. Yes; you see, they are all in the one class.

Senator KING. Then you think that the tariff of 50 per cent ad valorem and the increase from 1 cent to 2 cents each—that means each knife, does it not—is too great?

Mr. GRAFMUELLER. No; I want to clear that up. When you come to that class of goods, there is no competition here. We do not make knives of that kind, and they were always recognized as truck. They were very largely bought by the father who has a son, and the

boy wants a knife, and he figured, "Well, I don't want to give him one that is any good or too sharp. I am going to give him one of these cheap knives." It answered its purpose; and we can never hope to make those knives in this country.

Senator REED. A very large amount of those—an increasingly large amount of those—seems to be coming in from Germany.

Mr. GRAFMUELLER. Yes. It is claimed there are about 4,000,000 pieces, but what does that amount to in dollars and cents?

Senator REED. Of the cheaper pocketknives?

Mr. GRAFMUELLER. Yes; but, Senator, that is the point that I made: They are recognized as truck. They are very largely bought, as I stated, by the father for the little boy 10 or 12 years old who wants a pocketknife, because I do not know a boy that ever lived that did not want a pocketknife just as soon as he could get one; and that father will not pay the price for a good knife, and even if he was willing to he would be very liable to be afraid that the boy will cut himself.

Senator REED. In other words, there always will be a demand for this very cheap, poor quality knife?

Mr. GRAFMUELLER. Yes; and I think that they should be put in a classification just where they were. They were recognized as truck—not a good knife.

Senator KING. Do they come under paragraph 354 now?

Mr. GRAFMUELLER. Yes; that is the pocketknife schedule—paragraph 354.

Senator REED. They follow the first bracket where the House has raised the duty?

Mr. GRAFMUELLER. Yes.

Senator KING. What do you say as to the second subdivision of the paragraph—knives, of course, being antecedent—"valued at more than 40 and not more than 50 cents per dozen, 5 cents each and 50 per centum ad valorem"?

Mr. GRAFMUELLER. I am not interested in any of that cheap stuff, because we do not import it. We never did import it; but, as I look at it, by leaving it that way you are only making the father pay that much more for the knife for the boy, because the stuff is recognized as truck. They are never sold from a quality standpoint.

Senator KING. In what part of this paragraph are you interested?

Mr. GRAFMUELLER. I am interested in the higher brackets; but as the importers' association have made a suggestion, I did not think I would take up your time to express any opinion on that.

Senator KING. Where do the higher brackets commence on this?

Mr. GRAFMUELLER. I should say that the higher brackets start at the fourth bracket—

valued at more than $1.25 and not more than $3 per dozen, 18 cents each and 55 per centum ad valorem; valued at more than $3 and not more than $6 per dozen, 25 cents each and 50 per centum ad valorem; valued at more than $6 per dozen, 35 cents each and 55 per centum ad valorem.

In my opinion, those three brackets could be reduced and injure nobody.

Senator KING. What do you suggest they should be reduced to?

Mr. GRAFMUELLER. Well, I did not give that a very great deal of thought, because, you know, I am in a peculiar position.

Senator KING. Do not apologize. If you have any suggestion, I shall be glad to get it.

Mr. GRAFMUELLER. No; I have none at this time. I will leave that to the importers.

Senator REED. All right, Mr. Grafmueller.

Mr. GRAFMUELLER. That is pocket knives.

The next matter I want to take up is butcher knives.

Senator KING. Where are they found?

Mr. GRAFMUELLER. Under table cutlery, etc., paragraph 355.

Senator KING. "Table, butchers', carving, cooks', hunting"——

Mr. GRAFMUELLER. Yes.

Senator KING. How far do you go with those?

Mr. GRAFMUELLER. I am interested in butcher knives.

Senator KING. Would that include carving knives?

Mr. GRAFMUELLER. Well, that is a regular butcher knife. No; a carver, Senator——

Senator KING. I know what a carving knife is, but I was wondering if you were interested in that.

Mr. GRAFMUELLER. I am interested only in the sense that I import a few carvers, but I have got to get about $7 for a carver that the Americans sell for $3, and I will not sell enough of them to put in your hat; and I am not saying much about them. But when it comes to butcher knives, we import the Wilson butcher knife. Every American manufacturer has tried, at one time or another, to sell butcher knives to the packing houses. That is where practically all of our butcher knives are sold. They are men who must buy their own knives. They have tried out all other knives, and they prefer the Wilson. Now, in the 1922 tariff hearings a gentleman from the Ontario Knife Co., made the statement that it makes no difference how high Wilson butcher knives would be, the packing houses would buy them. He is correct; they do buy them; but why make the workmen pay such an enormous price, due to the high duty, when prior to 1922, with the duty of 30 per cent on butcher knives, the American manufacturers were exporting butcher knives?

In my humble opinion, they do not need 30 per cent. To-day the duty on butcher knives is 50 per cent, or 45. Butcher knives, the type that we import, are 8 cents each and 45 per cent ad valorem; and in my brief you will see a comparison.

There is an American butcher knife [producing sample]. There is the Wilson butcher knife [producing another sample].

Senator REED. What do these two butcher knives sell for?

Mr. GRAFMUELLER. The 6-inch butcher knives—and they are both 6-inch—cost us, laid down, $4.76.

Senator REED. A dozen?

Mr. GRAFMUELLER. Yes, sir. We sell them for $6 a dozen; and Exhibit No. 1, which is the American butcher knife, is sold to the wholesaler at $3.24. Now, we do not expect to sell the consumer, because it is too high, and you can buy a butcher knife in the Woolworth stores for 10 cents, but the point I am making is, why make the man who works for a daily wage, and whose experience has taught him that he wants the Wilson knife, pay this high duty when by reducing it you do not hurt the American manufacturer one iota? The only thing you do is that you enable the workmen to buy the knife he wants at a reasonable price.

Senator REED. Let us get the figures. I do not know that I have them clear.

This Wilson knife which you import from Great Britain sells at how much per dozen?

Mr. GRAFMUELLER. $6 per dozen.

Senator REED. Is that wholesale?

Mr. GRAFMUELLER. Yes.

Senator KING. $6 in the United States?

Mr. GRAFMUELLER. Yes. That is the only place where we sell them.

Senator REED. And the American knife sells for $3.24 a dozen?

Mr. GRAFMUELLER. To the wholesaler; yes, sir. You see, our knife, if you will remember, Senator, costs us, laid down, $4.76. Now, if we take $3.24, and assume that the American manufacturer is making 25 per cent profit, you can see the situation. What I want to emphasize is that we do not expect to get the consumer business at all on this.

Senator KING. What is the consumption in the United States of that knife?

Mr. GRAFMUELLER. I do not think we buy over, let us say, $20,000 to $25,000 worth a year.

Senator KING. Are you the only importer?

Mr. GRAFMUELLER. We are the sole agents.

Senator KING. It seems a very small item to deal with, $25,000 worth, when we have millions and hundreds of millions here.

Mr. GRAFMUELLER. Correct, Senator; but that $25,000, which is the equivalent, let us say, of $50,000 to the man who works for a daily wage, because he wants it, is a good deal to him, and with us, as I stated, we are American manufacturers, but we need our import business also.

Senator REED. I think we have your point.

Senator KING. How would you deal with butcher and carving knives; those that you refer to? You can not single out the name "Wilson," and say that Wilson butcher knives shall carry a duty of so much.

Mr. GRAFMUELLER. Correct, Senator. I made the statement that in my opinion 30 per cent ad valorem would be ample protection, although in my brief I suggest a much higher rate.

Senator KING. Thirty per cent on what?

Mr. GRAFMUELLER. What it was prior to 1922; 30 per cent ad valorem on butcher knives, carvers, etc., is ample protection for the American manufacturer, because, as relates to butcher knives, he exported them under a 30 per cent duty.

Senator REED. All right, sir. What next do you want to speak about?

Mr. GRAFMUELLER. The next is razors; just a very short statement on razors.

Senator REED. Paragraph 358?

Mr. GRAFMUELLER. Yes, sir.

We all know that the present generation are using safety razors. There are just a few of the older people who use old-fashioned razors; and when they pass on, the razor business will get down to the barber.

You can go into any barber shop, and it is safe to say that five out of six will have a German razor, altogether because we have not

the skilled workmen to make that razor as it should be made, and therefore the barber prefers the imported razor. I think the cutlery importers stated that in 1922 there were 500 employed, and to-day there are 200 employed; and the major portion of the razors made by that 200 are what are known as a wedge razor—that is, a razor only about half ground, very thick all the way down—while the barber wants a three-fourths hollow or full hollow-ground razor, because he is using it constantly. He prefers it; so that my contention is that if you materially reduced razors, they would injure no one.

Senator KING. What would you reduce them to?

Mr. GRAFMUELLER. I have it in my brief. That is all in my brief. I do not want to repeat what I have in there.

Senator KING. All right. Before you leave that paragraph, the House inserted an amendment reading:

Blades for safety razors, in strips, one-half of 1 cent each and 30 per centum ad valorem.

Apparently, that was to help the Gillette Razor Co.

Mr. GRAFMUELLER. I do not know what their thoughts were, but we do not sell any safety-razor blades, so I have no data on it at all.

Senator KING. You have no suggestion to make as to that?

Mr. GRAFMUELLER. No.

Senator REED. What other subject do you want to talk about?

Mr. GRAFMUELLER. I just want to mention poultry shears. What is known as a poultry or a game shear is not made here at all. They are in the scissors schedule, and you might just as well have them free as far as that is concerned.

Senator KING. What paragraph is that?

Mr. GRAFMUELLER. Poultry shears are under the scissors paragraph. I do not mention scissors at all, because the importers mentioned them.

Senator KING. Is this what you are referring to—

And all scissors and other shears, and blades for the same, finished or unfinished, valued at not more than 50 cents per dozen, 3½ cents each and 45 per centum ad valorem.

Mr. GRAFMUELLER. That would come in the higher class. Poultry shears would come in at 20 cents each, the highest bracket, above $1.75.

Senator KING [reading]:

Valued at more than $1.75 per dozen, 20 cents each and 45 per centum ad valorem.

Mr. GRAFMUELLER. Yes. This is an item of which there is a very small consumption, and no American manufacturers, so far as I know, make them. That is simply a suggestion.

Now then, I have got just two things, and neither of them will take over three minutes.

I agree with all that has been said in regard to cuticle and nail nippers. I do not want to repeat that, but here is the outstanding thing that you gentlemen can check up on: I do not ask you to take my opinion any more than you would the opinion of some of the gentlemen who have testified, in regard to the difference in labor. All I ask you to do is to get the Department of Commerce to get you the data that they have.

Senator KING. Why do you not produce it here?

Mr. GRAFMUELLER. I have produced it, but I want you to check me up.

Senator KING. What do you want to state about it?

Senator REED. Tell us the facts, please. We will do our own checking.

Senator KING. State what you want to say, quickly.

Mr. GRAFMUELLER. My claim is that the difference in labor between American and German is not 4 to 1, but nearer 2 to 1.

Senator REED. It was 4 to 1 when the 1922 law was passed.

Mr. GRAFMUELLER. Oh, yes; and in some instances it was worse than that.

Senator KING. You mean now, in wages?

Mr. GRAFMUELLER. Yes; and I might add further that within the last 10 days, on one line we are importing, we received notice of an advance of 15 per cent. Labor must go up, not down, in Germany; and I think that in a year from now or two years from now the difference will be very, very little between the two countries. I had better say double, but no more than that, at any time.

Gentlemen, that is all I have to say.

Senator REED. Thank you very much. The brief you have submitted will be inserted in the record at this point.

(The brief submitted by Mr. Grafmueller is as follows:)

BRIEF OF H. BOKER & CO. (INC.), NEW YORK CITY

SENATE FINANCE COMMITTEE,
United States Senate, Washington, D. C.

PAR. 355. Butcher knives:

We are importers of an English butcher knife, known as the Wilson line, and are submitting as per Exhibit No. 3 the cost of these knives in England, the landed cost in New York, our comparative selling price, and the comparable American selling price. Exhibit No. 2 is an American knife; Exhibit No. 1 is the Wilson knife. You will see upon examination that the American knife from a manufacturing standpoint costs more to make than the English knife, in that it is what is known as a through tang knife.

We wish to call your attention to the enormous difference between the American selling prices and our cost on this line.

Prior to the 1922 tariff, at which time the duty was 30 per cent ad valorem, the American manufacturers exported large quantities, proving conclusively that even at a 30 per cent duty they could compete with the imported butcher knives.

The Wilson butcher knives are sold altogether to professionals in the packing houses, who must pay for their own knives, and as American manufacturers could compete even with a duty of 30 per cent, it does seem unjust to the workmen in this country to force them to pay the very high prices for the Wilson knife, as he prefers this knife, because it does his work more satisfactorily.

During the hearings on the 1922 tariff, the Ontario Knife Co. made the statement that packing houses would buy Wilson knives irrespective of price, but why make our American workmen an unnecessarily high price? We therefore suggest a duty as shown on Exhibut No. 3.

Carvers: Here, too, the duty is so high that it is practically prohibitive. The American manufacturers are selling carvers to-day at much less than the imported carvers cost, and the tariff we suggest will give the American manufacturers much more protection than he needs.

PAR. 358. Razors:

Straight razors are an item on which the sales are getting smaller and smaller each year, due to the general use of safety razors. They are used by the professional barber and a few individuals who are not using safety razors. The total importation of razors in 1927 was about $150,000, of which over $132,000 were razors costing in Germany over $4 per dozen.

Here we have the same situation that we have pointed out on butcher knives. They are bought almost altogether by the workmen who insists upon the imported razor altogether for the reason that he has found from experience that we have not the skilled labor in this country necessary to make a razor that he can use. Therefore the 1922 tariff simply adds a hardship on the American workman by compelling him to pay these very high prices, due to the duty.

We suggest a duty of 15 cents each and 45 per cent ad valorem on all razors up to $5 per dozen, and 20 cents each plus 45 per cent ad valorem on all razors above $5 per dozen.

PAR. 361. Pliers:

The present duty is 60 per cent. It has been claimed by some American manufacturers that the proportion of German labor to American labor is 4 to 1. This is not borne out by the facts. The wages paid to a first class mechanic in Germany are the equivalent of $13.70 per week, and when on piece work it is equivalent of $16.44 per week.

Mr. G. L. Gairoard, representing the Kraeuter factory, made the statement that they have to pay four times as much for labor in this country. Our plant is located at Maplewood, N. J., we are also American manufacturers. We draw labor from the same district that Kraeuter & Co., of Newark, N. J., do. The average wage in our plant is $26 per week for a 50-hour week.

Mr. W. D. Disston, who evidently investigated the labor situation in Germany, states before the House tariff hearings, that wages average $17 per week in Germany, and in his factory in Philadelphia they are $38 per week. He evidently averages his wages based only upon the higher priced mechanics and did not take into consideration that there in much work done by lower priced labor. We, too, have men who earn more than $38, but our average is, as stated. This proves that the difference in wages is nearer the figure 2 to 1 than 4 to 1.

To further prove our contention, we submit Exhibit No. 4 of our bid and the bid of Kraeuter & Co. on a Navy Department Schedule 258, of January 22, 1929, from which you will see that with one exception the American manufacturer was in a position to underbid us very materially. Our bid was based upon a very small margin of profit, and we could not quote any lower.

Here, too, as in the case of butcher knives and razors, the very important condition exists, that this class of goods are used by mechanics who must buy their own tools, and it does seem that the present duty of 60 per cent is more than ample.

Nail and cuticle nippers: It is proposed to advance this line from the present duty of 60 per cent and put them in the same class as pliers, which is adding an unneccessarily high cost to this line. There are very few manufacturers in the United States, and what are manufactured are the cheaper nail and cuticle nippers, which are not used by professionals but by wage earners and who would have to pay the advance that the proposed duty contains.

As no American manufacturer competes with this class of goods, we consider that the present duty of 60 per cent is ample.

PAR. 357. Poultry shears: As these goods are not made in this country, a duty of 50 per cent ad valorem would be ample.

Respectfully submitted.

H. BOKER & Co. (INC.),
EDW. GRAFMUELLER,
Vice President.

EXHIBIT No. 3

	Cost in England	Landed cost in New York [1]	Our American selling price	As per sample Exhibit No. 1, comparable American selling price
	Per dozen	*Per dozen*	*Per dozen*	*Per dozen*
6-inch butcher knives	10/6=$2.55	$4.76	$6.00	$3.2[illegible]
7-inch butcher knives	14/-= 3.40	6.03	7.50	3.[illegible]
8-inch butches knives	17/6= 4.25	7.29	9.80	4.[illegible]
6-inch skinning knives	11/9= 2.86	5.22	6.60	3.2[illegible]

[1] At duty of 45 per cent ad valorem plus 8 cents each and 4 per cent for freight, insurance, etc.

We herewith suggest to change the present rates of paragraph 355 to the following rates of duty, which are more than ample to protect the American manufacturer:

Handles of—	
Mother-of-pearl, shell, ivory, deer, or other animal horn	4 cents each plus 30 per cent ad valorem.
Hard rubber, solid bone, celluloid or any pyroxylin, casein, or similar material	2 cents each plus 30 per cent ad valorem.
Any other material (steel, wood)—	
If less than 4 inches in length, exclusive of handle	1 cent each plus 30 per cent ad valorem.
Over 4 inches long, exclusive of handle	2 cents each plus 30 per cent ad valorem.
Without handles:	
Blades less than 6 inches long	1 cent each plus 30 per cent ad valorem.
Blades 6 inches and over	2 cents each plus 30 per cent ad valorem.

EXHIBIT No. 4.—*Navy Department Schedule 258.—Opened January 22, 1929—Pliers classed 482 to 490, inclusive—Kraeuter & Co., American plier manufacturers*

	Kraehter bid	Boker bid
	Cents	*Cents*
Side cutting pliers:		
4	32	34
6	38	36
8	45	47
Round nose pliers:		
6	37	40
4	29	30
Diagonal pliers: 6	41	48
End cutting pliers: 6	35	57

POCKETKNIVES

[Par. 354]

STATEMENT OF J. LOUIS SCHRADE, WALDEN, N. Y., REPRESENTING THE AMERICAN POCKETKNIFE INDUSTRY

(The witness was duly sworn by the chairman of the subcommittee.)

Senator REED. Did you testify before the Ways and Means Committee?

Mr. SCHRADE. I did.

Senator REED. Did you file a brief?

Mr. SCHRADE. I did.

Senator KING. What paragraph are you interested in?

Mr. SCHRADE. 354. They have us listed wrong on the program.

Senator REED. You do not make drawing instruments?

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

Mr Chairman and gentlemen, I am here in connection with the pocket and pen knife paragraph, No. 354 schedule No. 3, and represent 19 all-American pocketknife factories listed in our brief, which make about 80 per cent of the total American production.

I would like to explain the term "all-American." There appeared before the Ways and Means Committee and before your committee,

witnesses who have American factories, but also have factories in Germany, who have asked for lower rates, undoubtedly because they make more money importing than with their American factories.

I desire permission to file a brief with your committee, and to make a few remarks on the subject of rates in paragraph No. 354; also to show the committee a few samples to substantiate the position taken by the American pocketknife industry.

In our brief we have given a review of the conditions through which the industry has been passing from 1914 to the present time——

Senator KING. Let me interrupt you just a moment. You include penknives, pocketknives, and what others?

Mr. SCHRADE. Penknives and pocketknives principally; also pruning knives in that paragraph.

Senator REED. With folding blades.

Mr. SCHRADE. With folding blades; yes, sir.

In our brief we have given a review of the conditions through which the industry has been passing from 1914 to the present time, but I will not take up the time of the committee to repeat what is in our brief.

A number of factories have gradually developed manufacturing methods so that they can produce all grades, from those selling at ten cents each to the consumer and upwards; and if those factories are given a reasonable chance to compete with the lower grades of imported knives they can succeed. If not, they will have to quit making these classes of pocketknives, which will mean more unemployment for American workmen.

Would you like to see some of the knives?

Senator REED. I would like particularly to have you address yourself to the cheaper sort of knife, the sort of knife that sells at 40 cents a dozen, for example, on which the tariff is now 44 cents, under the House Bill. That is 110 per cent ad valorem. I would like to know what justification there is for that.

Mr. SCHRADE. There are a couple of knives that are manufactured in the United States, that are sold to the jobbing trade at 84 cents a dozen [producing samples].

Senator REED. That comes in under a foreign invoice value, or its equivalent, at 40 cents or less.

Mr. SCHRADE. Yes. That competes with the foreign knife that sells at 10 cents.

Senator REED. Have you one of the foreign knives here?

Mr. SCHRADE. There are some of the foreign knives that compete with that knife [indicating].

Senator REED. Those blades are stamped, are they?

Mr. SCHRADE. Those blades are stamped, not forged.

Senator REED. Is the imported blade stamped or forged?

Mr. SCHRADE. I could not say about that. I suspect they are stamped blades, made from very mild steel.

Senator KING. These two knives I have in my hand, which you first handed Senator Reed, you produce?

Mr. SCHRADE. No, sir. They are produced by another American factory.

Senator KING. At what do they retail?

Mr. SCHRADE. Those retail at 10 cents a piece.

Senator KING. The manufacturer sells them for 84 cents a dozen.

Mr. SCHRADE. Yes, sir. That is the jobbing price.

Senator REED. What are these handles on the American knives? Are they pyroxylin, or something like that?

Mr. SCHRADE. Pyroxylin, celluloid, or fiberloid.

Senator REED. Does the American manufacturer make wooden handles, such as are on these imported knives?

Mr. SCHRADE. No. They confine their product to this handle [indicating].

Senator KING. The two knives you handed Senator Reed, of foreign manufacture, are much better than those two of American manufacture [indicating], are they not?

Mr. SCHRADE. I would not say that. I do not think they are quite as good. I think they compare, though, favorably.

Senator KING. They seem to be stouter.

Senator REED. Mr. Schrade, we might as well be frank about this. In 1922, when this very high tariff was put on cutlery, Congress was largely influenced by the low German costs, which were made possible by the demoralization of the mark. That element has ceased.

Mr. SCHRADE. I speak of that further along in my remarks.

Senator REED. The German costs are considerably increased over what they were in those days.

Mr. SCHRADE. I say, I speak of that further along in my remarks.

Senator REED. I am going to ask you to speak about it now, because it is the thing that has bothered me in connection with this. Your imports are about four per cent, in value, of the domestic production. Making allowance for the difference between the foreign invoice value and the high domestic value, that certainly would not exceed ten per cent of the American production. If you can not do any better than that, with 110 per cent ad valorem, how much do you need in order to encourage this industry?

Mr. SCHRADE. Let me say a few words. To start with, when the 1922 tariff was written, all orders sent to Europe for pocketknives at that time were paid for in American dollars, and usually paid for in advance, and, as the mark depreciated, the workmen who made those knives received a greater number of marks for their work. If we had received the protection we actually needed, according to the depreciated mark at that time, we would have had a very much higher protection than what we really received in the 1922 bill.

Senator KING. But the rentenmark was soon established, and those old marks were withdrawn.

Mr. SCHRADE. Not in 1922.

Senator KING. Not in 1922, but later.

Mr. SCHRADE. That was where we were hurt in the industry, and many of the factories simply had to go out of business.

The rates carried in the Fordney-McCumber tariff bill were not arrived at on the basis of the depreciated German mark, as at the time the bill was written all purchases were on the basis of American dollars.

Senator REED. I quite see that. It does not seem to me important what medium of payment was used by the purchaser. The question is, what medium of payment was used with the workmen, because that had to do with the low German production cost.

Mr. SCHRADE. I think that varied practically from week to week, as the mark depreciated.

Senator REED. It kept on varying downward, and the result was a very low production cost. I am a protectionist, as I think you know, but I can not see why you should have 110 per cent, when the manufacturers of surgical instruments, drawing instruments, and objects of that sort, which are cutlery, in a sense, are struggling along with 40 and 50 per cent.

Mr. SCHRADE. Because, to start with, it is the great disparity in the rate of wages paid in this country, and the great amount of hand labor used in the manufacture of pocketknives, and the fact that pocketknives sell for a very low price. The unit, in other words, sells for a very low price. You may buy a shirt, for instance, and you will pay $2 or $3 for it. It does not last very long. If you buy a pocketknife for 50 cents or 25 cents, it lasts for many years.

Senator REED. Yes; and that is still more true of drawing instruments, which will last an engineer a lifetime.

Mr. SCHRADE. But they get a much higher price, in proportion, for their product than we do for pocketknives.

Senator KING. Your pocketknives are largely made by machinery. There is not much hand labor there.

Mr. SCHRADE. Oh, Senator, there is a great deal of hand labor. Even the Tariff Commission's report, in that book you have before you, states that the manufacture of pocketknives does not lend itself to machine operation. This polishing job on pocketknives is a very slow and tedious process.

Senator KING. I notice that from 1921 to 1923, at the time when you said the industry was hurt very much, you increased your domestic production 55 per cent.

Mr. SCHRADE. 1921 was a very bad year for the American manufacturers; 1922 was a little better; 1923 brought us back to probably a postwar normal position.

Senator KING. What factory do you represent?

Mr. SCHRADE. The Schrade Cutlery Co., of Walden, N. Y.

Senator KING. Are you president of it?

Mr. SCHRADE. I am the president of it.

Senator KING. What else do you make besides pocketknives?

Mr. SCHRADE. Pocketknives only.

Senator KING. Have you declared any stock dividends?

Mr. SCHRADE. We have.

Senator KING. When?

Mr. SCHRADE. 1916.

Senator KING. How much?

Mr. SCHRADE. Two hundred per cent stock dividend.

Senator KING. A 200 per cent stock dividend. What stock dividends have you declared since then?

Mr. SCHRADE. None.

Senator KING. You have been paying dividends on that 200 per cent stock dividend?

Mr. SCHRADE. Our dividends are very irregular.

Senator KING. Whenever you have paid dividends.

Mr. SCHRADE. I might say, Senator, that our company started in 1904 with a very small capitalization.

Senator KING. How much?

Mr. SCHRADE. I think it was $25,000, and——
Senator KING. Did you put any more money into it?
Mr. SCHRADE. Oh, yes.
Senator KING. Outside of that which resulted from accumulations.
Mr. SCHRADE. We put more money into it; in addition to that, we took no profits out of the business at all.
Senator KING. How much money did you put into it? Let us get that first.
Mr. SCHRADE. I should think that there has been actually $100,000 paid in.
Senator KING. $100,000?
Mr. SCHRADE. Yes.
Senator KING. At what do you value your assets now?
Mr. SCHRADE. Our assets are somewhere around $250,000.
Senator KING. $250,000?
Mr. SCHRADE. Yes.
Senator KING. Do you have a factory?
Mr. SCHRADE. Yes, sir; two factories.
Senator KING. How many men do you employ?
Mr. SCHRADE. About 175.
Senator KING. You have machinery?
Mr. SCHRADE. Yes, sir.
Senator KING. And plants?
Mr. SCHRADE. And plants.
Senator KING. And your assets are worth only $250,000?
Mr. SCHRADE. About $250,000.
Senator REED. We have not given you a chance to say what you want, Mr. Schrade.
Mr. SCHRADE. I would like to clarify that situation in connection with profits. We started in 1904. We had a capitalization then of $25,000, $10,000 preferred stock and $15,000 common stock. We increased our capitalization two or three years after that to $20,000 additional common stock.
Senator KING. You paid par for that common stock?
Mr. SCHRADE. Yes, sir. Then we went along and we paid no dividends until 1910, when we paid 6 per cent dividends on our preferred stock, and we continued along, and paid 1 or 2 or 3 per cent until 1916. Then we declared a 200 per cent stock dividend.
Senator KING. Because of the profit you had made?
Mr. SCHRADE. Because of the accumulation. Also, let me state that the founders of our company were the officers, and we worked right in the plant, and at the beginning at very low salaries. All that was accumulation, and that is why we declared the 200 per cent stock dividend. I might further state that we have about 90 stockholders in our company.
Senator KING. Does anybody else make pocketknives in the United States except your company?
Mr. SCHRADE. Yes, sir. I am appearing here for 19 companies.
Senator KING. Any large companies, or companies that make pocketknives in addition to other products?
Mr. SCHRADE. Yes.
Senator KING. Which ones are they?
Mr. SCHRADE. The Remington Arms Co., the Winchester Repeating Arms Co.——

Senator KING. They make pocketknives, do they not?

Mr. SCHRADE. Yes.

Senator KING. Large quantities?

Mr. SCHRADE. Yes; they have a large production.

Senator REED. Does your company make all the knives shown in this exhibit?

Mr. SCHRADE. No, sir. This is a series of knives, to show the different grades made in the United States. These [indicating] are knives that sell for 10 cents over the counter. These [indicating] sell for 25 cents over the counter, and so forth.

Senator REED. It is the whole range in value?

Mr. SCHRADE. Yes. They run up in value to the highest-priced knives.

Senator REED. Mr. Schrade, I want to put one more fact at you, and then like very much to have you explain the situation. On looking at the imports I find that in 1922, when this high tariff was put on, the imports were some $936,000 worth of folding knives. After the tariff was put on, in 1923, the imports were $514,000, and they have gone down steadily every year without exception until 1928, when the imports were $208,000. That sounds to me as though you were pretty well protected.

Senator KING. And the duty collected was $218,000.

Mr. SCHRADE. On the surface, Senator, it would.

Senator KING. You are now getting 104 per cent protection.

Mr. SCHRADE. Yes; 104 average.

Senator REED. I am not passing judgment against you, but you can see that all of this leads to the conclusion that the duty is high enough now, and perhaps too high.

Mr. SCHRADE. Yes; I will explain it to you. The American pocketknife industry is not asking to have the rates changed in the four upper brackets, but we are seriously hurt in the two lower brackets, because the total production of pieces of American pocketknives is about 11,000,000 per year, and the total imports in those two lower brackets are about 4,000,000 a year.

In other words, taking the valuation, we have a differential of about 4 per cent of imports to 100 per cent American production, but taking the pieces it runs around 40 to 100 per cent American.

The man who buys one of these knives at a low cost immediately becomes a potential user of pocketknives taken out of the market. He does not want two of them. He wants only one.

Senator KING. I do not get your point.

Senator REED. It seems to me that if he bought one of those cheaper knives he would soon need another.

Senator KING. And he would be so disgusted with it that he would buy a better one.

Mr. SCHRADE. You would not think so if you looked at the imports from year to year.

I particularly would like to read this little notation I have here. I want to call your attention to the imports of pocketknives under the Underwood bill. In 1921 they were 641,345 dozen, as against 503,849 dozen made by the American factories. At that time the German industry had only partially recovered from the war. In 1922 the imports were 944,428 dozen, as against 600,738 dozen made by the

American factories. However, about four months of 1922 were under the Fordney-McCumber bill. In 1928 the imports were 359,078 dozen, as against 700,806 dozen produced by American factories.

This American production mentioned is about 80 per cent of the total product in the United States for 1928.

At the present time our industry is still in a distressed condition. The importers propose to stabilize conditions by increasing the imports is not only the lower grades, but in all classifications, which would mean ruin to the entire industry.

The American industry is not asking for an increase in the rates on all the classifications in paragraph 354, but only to correct the serious situation that exists in the two lower brackets, so that we can meet existing competition from abroad.

I would like to point out the large ratio of the imports in pieces to the total American production in 1928. I repeat, the total production of the American factories was about 11,000,000 pieces, and the total imports under the two lower brackets were approximately 4,000,000 pieces. If those imports could be reduced it would mean a great deal more employment for American workmen.

As pointed out in our brief to the Ways and Means Committee, German factories are starting branch factories in Czechoslovakia and Italy, where the wage rates are much lower than in Germany. Wages in Germany are generally understood to be one to three and a half or four, as compared with the wages paid American workmen. It would not be a surprise to me if all the rates in paragraph 354 would be too low when these Czechoslovakian and Italian factories get into production.

In the brief filed with your committee by the Importers Association last week they admitted that such branch factories were being established by German manufacturers, which is a very serious menace. The Importers Association, in their brief, state that the member of their association do not import any of the pocketknives coming in under the lower brackets, but they have not failed to ask a reduction in the rates, and, more serious still, they ask to have the dividing lines of the different values changed, which would cut the rates to a much greater extent than appears on the surface.

This is something the American pocketknife manufacturers can not too strongly bring to your attention. Last week, when the Importers Association presented their views to you, they exhibited some sample pocketknives. Since then I have consulted with the manufacturers of the American samples which were shown to you, and find some apparent discrepancies. The usual basic price of pocketknives is in so-called jobbing quantity lots. The largest retail trade, the department stores, and the large mail-order houses, in many cases, use pocket cutlery in quantity, and purchase their requirements both from domestic manufacturers and importers, at the minimum or wholesale price. The price of the knife shown you last week by the importers association, manufactured by the Ulster Knife Co., of Ellenville, N. Y., No. 21315 W. P., was given as $6.60 per dozen to the retail trade. I want to correct the impression that might be gained from this statement, as the price stated was the jobbing price. The price to the retail trade is from $8 to $9 per dozen, depending on the kind of celluloid pearl used for the handle.

I may state that celluloid is used for the handles of pocketknives. Some of it is built up with a slight veneer, 0.020 of an inch thick, on the top, and a cheap celluloid underneath. Others are solid fish scale celluloid pearl all the way through, making a more expensive knife.

Also, the price on the pocketknife shown you, made by the Remington Arms Co., R-6914, sold to the jobbing trade, is $10 per dozen; and to the retail trade, $13.50 per dozen, and not $9 per dozen, as stated.

The American knife is constructed entirely different from the English knife, and can not be compared as being in the same class.

The only market the American pocketknife manufacturers have is the United States. Germany, England, and other foreign manufacturers have captured all foreign fields. Therefore the United States market must be maintained for the American manufacturers if they are to remain in business.

I want to emphasize strongly that importers not having American factories are frequently relatives and part owners of the foreign factories. Under these conditions you can readily see how values can be juggled.

Also, as stated in our brief, the American manufacturers have adopted standardization—that is, simplified practice—through the Department of Commerce. The standardization program is the adoption of 100 basic dies, but if more foreign pocketknives are allowed to come in, it will be impossible for the American manufacturers to hold to the simplified practice program, as they will have to make new dies to produce the special patterns that will be imported, and in this way they will lose any benefit that they hope to gain by standardization.

J. H. Thomas, Minister of Employment under the new Labor Government of Great Britain, recently said:

> I am going to explore every industry in the country to see whether we can get things in this country which we are importing from abroad.

I comment that at last England is beginning to see the light, and how to do away with her vast army of unemployed and reduce the number of those receiving a dole.

I would like to say at this time that it has been admitted by the importers appearing before you and before the Ways and Means Committee—especially the Ways and Means Committee—that the American product is just as good as the foreign product, in the high-grade knives, and that the American factories can make everything in this country, from a 10-cent knife up. Therefore, we are no longer in need of anything from abroad on account of consumer demand.

(Mr. Schrade submitted the following brief:)

BRIEF OF THE AMERICAN POCKET KNIFE MANUFACTURERS

Submitted to the Senate Finance Committee by the following American Pocketknife Manufacturers, who represent approximately 80 per cent of the American pocket knife production: W. R. Case & Son, Bradford, Pa.; Cattaraugus Knife Co., Little Valley, N. Y.,; Colonial Knife Co., Providence, R. I.; Dwight Divine & Sons (Ulster Knife Co.), Ellenville, N. Y.; Empire Knife Co., Winsted, Conn.; Honk Falls Knife Co., Napanoch, N. Y.; Landers, Frary &

Clark, New Britain, Conn.; New York Knife Co., Walden, N. Y.; John Russell Cutlery Co., Turners Falls, Mass.; Remington Cutlery Works (Inc.), Bridgeport, Conn., and Ilion, N. Y.; Schrade Cutlery Co., Walden, N. Y.; Schatt & Morgan Cutlery Co., Titusville, Pa.; Utica Cutlery Co., Utica, N. Y.; Winchester Repeating Arms Co., New Haven, Conn.; Robeson-Rochester Corporation, Rochester, N. Y., and Perry, N. Y.; Novelty Cutlery Co., Canton, Ohio; Western States Cutlery & Manufacturing Co., Boulder, Colo.; Imperial Knife Co., Providence, R. I.; Union Cutlery Co. (Inc.), Olean, N. Y.

The above list of manufacturers does not represent a score or more of other manufacturers who produce raw material used by the American pocketknife industry and who are either wholly or in part dependent upon this industry for their livlihood.

In order to present the situation of the American pocketknife manufacturers, it is necessary to review the conditions that existed during the pre-war period, also during the war, and the postwar period.

The Pocketknife industry was severely depressed during 1914 under the large foreign imports during the Underwood tariffs. During 1915 to 1918, inclusive, a substantial proportion of the factory capacity was engaged in production of war needs for England, France, the United States, and the Red Cross.

With the war embargo against imports of cutlery from Germany and Austria, the principal foreign producers, and the partial output from the American factories on war needs, a shortage of cutlery for the American market occurred.

This was followed by high-wage scales, advancing prices, expansion of capacity; and other plants formerly engaged on war munitions during the war added cutlery to their products, when war demands for munitions ceased.

During 1920 and 1921, prior to the passage of the Fordney-McCumber tariff, large importations at the Underwood tariff rates flooded the United States at far below the cost of production of American factories. This oversupply of foreign cutlery with the largely expanded American capacity led to oversupply, reduced wages, sharply curtailed operations, demoralized markets, loss of capital, and liquidation of stocks, and closing of some factories.

The Fordney-McCumber tariff rates of 1922 permitted a majority of the factories to continue to exist, since which time various measures have been taken in an attempt to stabilize the industry, including the adoption of simplified practice through the Department of Commerce in the reduction of the patterns produced, eliminating waste and making it possible to concentrate on fewer patterns.

Acute competition has continued, resulting in subnormal prices, and in many cases without profit, and with wages and employment below normal.

Prior to 1914 practically all American factories produced the same general high grade of knives, using the finest quality of cutlery steel only, the cheaper and lower grades being imported exclusively.

Since 1919 new production of large output has been developed in the United States of the medium and cheaper lines of pocket knives, so at this time American factories are supplying the trade with all classes of pocket knives, from 10 cents up to the highest priced knives.

Unlike some other articles of personal use, the consumer demand for pocketknives has not increased, and increased importations would prove disastrous to the American industry, including the workmen who are highly skilled at their trades, many owning their homes, and not adapted to other trades, to be forced to sacrifice their homes and move to other localities.

The rates in paragraph 354 of the Fordney-McCumber tariff bill of 1922 were not written on the basis of the depreciated German mark, as all purchases of pocketknives at that time were made on the basis of American dollars and usually paid for in advance or when placing the order. Therefore the argument at this time by the importers that the prevailing rates should be lowered because of the stabilized German mark is not logical and does not apply, as a greater number of marks were paid to German workmen from week to week during the time when the German mark was depreciating, for the same labor performed, as the mark became of less value.

By stating that the cutlery imports into the United States during 1927, as mentioned by the importers in their brief and testimony given before this subcommittee, amounted to only $1,350,000, as against the domestic production of $60,000,000, confuses the issue. To give consideration to the imports under paragraph 354, it is neceassry to consider the imports coming in under this paragraph separate from other cutlery paragraphs.

Therefore the following figures have been prepared to show the number of dozens and pieces imported, also the number of dozens and pieces produced by domestic manufacturers, and the value of the same, from 1920 to 1928, inclusive:

[Figures represent statements compiled from American factories making about 80 per cent of American production]

	Imports in dozen	Domestic production in dozen	Import in pieces or units	Domestic production in pieces or units	Total value American production
1920	319,188	706,948	3,830,256	8,483,381	$5,745,005
1921	641,345	503,849	7,696,140	6,046,166	2,978,530
1922	944,428	600,738	11,333,130	7,208,851	4,428,930
1923	597,319	825,677	7,168,188	8,908,121	5,625,554
1924	449,997	619,086	5,399,964	7,429,034	4,876,608
1925	390,170	719,979	4,682,124	8,639,753	5,686,372
1926	305,005	769,449	4,380,780	8,233,383	5,450,238
1927	373,006	756,599	4,476,062	9,079,194	5,555,151
1928	359,078	700,800	4,308,936	8,409,679	6,061,924

The pocketknife industry in the United States for the year 1928 employed between 2,800 and 3,000 persons at a total wage of about $3,250,000. The total sales of the industry during that year amounted to about $6,500,000. The total number of pieces produced was about 11,000,000. The total number of pieces imported into the United States was approximately 4,308,936. The figures given in the pocketknife manufacturers' brief before the Ways and Means Committee in reference to production and importations for 1927 were substantially the same for 1928.

Under the present rate of duty the American pocketknife manufacturers have suffered greatly from the enormous importations running as high as 4,000,000 pieces per year imported at a valuation of 50 cents per dozen or less. Most of the knives that are imported at these values are of such inferior quality and poor construction that they are of little or no practical use to the ultimate consumer. The sale of these, however, seriously interferes with the sale of knives of good quality made by American workmen.

In the testimony given on behalf of the Importers Association they mentioned American knives sold at from $1 to $5 as a comparison to these cheaper knives, thereby endeavoring to give the impression that American factories do not produce any knives that are sold at a price below $1. Such, however, is not the case. There have been developments in the pocketknife industry in the last year or so which have succeeded in producing pocketknives of a very fair grade that can be sold by the chain stores and others at 10 cents each. In fact, the American factories are now producing pocketknives that sell from 10 cents each to the consumer up to the very highest priced knives; the popular prices being 10, 15, 25, 35, 50, 60, 75 cents and $1. All of these grades can be had from the American factories.

Therefore, since the American pocketknife factories can produce all of the pocketknives that are required, in all grades, there is no need to consider the rates that are to be incorporated in paragraph 354 in the Senate bill from the standpoint that foreign knives are required in the United States to meet the demands of the consumer. The importers, in their testimony before the Ways and Means Committee, admit that American quality in pocketknives is just as good as the best quality of foreign knives.

It is understood that recent sentiment expressed by the administration that agricultural products and those industries that are in a distressed condition should be given tariff relief, certainly includes the American pocketknife industry, as a number of plants have been forced out of business, considerable unemployment prevails at the present time, and many factories are not operating more than 60 per cent capacity.

When the brief was filed with the Ways and Means Committee and the undersigned appeared before that committee it was on such short notice that the proposition could not be given the consideration that we have been able to give it since then. Therefore, the American pocketknife manufacturers are modifying the request as made to the Ways and Means Committee of the House.

The American pocketknife manufacturers request a change in paragraph 354 Schedule 3, of the tariff act of 1922, by increasing the specific rate in the lowest bracket from 1 cent to 4 cents—to read "Valued at not more than 40 cents per

dozen, 4 cents each and 50 per cent ad valorem"; and the second bracket to read "Valued at more than 40 cents and not more than 50 cents per dozen, 7 cents each and 50 per cent ad valorem." Also to add the words "Whether or not provided for elsewhere in this act." This would make paragraph 354 read as follows:

"PAR. 354. Penknives, pocketknives, clasp knives, purning knives, budding knives, erasers, manicure knives, and all knives by whatever name known, including such as are denominatively mentioned in this act, which have folding or other than fixed blades or attachments, whether or not provided for elsewhere in this act, valued at not more than 40 cents per dozen, 4 cents each and 50 per centum ad valorem; valued at more than 40 and not more than 50 cents per dozen, 7 cents each and 50 per centum ad valorem; valued at more than 50 cents and not more than $1.25 per dozen, 11 cents each and 55 per centum ad valorem; valued at more than $1.25 and not more than $3 per dozen, 18 cents each and 55 per centum ad valorem; valued at more than $3 and not more than $6 per dozen, 35 cents each and 55 per centum ad valorem; blades, handles, or other parts of any of the foregoing knives or erasers shall be dutiable at not less than the rate herein imposed upon knives and erasers valued at more than 50 cents and not exceeding $1.25 per dozen; cuticle knives, corn knives, nail files, tweezers, hand forceps, and parts thereof, finished or unfinished, by whatever name known, 60 per centum ad valorem; *Provided*, That any of the foregoing, if imported in the condition of assembled, but not fully finished, shall be dutiable at not less than the rate of duty herein imposed upon fully finished articles of the same material and quality, but not less in any case than 15 cents each and 55 per centum ad valorem; *Provided further*, That all the articles specified in this paragraph, when imported, shall have the name of the maker or purchaser and beneath the same the name of the country of origin die sunk conspicuously and indelibly on the shank or tang of at least one or, if practicable, each and every blade thereof."

Outside of the change recommended, the present schedule of duties has justified itself and proven the wisdom of the framers of the present act. It has enabled the American pocketknife industry to come out of the afterthroes of the war and make some progress over the demoralized manufacturing conditions of 1921 and 1922 toward more stable conditions of employment. Although the American pocketknife industry has had partial protection under the tariff act of 1922, keen competition existing in the American industry has led to the gradual decline in prices of American-made pocketknives to the ultimate consumer. The importation figures show tha necessity for the change in paragraph 354 as suggested. Importations under the two lowest brackets show that in 1928 the number of pieces imported were about 4,000,000 as compared to the total American production of about 11,000,000. The chief competition of American manufacture of pocketknives is from Germany. Not alone is the American market threatened by German competition, but they practically control all foreign markets, as evidenced by Department of Commerce bulletins.

In our brief filed with the Ways and Means Committee we called attention to the fact that German manufacturers were opening up plants in Italy. In the testimony given by the Importers Association, they admit that German manufacturers are establishing private factories in Czechoslovakia, Italy, and elsewhere in order to get the benefit of still cheaper labor. Also they state that the Importers Association is not interested in the class of goods that is imported into the United States under the two lower brackets, but they propose, not only for the better quality pocketknives but for the very cheapest lines that are imported, to reduce the duty and change the dividing lines of the various brackets so that the loss of protection would be even much greater than would appear on the surface. The actual decrease that the Importers Association proposes in the three lower brackets would reduce the duty from 50 to 75 per cent, and in the three higher brackets, from 25 to 50 per cent. If such a change were made as is proposed by the Importers Association it would mean absolute ruin to the American pocketknife industry.

In conclusion we respectfully desire to call to the attention of the chairman of Subcommittee No. 1 and the members of this committee, that the reason why it is necessary to have a high duty on cutlery, and especially on pocketknives, is because the proportion of hand work in the manufacture of pocketknives is very great, and these hand operations do not lend themselves to being changed to machine operations. Therefore the labor cost in the manufacture of pocketknives is about 80 per cent.

Further, that the only fair basis on which to consider the protection required is from the standpoint of the wages paid in the principal foreign producing countries as compared to wages paid for similar work in the United States. It is

generally recognized that the wages paid in Germany to pocketknife workmen are in the proportion of 1 to 3½ or 4 of those paid to American workmen. To equalize the actual difference between the American and German wage costs would require higher rates of duty in all classifications than those asked by the American pocketknife industry.

Respectfully submitted.

J. LOUIS SCHRADE,
Chairman Tariff Committee of American Pocketknife Industry.

Tariff committee of American pocketknife industry: J. Louis Schrade, of Schrade Cutlery Co., chairman; C. D. Divine, of Ulster Knife Co.; C. W. Silcox, of Robeson-Rochester Corporation; E. J. VanBuskirk, of Landers, Frary & Clark; W. G. Shelton, of Remington Cutlery Works; C. B. Fuller, of New York Knife Co.

Subscribed and sworn to before me this 6th day of July, 1929.

ETHEL TELLER LEE, *Notary Public.*

SCISSORS AND SHEARS

[Par. 357]

STATEMENT OF C. L. GAIROARD, NEWARK, N. J., REPRESENTING AMERICAN MANUFACTURERS OF SHEARS AND SCISSORS

(The witness was duly sworn by the chairman of the subcommittee.)

Mr. GAIROARD. I appear here with reference to paragraph 357.

Senator REED. Paragraph 357 deals with scissors?

Mr. GAIROARD. Scissors and shears.

Senator REED. Did you testify before the House committee?

Mr. GAIROARD. I did, and filed a brief; and I am not going to talk about anything which I took up at that time.

In paragraph 357 the House gave us the same rate as we had in 1922. My purpose in appearing before you is to ask that you find ways and means of preventing shears and scissors being imported into the United States, first, under other paragraphs. For instance, what we have been suffering from has been the importation of scissors in containers as sewing sets, manicuring sets, and traveling sets.

Senator KING. Are you speaking of scissors?

Mr. GAIROARD. Scissors in sewing sets, manicuring sets, and traveling sets.

Senator KING. May I say that the Tariff Summary shows that in 1928 the quantity was down to 91,351, at a value of $216,700, and an increasing unit of value. The preceding year it was 131,807. I suppose that would be dozens; would it?

Mr. GAIROARD. Yes, sir; dozens.

Senator KING. And the year before that it was 142,709. It has been going down for four or five or six years.

Mr. GAIROARD. Yes, sir. Well, you see, the scissors I am speaking of would not come under this bracket; that is, what I mean by that is that they would not be listed, due to the fact that they are coming under old paragraph 1432.

Senator REED. As part of a manicure set?

Mr. GAIROARD. Yes; as part of a traveling set or a sewing set; so, therefore, you have not the means of adding to these figures those scissors that come in under those paragraphs.

Senator KING. Under what paragraph?

Mr. GAIROARD. Paragraph 1432.

Senator REED. That is the old number?

Mr. GAIROARD. The old number is 1432. The new number, I think, is 1532.

Senator KING. What are the imports of those products?

Mr. GAIROARD. They are not listed, because scissors coming in a container containing six or seven, and called a traveling set, are not listed as scissors at all. You have not the means of knowing how many come in in that manner.

Senator KING. You do not mean to say they are smuggled?

Mr. GAIROARD. Oh, no; they perhaps may have in the department a memorandum showing how many containers came in, but it does not tell you how many scissors were in those containers.

Senator KING. Do you mean to say that the customs authorities would permit containers to come in having contents of value of a different character without subjecting them to duty?

Mr. GAIROARD. They come under a duty here of leather, instead of a duty of scissors. We have fought it; some cases are still open; but would it not be better for us to clarify this matter?

The department feels this way—that if a scissor bearing a duty, we will say, of 60 per cent or 100 per cent is in a container, and, because it is in a leather container, it comes in under 45 per cent, that is not what the law really means; but, nevertheless, they have been able to do it. We have fought it, but we have not fought it as successfully as we would like.

Senator KING. Suppose a person goes and buys a leather manicure set with just the few articles that belong to the set: How would you classify that? How is it classified?

Mr. GAIROARD. That is classified as a manicure set, and comes in under a leather schedule.

Senator KING. Is not the leather schedule—I ask for information—with respect to manicure sets adjusted with reference to the value added to the leather by reason of the metallic articles that are in it?

Mr. GIAROARD. Well, if the value of the container will be, let us suppose, a dollar, and the value of the contents of that container will be $3, that would be entered as a $4 article, but taxed on the leather schedule, which is much lower than scissors and shears. Do you see the idea?

Senator KING. But suppose that Congress, in accordance with the importunities of a large number of leather men, raised the tariff on leather to an altitudinous height corresponding to the heights of steel products; then what?

Mr. GAIROARD. I will tell you where the unfortunate part comes in there, Senator. Leather has not the amount of labor that a scissor has. I mean by that, the ratio of material to the entire cost of a shear or scissor is in the neighborhood of 15 per cent, and the other 85 per cent of the cost is labor. That is not the case with a piece of leather; so, therefore, when a tariff bill is being written with the idea of protecting American labor, you see that on a piece of leather they will not give the ratio of protection that they would on a piece of cutlery.

Senator KING. Are you sure that the labor cost upon scissors is what you have indicated?

Mr. GAIROARD. Oh, yes; I am positive of it.

Senator KING. I should like some figures on that, because my information is quite different. However, that is not relevant.

Mr. GAIROARD. Oh, yes, sir.

Senator REED. All right, sir. Was that all you wanted to say about paragraph 357?

Mr. GAIROARD. About paragraph 357, I am filing a brief in which I am suggesting that you add to that paragraph just the words "whether or not provided for elsewhere in this act." That is only fair. If we have a paragraph, 357, which deals with all scissors and shears, let us make it so, so that they can not enter them under some other paragraph.

Senator REED. Then the same thing ought to apply to files?

Mr. GAIROARD. Anything at all. If you have a paragraph, why should not that paragraph apply?

Senator KING. Then your idea would be that if Senator Reed or myself should buy a little manicure set, and it had a file and it had cuticle scissors and three of four little items, all of which would come under different paragraphs, and we brought it to the United States, first the customhouse would have to examine the little case and fix the tariff on that little leather case, then find the file, which cost 5 cents, and allocate that to some particular paragraph, and then the cuticle scissors to another paragraph, and so on as to a dozen paragraphs with that item? The labor cost of the department there would perhaps be a great deal more than the entire cost of the little leather container in this country.

Mr. GAIROARD. Unfortunately, Senator, laws are not made for the good. They are made to prevent certain things. For instance, here is what I have been trying to tell you that we have been suffering from:

A man comes in and takes a piece of imitation leather and puts six or 8 scissors in it and says it is a traveling set. Who ever needs six or eight scissors to travel with? Then he says, "Well, they ought to come in under the leather schedule."

Senator REED. Has that actually been done?

Mr. GAIROARD. It has been done.

Senator KING. It seems to me that the Treasury officials would be perfectly justified in adopting some measure that would prevent that, because obviously that is a violation of law.

Mr. GAIROARD. Evidently there must be a little bit of merit to it to permit them filing a suit and going to the Customs Court and everything else, while if we put in a few words in the paragraph we would obviate all that litigation. You would be surprised what little technicalities they will grasp to import goods under a lower bracket.

Senator KING. Are you a manufacturer of scissors?

Mr. GAIROARD. Yes; we manufacture scissors in Newark, N. J.

Senator KING. Anything else?

Mr. GAIROARD. We also manufacture tools in Newark, N. J.—pliers.

Senator KING. What is the name of your company?

Mr. GAIROARD. J. Wiss & Sons Co.

Senator KING. What is the value of your product per annum?

Mr. GAIROARD. About a million and three-quarters.

Senator KING. How long have you been in business?

Mr. GAIROARD. Since 1848.

Senator KING. What were your profits three years ago?

Mr. GAIROARD. In the neighborhood of about 5 per cent on our turnover.

Senator KING. On the turnover?

Mr. GAIROARD. Yes, sir. That means the amount of our shipments.

Senator KING. I understand. What were your earnings?

Mr. GAIROARD. Our earnings were in the neighborhood of about $80,000, 5 per cent on $1,600,000 or $1,700,000. This is a privately owned corporation. It has been in the same family since 1848.

Senator KING. Is there any other business interest that you represent aside from the manufacture of shears and scissiors?

Mr. GAIROARD. Yes; I represent five or six others.

Senator KING. Do you know anything about what their profits have been?

Mr. GAIROARD. Yes; I do.

Senator KING. And what the capital invested is?

Mr. GAIROARD. Yes. They are all losing money, and have been losing money for the last three or four years. In fact, the cutlery business is in a very poor condition, due to the fact that conditions have changed.

Senator KING. New styles?

Mr. GAIROARD. Not so—yes; new styles in this way: Years ago, grandmother used to embroider. To-day she is running around in a fliver; no more embroidery scissors. You have heard men say that less pocketknives are used. That is the condition all over the cutlery business. If you say the imports of cutlery are falling off, I am going to tell you that the manufacturing is falling off just as much, because of the lack of calls for the goods.

Senator REED. We can not change that by a tariff law.

Mr. GAIROARD. No; you can not do it, and diminishing protection on cutlery is not going to help the manufacturers who are to-day losing money in the business. The only reason they are losing money is because they are all like drowning men clutching at a straw, cutting each other's prices in the hope that the "survival of the fittest" will kill somebody, and they will remain, and may be able to go ahead and get along.

Senator REED. Take two butcher knives like that, one of them imported at $4 and something and wholesaling at $6 a dozen, and the other one wholesaling at $3.24 a dozen, the American knife: It is perfectly evident that the tariff is not doing that American manufacturer any good; is it not?

Mr. GAIROARD. Absolutely.

Senator REED. The trouble there is domestic competition?

Mr. GAIROARD. Yes; but let me tell you something else, Senator: When we are dealing with cutlery, we are dealing with something that is a little bit out of the ordinary. It reminds me very much of hiring an attorney. You do not hire an attorney according to his looks; you hire him according to his knowledge and what you know he has done. Cutlery is sold on the reputation of the house that brings it out; and whenever importers will offer comparisons, the American manufacturer can offer you comparisons that are equally as odious.

Senator REED. Of course.

Mr. GAIROARD. The fact of the matter is this: We are suffering from this: We can not compete in the United States against foreign labor. We all know that; and whether that foreign labor is 2 to 1, 3 to 1, or 4 to 1, let me tell you right now that at the present moment, with the protection which the cutlery manufacturers have, they are barely able to get along.

Senator KING. Mr. Gairoard, yesterday one of the witnesses exhibited here a large list of knives, clippers, scissors, and so forth, and the testimony showed that the foreign knives and these foreign exhibits here cost a great deal more, in some instances twice as much as the American product, the American product apparently, to the unsophisticated, being just as good as the other. The evidence seems to indicate that the foreign product, aside from what has been called the cheap junk, which American manufacturers are making as well as foreigners, costs more to make than the American product, and that the American product is being sold for very much less than the foreign product. Do you contradict the statement that that witness made?

Mr. GAIROARD. To a certain extent I should like to contradict the statement in this way: One of the very manufacturers who appeared before you——

Senator KING. Which one?

Mr. GAIROARD. Mr. Grafmueller, for instance.

Senator KING. The one who was just on the stand?

Mr. GAIROARD. Yes. I understand that Mr. Grafmueller represents Herman Boker & Co. Well, now, in the years gone by they had a factory right back of our plant in which they manufactured a certain amount of goods, pocketknives, for instance; and they have closed down that factory. Now, have they closed down that factory because of the American manufacturer being overprotected?

Senator KING. You do not answer my question with respect to these numerous exhibits that are here on the table—perhaps 50 or more right there in front of you. I say, have you any comment to make on the testimony of the gentleman who spoke?

Mr. GAIROARD. Merely this: I manufacture but very few of these goods; I manufacture shears and scissors; but the American pocketknife manufacturers can come to you with comparisons that will be just as odious. In other words, we do not get much from comparisons.

(Mr. Gairoard submitted the following brief:)

BRIEF OF AMERICAN MANUFACTURERS OF SHEARS AND SCISSORS

The SENATE FINANCE COMMITTEE,
United States Senate, Washington, D. C.

The Acme Shear Co., Bridgeport, Conn.; Henkel-Clauss & Co., Fremont, Ohio; Clayton Manufacturing Co., Briston, Conn.; Landers, Frary & Clark (Inc.), New Britian, Conn.; Winchester Repeating Arms Co., New Haven, Conn.; and J. Wiss & Sons Co., Newark, N. J., represent approximately 50 per cent of the shear and scissors manufacturers in the United States, and, based on the figures furnished by these six companies, we judge that the entire industry interested in paragraph 357, H. R. 2667, employs approximately 2,500 workmen and has a yearly pay roll of approximately $4,000,000 per year.

Although paragraph 357 of the tariff act of 1922 states, "All scissors and other shears," nevertheless the foreign importers have been able to secure a decision that surgical scissors are not scissors as applicable to paragraph 357, but are surgical instruments applicable to paragraph 359. In consequence, scissors commonly

known in the trade as surgical scissors, that are practically the same style as domestic scissors and are frequently used as domestic scissors, have been entered under paragraph 359, the duty in which is not enough to permit the American manufacturers to compete against the foreign manufacturers. In consequence, the American manufacturers, since the tariff bill of 1922 was passed, have absolutely ceased manufacturing surgical scissors, being unable to compete in price.

In April, 1917, when the United States entered the World War, the Medical Departments of the United States Army and Navy called all the manufacturers of shears and scissors to Washington and asked them to do their utmost to furnish the surgical scissors needed by the country at that time—none being made in the United States then, due to the Underwood tariff.

The American industry produced these scissors in a very short time, and over 1,000,000 pairs were delivered. These were pronounced by eminent surgeons, such as Colonel Mayo of Rochester, Minn., to be perfect in every respect.

After the 1922 tariff bill was passed, although paragraph 357 says "All scissors," a ruling was made by the Treasury Department that scissors for the use of nurses and doctors should be admitted under paragraph 359 as surgical instruments. In consequence, the American manufacturers have been unable to sell any more of these scissors, due to the fact that paragraph 359—surgical instruments—only has a 45 per cent ad valorem rate of duty, which does not permit the American manufacturers to compete.

Paragraph 359 of H. R. 2667 gives surgical instruments a 70 per cent ad valorem duty. While that may be enough for surgical instruments it is certainly not enough for surgical scissors.

We consider that surgical scissors are as necessary to the welfare of the Nation to-day as they were in 1918.

The manufacturers of scissors and shears have been suffering from importations and attempted importations of scissors under paragraph 1432 of the bill of 1922. Under this paragraph the importers have attempted time and again to bring in scissors in sets, calling them sewing sets, manicuring sets, traveling sets and similar sets. These attempts have resulted in several trials before the Court of Customs, and decisions have been rendered that scissors imported in leather cases were held to be dutiable under paragraph 357 rather than paragraph 1432. (T. D. 4[illegible]765, T. D. 41806.) Upon rehearing, scissors and cases were held dutiable separately—scissors under paragraph 357 and cases under paragraph 1432, bill of 1922.

We would suggest that you add to paragraph 357, after the word "unfinished" and before the word "valued," the words: "whether or not provided for elsewhere in this act. The adding of these few words to paragraph 357 will protect the American industry, and also prevent a great deal of expensive litigation in the future.

Respectfully submitted.

CAMILLE L. GAIROARD.

Suggestion showing how paragraph 357, H. R. 2667, would read with above proposed changes:

"Par. 357. Nail, barbers', and animal clippers, pruning and sheep shears, and all scissors and other shears, and blades for the same, finished or unfinished, whether or not provided for elsewhere in this act, valued at not more than 50 cents per dozen, 3½ cents each and 45 per centum ad valorem; valued at more than 50 cents and not more than $1.75 per dozen, 15 cents each and 45 per centum ad valorem; valued at more than $1.75 per dozen, 20 cents each and 45 per centum ad valorem; *Provided*, That all articles specified in this paragraph, when imported, shall have die sunk, conspicuously and indelibly, the name of the maker or purchaser and beneath the same the name of the country of origin, to be placed on the outside of the blade, between the screw or rivet and the handle of scissors and shears (except purning and sheep shears), and on the blade or handle of pruning and sheep shears and clippers."

Subscribed and sworn to before me this 28th day of June A. D. 1929.

[SEAL.]

C. RAYMOND KIERSTEAD,
Notary Public of New Jersey.

SAFETY-RAZOR BLADES

[Par. 358]

BRIEF OF THE GILLETTE SAFETY RAZOR CO., BOSTON, MASS.

The COMMITTEE ON FINANCE.
United States Senate, Washington, D. C.

SIRS: We are interested in the item of Schedule 3, paragraph 358, which in the act of 1922 reads as follows:

"That finished or unfinished blades for safety razors shall pay a duty of 1 cent each and 30 per centum ad valorem."

This was modified in the tariff bill of 1929, as passed by the House, to read as follows:

"Blades for safety razors, in strips, one-half of 1 cent each and 30 per centum ad valorem; all others, 1 cent each and 30 per centum ad valorem."

In other words, while the tariff bill of 1929 continues the rates of the earlier bill upon all blades except those in strips, it reduces the specific duty by one-half upon such blades.

RECOMMENDATIONS

Basis of valuation.—We wish first to point out that the present basis of valuation, i. e., foreign valuation, is extremely unsatisfactory from our standpoint. It is uncertain and misleading in its operation and as a result thereof a much smaller duty is actually collected upon imported blades than was intended by Congress. This is emphasized by the statement contained on page 766 of Summary of Tariff Information, 1929, in which unit value of blades for the year 1926 is stated as $0.0313; for the year 1927 as $0.007; and for the year 1928 as $0.006.

In other words the foreign valuation of imported blades has dropped from over 3 cents per blade in 1926 to $0.007 per blade in 1927 and $0.006 in 1928. It appears to us that beyond any doubt these figures indicate undervaluation of imported blades. The Government is thus deprived of revenue and the American producers of blades have not the benefit of the protection intended for them. Incidentally it gives the greatest advantage in the American market to the importers of the lowest cost blades from the lowest standard countries, because the lower the foreign valuation the less duty is paid.

We accordingly urge that United States value, with allowance for duty, be substituted for the present foreign value as a basis of computing ad valorem duties.

RATES OF DUTY

We recommend that the rates of duty provided in the act of 1922 be maintained in the act of 1929 without the contemplated reduction in respect to blades in strip form.

The expression, "blades for safety razors in strips" refers to strips of hardened, tempered, and polished steel having the same width and thickness as safety razor blades and also provided with perforations so shaped and spaced that after the edges of the strip are sharpened all that is necessary to convert it into finished safety razor blades is to break the strip on previously scored lines, whereupon it is transformed into complete individual blades. This strip material is already being produced and used abroad in large quantities in the making of safety razor blades.

If the duties applicable to these steel strips, constituting actually unfinished safety razor blades, is reduced as proposed, the effect will be, so far as there is any effect at all, to transfer to foreign factories the important processes of punching, hardening, tempering, and polishing the safety razor blades which are ultimately produced from the strips. It is our belief that our domestic industries would suffer rather than be benefited thereby. Accordingly, we are opposed to this change in paragraph 358 and ask that the provisions of the act of 1922 be retained without reduction.

POSITION OF THE GILLETTE SAFETY RAZOR CO. IN THE INDUSTRY

We have more employees and a larger invested capital than any other manufacturer of razor blades in the world. Our real estate, buildings, and equip-

ment located in Boston are conservatively valued in excess of $10,000,000. Our annual pay roll amounts to $4,500,000. In January, 1929, we employed 2,071 workers, and of these 1,709, or 85 per cent, are stockholders in the company and vitally interested in its success from that standpoint.

Our blades have been without patent protection since November, 1921. The manufacture and sale of safety razor blades in general in the United States is under conditions of free and unfavored competition. Various other domestic companies are now doing a substantial busineess in the manufacture and sale of blades which fit our razors and foreign blades are being imported in increasing quantities. While we are doing more of the business than any of our competitors, no one of us has a monopoly, and the protective duty imposed by the existing schedule benefits the whole industry in this country and not us alone.

Respectfully submitted.

GILLETTE SAFETY RAZOR CO.,
WILLIAM J. MCCARTHY,
Treasurer.

JUNE 28, 1920.

COMMONWEALTH OF MASSACHUSETTS,
County of Suffolk, ss:

Then personally appeared before me William J. McCarthy, to me personally known and known to be the treasurer of the Gillette Safety Razor Co., who subscribed to the foregoing brief submitted in behalf of the Gillette Safety Razor Co. and declared the same to be true in each and every particular to the best of his knowledge and belief.

[SEAL.] JOHN J. BURKE,
Notary Public.

My commission expires May 16, 1935.

SURGICAL INSTRUMENTS

[Par. 359]

STATEMENT OF SUNDEL DONIGER, REPRESENTING S. DONIGER & CO., NEW YORK CITY, AND OTHER IMPORTERS

(The witness was duly sworn by the chairman of the subcommittee.)

Senator REED. You have come to speak to us on paragraph 359?

Mr. DONIGER. Three hundred and fifty-nine, surgical instruments. We have never appeared before the House Ways and Means Committee. This is our first opportunity to be heard. We desire to file briefs with you.

My name is Sundel Doniger. I reside in the city of New York and represent S. Doniger & Co., New York; Kny-Scherrer Corporation, New York; F. A. Koch, New York; Stille-Scanlan Co., New York; Clay-Adams Co., New York; and A. S. Aloe Co., St. Louis, all importers of surgical instruments.

We oppose the present proposed increase from 45 to 70 per cent, and more particularly the request for from 150 to 200 per cent, which will be made before you.

Senator KING. Somebody is going to come and ask for more?

Mr. DONIGER. A subsequent witness; yes, sir.

Senator REED. I wish you would tell me right at the beginning how you can tell whether a hypodermic needle is a surgical instrument or a dental instrument. If it is a dental instrument, it takes 60 per cent under the House bill, and if it is a surgical instrument it takes 70 per cent.

Mr. DONIGER. If I had a hypodermic needle——

Senator REED. I had the impression that the same type of syringe and the same type of needle were used by both dentists and surgeons.

Mr. DONIGER. It is slightly different, Senator. This is not part of my case this morning, but this [indicating] is a hypodermic syringe that is used by a doctor. This is all glass, usually, and it has what we call a slip-on needle. A dental syringe usually has a screw-thread needle. There may be a few needles that are interchangeable, but, generally speaking, the classifications are different.

The surgical instrument industry is a small one. The total sales at wholesale are estimated at about $2,500,000 to $3,000,000 per annum. The industry is not growing. Specialization and hospitalization have reduced sales of instruments in the last few years. It is a vital industry, however, and a most important factor in the preservation and promotion of the public health. For any clear understanding of the problem, as it relates to tariff, it is vital to divide the industry into its component parts—soft-metal instruments and steel instruments.

Soft-metal instruments are made from brass, nickel, German silver, or other easily worked metal. Steel instruments are made of finely tempered, high-grade carbon or chrome steel, whether for instruments of cutting or compression.

Soft-metal instruments are now, and have always been, made in the United States. They constitute approximately 20 to 25 per cent of the total. They lend themselves to manufacturing methods and mass production. Raw materials are cheaper here than abroad; no trained or skilled labor is necessary for the finishing processes. They are mostly stamped or punched out by means of dies. This branch of the industry has been able to maintain itself for many years, and has prospered. The instruments produced here are of a superior quality and have not only barred foreign-made instruments of similar type, but are now, and have been for many years, on an export basis.

The Tariff Commission summary on page 769 makes this clear. We submit that this branch of the industry needs no further increase in the tariff protection.

Senator KING. Let me ask one question. I find here in the tariff review that domestic production for 1928 was $2,780,000 and the exports, in value, for 1928, were $485,000. The imports were valued at only $428,000, so that the exports were greater than the imports.

Mr. DONIGER. Senator, the figures there are very confusing because the Tariff Commission and the customs house do not make any distinction between soft-metal goods and steel goods. They are all grouped together. The total sales of everything would be about $2,700,000.

Senator KING. In the United States?

Mr. DONIGER. Including all instruments, in the United States.

Senator KING. Hard and soft?

Mr. DONIGER. Hard and soft, of which I would say about $1,500,000 of soft are made here and about $500,000 exported, so that the steel instruments, in which we are concerned chiefly—there, again, the figures are inaccurate—according to calculations among ourselves, represent imports of about $750,000.

Senator KING. That would be a great deal more than is indicated here.

Mr. DONIGER. Yes, sir.

Senator KING. Are those whom you represent the principal importers?

Mr. DONIGER. Those whom I represent import 90 per cent of the surgical instruments, exclusive, however, of the instruments that are imported by the domestic manufacturers, and they are all importing as well as manufacturing here.

Senator KING. You are not including dental instruments?

Mr. DONIGER. No, I am speaking strictly of surgical instruments.

Senator REED. Speaking of these soft-metal instruments, of what general type are they?

Mr. DONIGER. They are the speculum, probes, and sounds, and things of that character.

Senator REED. Made of brass?

Mr. DONIGER. Made of brass, nickel, German silver, and other soft, easily worked die-punched metals.

Senator KING. They do not need to have any particular strength?

Mr. DONIGER. They have sufficient strength for the purpose. For the object of dilating a nostril or ear or any part of the human body steel is not necessary.

Senator KING. Those are the ones which the American manufacturers are engaged principally in producing?

Mr. DONIGER. Yes.

Steel instruments, which represent approximately 75 per cent of the total used, are almost entirely imported, with a few inconsequential exceptions.

Senator KING. You are speaking of value now, rather than quantity?

Mr. DONIGER. In dollars.

This line always has been, is now, and is likely to be continued to be, imported; no matter what the increase in duty, short of actual embargo. Why?

First. Because instruments must be made in a vast range and variety. There are upward of 12,000 different types and sizes of instruments. This [indicating] is the catalogue of one concern—the Jetter-Scheerer Co., of south Germany. Their American agents are the Kny-Scheerer Corporation, one of the concerns I represent. There are listed here over 20,000 items, but there are actually about 12,000 items in use by the surgeon.

I show you the next largest catalogue, that of Mr. Koch, who is here with me, which also contains about ten or twelve thousand surgical items.

American capital never was and never will be attracted to this industry. Dies alone, by reason of the different types, would cost in the neighborhood of $5,000,000. The market for any single type is very limited.

Take the single classification of forceps, which represents about 60 per cent of the total of instruments.

Senator REED. Sixty per cent of these 20,000 items are forceps?

Mr. DONIGER. Yes. In a single subdivision of this class—forceps "artery"—there are about 1,000 distinct types listed.

In addition to the dies; there are necessary jogs gauges templates etc. for each type. It does not pay to tool-up for any one instrument because of its limited sales possibliities.

Of course during the war a hectic feverish semblance of an industry was created. By and large the instruments produced then were substandard and were subsequently thrown on the market after the war at less than 10 cents on the dollar.

Senator KING. Which company did that?

Senator REED. The United States Government.

Mr. DONIGER. The United States Government.

However the outstanding and fundamental difficulty however is the matter of labor supply. The most important and difficult operation in the making of a forceps is that of grinding the blanks to the proper size and shape. It is done by hand over a big grinding wheel. It takes an artist—a workman with special aptitude developed by generations of training. Other finishing operations such as milling and drilling are important; but this hand grinding is the big thing. The finished forceps must have just the right tension and strength. The tempering process alone will not give that to it. The grinder must know how to take off the metal at just the right place so the metal that remains is just right.

The instruments in use must grip at the point of the jaw first [demonstrating] and then come down and when it is finally clamped on these ratchets it must hold and never let go.

Senator REED. Those are artery forceps are they?

Mr. DONIGER. Yes, sir. What illustrates my point better is this intestinal forceps. It must be so modeled as to be an extension of the surgeon's delicate fingers. Its adjustment almost equals the soft pinch of the fingers. It is clear therefore that the highly trained and experienced workmen are the prime essential. This type of labor is plentiful in Germany where instrument making goes back from father to son for generations. There are many boys there who will work out an apprenticeship and having worked it out will accept instrument making as a profession for life.

I do not want to be understood as saying we can not make instruments in this country of proper quality. We can make anything we set our minds to. American workmen are as capable as the best foreign workmen but American boys are not attracted to this trade. It is too small and the inducements it offers are too limited. Those who do know the trade are kept in it only with the greatest difficulty. As soon as they think they can make more money at something else away they go.

Third. There is still another vital advantage that the German manufacturer has. He has the world market. America takes less than one-sixth of Germany's instrument production. While even there instruments are not made by what we would call modern manufacturing methods they do approach that condition more nearly. They have a large business as a whole, and in an inconsiderable one from each item that makes up the whole. Consequently the German factory can equip with dies for getting out the drop forgings, with jigs for milling operations and generally to tool-up.

Fourth. Because of all these natural advantages, in favor of the German industry, to produce instruments in this country of a comparable fineness and expertness of quality (I do not say we can not do it), the American manufacturer would require 300 to 400 per cent duty to equalize cost of production. This would translate into a burden on the consuming of between $8,00,000 and $10,000,000.

The chief consumers of instruments are the charity hospitals, or hospitals whose charge per day is far less than the cost of operation. An expert of the Tariff Commission who made an exhaustive study of this subject says:

> In most important general lines of machines and tools, American manufacturers are able not only to supply the domestic market, but, in spite of our high wages, to export their production. To the foreign manufacturers is left the pottering job of producing a few, small volume specialties for our market. With surgical instruments, it is exactly the other way around. So far as we do anything in this line, it is mostly hand forged, small volume specialties that we potter with, while the manufacturing is all done on the other side.

There are a few shops here that have always maintained themselves with the manufacturing of steel surgical goods. These are such well-known and old-established houses as the George Tiemann Co., of New York; Charles Lentz, of Philadelphia; and V. Mueller, of Chicago. There is a peculiar reason for this, however. These shops constitute the experiment stations, or laboratories, out of which come the new instruments. The surgeon gets the idea of a new instrument. He consults one of the men above mentioned. They work together. The dealer will very often go to the hospital and watch the operation performed. Together they work out the instrument to suit the particular ideas and needs of the surgeon.

Even if a duty of 300 or 400 per cent were placed, the large mass of instruments, from the point of view of type, would still continue to be imported from abroad.

This instrument [indicating] known as a Killman dilator—cost in Germany when I was last there, $6. During the war we made them here and they cost us $21 to manufacture. But the important thing was not the high cost, but its relative crudeness, compared with this delicate, beautiful instrument.

This [indicating] is another instrument of a similar type, called a urethratome. Notice these long, delicate knives [indicating].

These are not "trick" instruments, but there are hundreds of them like that, all of fine, delicate workmanship.

Much is said about the importance of the industry in the event of another great war. An increase of duty short of 300 to 400 per cent will not suffice. The Government would have to make heavy annual purchases in order to keep the industry alive and to compensate for the lack of foreign markets.

Provisions for an adequate reserve will go a long way toward the solution of this problem. In this connection it is argued that obsolescense of instruments makes this impracticable. The fact is that the number and types of instruments that are requisite for war purposes are very limited. During the last war the Medical Department reduced its list to about 350 items. Within this group very little change has taken place in the last 25 years. A relatively small sum invested in this way would go a long way.

My last point concerns itself with the public health. On broad humanitarian grounds, no legislation should be enacted which would deprive those charged with the care of the public health of the very best instruments obtainable, or which would render the requirement of same more difficult and expensive. According to the figures submitted to us by the American Hospital Association, 75 per cent of all surgical instruments sold in this country are used by hospitals.

A statement was made before the Ways and Means Committee that instruments constitutes one-fourth of 1 per cent of the expense of a hospital. This statement is misleading. It is arrived at by bunching all the hospitals' outlay. A modern hospital has what might be called hotel features, namely, food, light, upkeep of rooms, service, etc. If the expenditure for instruments were to be compared to the total expenditures for all hospital supplies, it would be found that the percentage is very much greater—not less than 5 per cent. In point of fact, the duty which the domestic manufacturers are asking for now (150 to 200 per cent) if granted to them would mean an increased annual burden on the hospitals of millions of dollars.

It has been shown that under the present rate of 45 per cent, the soft-metal instrument industry has been built up. The failure of domestic manufacturers to make the necessary range of 12,000 different types is due to economic causes which can not be cured by any increase in the tariff rate. Such increase will not enable the domestic industry to make all the types necessary to the work of the surgeon. It will only permit the domestic manufacturers to charge more for all their products and compel the hospitals and surgeons to pay more for all their instruments.

We must import some things if we are to keep on expanding our export markets. It would be difficult to find in the whole gamut of articles mentioned in our tariff act, one which makes a stronger case for importation. The making of steel surgical instruments is too difficult, too expensive, the sales possibilities too limited, to attract American capital. Economic conditions in America militate against the development of a properly skilled-labor supply, and in any event it would take generations to develop it. Absence of a world market and the paramount consideration of the public health—all these we submit are valid reasons why the present rate of 45 per cent should be retained and not increased.

Senator KING. Why not take the whole duty off on these steel instruments?

Mr. DONIGER. Because the industry is adjusted to this 45 per cent and it is necessary for the protection of the domestic manufacturers on soft metal.

Senator KING. Who is engaged in the manufacture of surgical instruments?

Mr. DONIGER. In the United States?

Senator KING. Yes.

Mr. DONIGER. George P. Pilling Co.—Mr. Pilling is here and will testify; J. Sklar Manufacturing Co., of Brooklyn; Fred Haslam & Co., of Brooklyn; the Penn Surgical Co. That is about all.

Senator KING. Are they manufacturing these high-grade instruments or the softer ones?

Mr. DONIGER. They are importing, in the main, these instruments, the same as we do, and they compete with us. They manufacture the soft metal instruments.

Senator REED. I have nothing further to ask.

Mr. DONIGER. Thank you.

Senator REED. Thank you , Mr. Doniger.

(Mr. Doniger submitted the following brief:)

BRIEF OF IMPORTERS OF SURGICAL INSTRUMENTS

The undersigned, wholesale dealers in surgical instruments, represent substantially 90 per cent of the volume (in value) of the imports in this line, exclusive, however, of the importations by the domestic manufacturers.

The undersigned dealers contend:

(1) That no increase of duty is necessary for the adequate protection of the soft-metal surgical instrument industry, because the domestic manufacturers supply all the domestic needs and are on an export basis.

(2) That with reference to steel surgical instruments, no increase of duty is justified because the industry of making steel instruments has never been established in the United States, excepting the makeshift efforts in that direction during the World War.

(3) That the surgical instrument industry is an important factor in the preservation and promotion of the public health, and that the acquirement of the very best and finest instruments by hospital and surgical practitioners should be facilitated.

(4) That any increase in tariff rates on surgical instruments and other similar equipment, necessary to the protection of the public health, causing added expense to hospitals, is not justified, especially if there be no resulting and proper benefit to domestic industry.

There are three general classes of importers of surgical instruments:

(A) The wholesale dealers who import substantially all their steel instruments and purchase the so-called soft-metal instruments from domestic manufacturers. The undersigned all belong to this class.

(B) The domestic manufacturers who produce soft-metal instruments and import steel instruments. The members of this class are importers and dealers in the hard-steel instruments fully as much as the dealers in class A. In their catalogues, the domestic manufacturers show thousands of steel instruments which they do not make but import from abroad. The relationship between the two classes is further evidenced by the fact that most of the members of both classes are members of the Wholesale Surgical Trade Association.

(C) The comparatively few retail dealers who do a limited amount of direct importing. While the volume of imports by this class is still relatively small, the number of retailers engaged in direct importations is steadily increasing.

TARIFF INTERESTS OF EACH CLASS

The wholesale dealers (class A), who are essentially importers, have always advocated a moderate duty, sufficient to protect the domestic manufacture of soft-metal instruments, and avoiding any unnecessary increase in cost to the ultimate purchasers and users, a very large percentage of whom (50 to 75 per cent) are hospitals.

The domestic manufacturers (class B) have always petitioned for astoundingly high rates of duty. In 1921 they asked for 100 per cent ad valorem and specific duties ranging from 10 cents each upward, being equivalent to duties in excess of 120 per cent. When the American valuation plan was under consideration they asked for a rate of 60 per cent ad valorem plus a specific duty of 60 cents per dozen for every dollar per dozen over $5.

In the recent hearings before the Ways and Means Committee on H. R. 2667 the domestic manufacturers have asked for 75 per cent ad valorem plus specific rates ranging from 2 to 60 cents each, which is equivalent to a mixed duty ranging from 100 to 200 per cent. Under such rates the bulk of the imported merchandise would pay between 150 and 175 per cent.

Inasmuch as the domestic manufacturers make comparatively few steel instruments, but do produce practically all the soft-metal instruments used in this country (in addition to what they export), it is evident that any increase over the Fordney-McCumber rate will afford the domestic manufacturer an opportunity to charge correspondingly higher prices for his own products, and at the same time continue to compete with the regular importer, on an even basis, in the importation and sale of steel instruments. In any event, the aim of the domestic manufacturer is in conflict with the policy, or rather necessity, of the hospitals to acquire their supplies and equipment at a minimum cost.

The retail dealers (class C) are not vitally affected, excepting that, to the extent of their importations, they have a correspondingly larger amount of capital tied up in merchandise because of the increased amount of duty they would have to pay, if a substantial increase in rate is made. The amount of capital

invested by a retail dealer in surgical instruments imported directly by him is ordinarily small in comparison to his total investment in instruments, apparatus, hospital furniture and equipment, medical books, and allied lines.

THE SURGICAL INSTRUMENT INDUSTRY

The surgical instrument industry is divided into two distinct branches, each of which is absolutely different from the other in so far as tariff considerations are concerned. These two branches are:

(*a*) Instruments made of soft metal, i. e., brass, German silver, copper, aluminum, and other similarly easily worked metals; and (*b*) the steel instruments made of finely tempered high-grade steel.

Approximately 75 per cent of the instruments used in this country are of the hard-steel variety and the balance are soft-metal instruments.

The statistics gathered by the Department of Commerce and by the Tariff Commission do not distinguish between the steel and the soft-metal goods with reference to exports and imports. It appears, however, that of all the instruments used in this country, approximately 80 per cent are imported and 20 per cent are of domestic manufacture. There is no reliable exact data indicating what proportion of the 20 per cent of domestic manufacture is steel instruments and what proportion consists of soft-metal articles. It is generally understood, however, that, broadly speaking, all the soft-metal instruments used in the United States are manufactured in this country and that substantially all the steel instruments used in the United States are imported. Certain comparatively few types of steel instruments, including special types used for cutting purposes in brain surgery, are made here, and it is also a fact that a few types of soft-metal instruments are imported, more especially some types of specula.

Of the 15,000 or more types of surgical instruments in use, probably less than 15 per cent consist of the soft-metal class and 85 per cent are of steel.

SOFT-METAL SURGICAL INSTRUMENTS

The industry of manufacturing soft-metal surgical instruments has been a distinctly American industry from its earliest beginnings. With the exception of a few types which have been imported in a small way in recent years, practically all the soft-metal instruments sold in this country have been made in the United States.

The American manufacturer has certain advantages in this branch of the industry which have always enabled him to compete successfully with the foreign producer. He can obtain the raw materials cheaper, can stamp the parts out of sheet metal by machines, and can employ labor of ordinary skill. Moreover, American manufacturing methods can be employed, as, to a considerable extent, the soft-metal goods are made in quantities approaching mass production.

The tariff protection heretofore given to this industry seems to have been sufficient. With the exception of the rate of 20 per cent in the Underwood Bill and 35 per cent in the tariff act of 1894, the rate of duty on surgical instruments in all our tariff acts, beginning with the act of 1883, has been and is 45 per cent. At this rate of duty the soft-metal industry has prospered, has produced instruments superior in quality to those of foreign make, and has effectually barred foreign products in this line from this country. The industry in soft-metal goods is economically conducted, well established and fully capable of supplying domestic requirements.

In the Summary of Tariff Information 1929, on Schedule 3, issued by the Tariff Commission, the exports of surgical instruments for the years 1926–1928, are given as follows:

1926	$517,647
1927	533,593
1928	485,531

The Tariff Commission does not show what proportion of these exports is soft-metal instruments, but it is a matter of common knowledge in the trade that outside the export of instruments which had been imported and of the small quantity of the few steel instruments made here, the exports consist largely of soft-metal goods. The Tariff Summary, at page 769, says:

"There is but little competition with respect to surgical instruments of the soft-metal class, with respect to which class as a whole the United States is on an export basis, * * *."

In the brief prepared by Mr. Charles J. Pilling, on behalf of the domestic manufacturers, and filed with the Committee on Ways and Means, the statement

is made that "foreign manufacturers are now also manufacturing soft-metal instruments so that the foreign market virtually controls 90 per cent of the making of surgical instruments—both steel and nonferrous metals—for the American market."

This statement is evasive and misleading. No doubt soft-metal or nonferrous instruments are being made abroad for local consumption, but mighty few of them are exported to the United States. The implication that 90 per cent of the American market in soft-metal goods is controlled by foreign manufacturers is unwarranted and not true.

The facts are that under a rate of duty, which during the past half century never exceeded 45 per cent the soft-metal instrument industry not only has prospered and maintained a capacity to supply all our domestic needs, with instruments of superior quality, but has also barred out foreign-made instruments, broadly speaking, and successfully invaded the foreign markets. Such an industry needs no increase in tariff protection.

STEEL SURGICAL INSTRUMENTS

There are at least 12,000 different types and sizes of steel instruments, comprising needles, knives, scissors, forceps, and a large miscellaneous group such as trephines, dilators, rongeurs, etc. They are all made of high-grade, finely tempered steel, and their manufacture requires mechanical skill of a high order and and years of training.

With some exceptions, like surgical knives, needleholders, and obstetrical forceps, all steel instruments are of foreign make. Surgical needles are imported from Redditch, England, and Frankfort, Germany. It is a very small industry, well established at Redditch and Frankfort, and there is no incentive to American manufacturers to enter the field. The needles made here during the war were not satisfactory, and immediately after the war importations from England and Germany were resumed.

Concerning surgical knives, the domestic manufacturers have in the last 10 or 15 years gradually obtained control of the domestic market, due to the fact that surgical knives are now made with exchangeable blades, like the safety razors, and can be made on a mass-production basis.

Surgical scissors, for the most part, are made abroad. A much finer quality of workmanship is necessarily expended upon them than upon the ordinary household scissors. The maker of a household scissors, even of superior quality, can not produce a surgical scissors. The difference in the products is much greater than one might suppose—the one is comparatively rough, while the other must have accuracy of design and alignment, superior finish, and a guarantee of perfect functioning in work of the utmost delicacy.

Surgical forceps require the same expertness of workmanship as in the case of surgical scissors. There is a tremendous variety in designs, types, sizes, and functions in forceps. There are probably several thousand varieties. Not only must they be absolutely accurate in alignment and operation, but they must be so perfectly tempered that they will possess the right degree of tension and spring. They must be hard and tough, but not brittle, and must have enough "give" so that they can grasp and hold the human tissues firmly but not so stiffly as to injure or destroy.

Without attempting to go into the technical details of the making of a surgical instrument, it must be apparent that an artisan, in order to be proficient, must have acquired a high degree of skill and have had a long period of apprenticeship and training. In Germany thousands of such mechanics have been developed and the manufacture of steel surgical instruments have grown to the point where Germany has the world for its market. Other than Germany, the only foreign production are the surgical needles in England, and a considerable supply of high-grade, hand-forged, rustless or "stainless" steel instruments from Sweden.

STEEL SURGICAL INSTRUMENT INDUSTRY IN GERMANY

The features of this industry are:

(1) Germany has a sufficient supply of high-skilled labor. One factory alone (in Tutlingen) employs from 2,000 to 4,000 workmen.

(2) In the larger factories the work is economically departmentized. The large production permits of a highly developed system of division of labor and the establishing of groups of workmen, each group being assigned to a limited field of operation, thereby becoming superexpert in that field.

(3) Because of the large output, the plants can afford to invest in dies, tools, jigs, etc., for each one of the 12,000 different types of instruments.

(4) The apprenticeship system assures a continuance of the supply of skilled labor. Usually an instrument maker makes that calling his life's career. Sons follow in the footsteps of their fathers and the peculiar skill of the fathers seems to be transmitted to the sons.

(5) The large output has enabled the German manufacturer to employ modern improved methods of factory management with consequent decrease in production cost.

(6) Germany has the advantage of a world market.

STEEL SURGICAL INSTRUMENT INDUSTRY IN THE UNITED STATES

This industry has never gained a sufficient growth in the United States to enable it to supply more than about 10 per cent of the normal domestic requirements. During the World War it had a temporary haphazard spurt under the stimulation of the tremendous Army and Navy orders. The soft-metal instrument makers, manufacturing jewelers, and makers of tools and hardware all entered the field and also imported large quantities of inferior instruments from Japan.

The war activity, however, was limited to the types of instruments which the medical departments of the Army and Navy had selected as essential for their respective needs. Out of the vast variety of instruments the Army and Navy decided upon a list of about 335 items. No one domestic manufacturer made all the different types. They decided among themselves which items should be allocated to each of the manufacturers. In this way, and because of the great quantities ordered by the Government, the manufacturers could well afford to invest in the expensive dies for each instrument. When we remember that there are 12,000 types of steel instruments, we see how absurd it is to say that during the war the industry was established in this country. The statement in the Tariff Summary, 1929, that the domestic production in 1918 had risen to $2,780,000 merely indicates the vast supplies made for the Army, the larger part of which were not used but were subsequently dumped on the market at less than 10 per cent of their cost to the Government and to the serious embarrassment of the trade.

Reasons militating against an adequate steel-instrument industry in the United States may be briefly summarized as follows:

(1) Lack of skilled mechanics. The American workman is as capable as the German or any other foreign workman. The American boys, however, are not attracted to an industry requiring years of apprenticeship or training and which is relatively very small, with the opportunities of lucrative employment necessarily restricted. There are less than 500 skilled steel-instrument makers in this country at the present time.

(2) Capital is not attracted, because too great an investment in dies, tools, and jigs is required for a very limited production output, and also because it will take a number of years to build up an adequate supply of skilled labor. To spend $200 to $1,000 for dies, etc., for one instrument and sell but a few dozen annually is not alluring. Moreover, the total volume of the surgical-instrument business in the United States, including both soft-metal and steel instruments, is under $3,000,000 annually (wholesale prices). Such a volume scarcely warrants an outlay of possibly $5,000,000 for dies alone.

(3) Production costs can not be lowered by mass production, excepting as to a few items. Quantity production is out of the question. The American manufacturer is limited to the domestic trade, and can not sell his surplus to the foreign markets which are controlled by the German manufacturers.

Eliminating the abnormal war period, the steel surgical instrument industry in the United States has consisted, and still consists, of the concerns making the few special lines as knives, obstetrical forceps, etc., and of those comparatively small shops in such cities as Boston, New York, Philadelphia, and Chicago, in which fine, hand-forged instruments are made, either for general sale, or frequently on special orders from surgeons desiring instruments to be made in accordance with their individual ideas. A close personal relationship has been maintained by the surgeons with these shops and many new instruments have been evolved by their joint efforts and ideas. The combined capacity of such shops, however, could scarcely supply 10 per cent of the needs of the country.

NOT A MATTER OF TARIFF

It would seem, therefore, that the building up and maintenance of a steel surgical instrument industry in this country is not merely a question of tariff protec-

tion, but rather a question of whether the adverse economic and industrial factors can be overcome. Will a high tariff rate attract both capital and labor, with sales limited to the domestic market? We think not. Much is said about the importance of the industry in the event of another great war. An increased duty will not suffice. The Government would have to make heavy annual purchases in order to keep the industry alive and to compensate the lack of a foreign market.

It is respectfully submitted that an increase in duty is not the remedy and will merely serve needlessly to increase the price to the hospitals and surgical practitioners who alone are the users and consumers of the instruments.

For almost 50 years the 45 per cent rate has been in force. That branch of the industry which was established years ago and controls the American trade has grown and prospered and excluded foreign-made goods under that rate. The other branch—steel goods—needs no increase of duty, because the aforementioned shops and makers of specialties have domonstrated that not only can they exist but they can actually prosper and enlarge the volume of their business under the 45 per cent rate, as has been notably shown by the manufacturers of surgical knives, needleholders, and obstetrical forceps, heretofore mentioned. In other words, any instrument for which there is sufficient demand to warrant quantity production can be made here in successful competition with the foreign manufacturer at the present rate of duty.

THE PUBLIC HEALTH

Surgical instruments play an important part in the matter of the public health. On broad humanitarian grounds, no legislation should be enacted which may deprive those charged with the care of the public health of the very best instrumentalities obtainable, or which will render the acquirement of such instrumentalities more difficult or expensive. According to some estimates, the hospitals purchase 75 per cent of all the surgical instruments sold in this country. It is impossible to tell just exactly what percentage the hospitals do purchase. It is generally conceded that they consume not less than 50 per cent, and some of the officials of hospital associations are of the opinion that the consumption is in excess of 75 per cent.

Mr. Pilling, in his brief for the domestic manufacturers, filed with the Ways and Means Committee, states that the actual expenditure of the average hospital for surgical instruments is less than one-half of 1 per cent of its total operating cost. This is a mere guess and the source of his information is based upon opinion and not on actual statistics. In any event, the statement is misleading, because it tends to give the impression that surgical instruments form only one-half of 1 per cent of the supplies of a hospital, whereas the operating expenses include not only the strictly medical and surgical expenses, but all those expenses which might be called the hotel feature of the hospital, namely, food, light, heat, power, upkeep of rooms, etc. As a matter of fact, the increase in duty which the domestic manufacturers have asked would mean an additional expense to the hospitals of more than $1,000,000.

Throughout the United States and its possessions there are, according to the Modern Hospital Year Book for 1929, 7,115 hospitals with 877,075 beds, and 2,164 allied institutions with 309,604 beds, which, with their staffs comprising more than 140,000 attending surgeons and physicians, are daily going a tremendous amount of charity work. It has been estimated that approximately 65 per cent of all patients treated in hospitals are either "free patients" or patients paying a small per diem charge which is very much less than the actual operating expense per day per patient of an institution.

It is a matter of common knowledge that the attending surgeons of the hospitals perform a vast amount of work for which they receive no compensation, other than the added knowledge and experience and the consciousness of having relieved or alleviated human suffering.

It may therefore be broadly stated that the increase in the domestic retail selling price of surgical instruments due to the increase in the import duty will fall entirely on the hospitals and the surgeons who use these very instruments in surgical work, a large percentage of which is so-called charity work.

Under these circumstances no increase in the tariff on surgical instruments is justified, especially if such increase does not result in a benefit to the domestic industry, other than enabling the 10 or 12 manufacturers to make an additional profit.

SURGICAL INSTRUMENTS FOR WAR EMERGENCY

During the World War, American ingenuity and resourcefulness succeeded in supplying the enormous quantities of surgical supplies ordered for the Army and the Navy, as well as taking care of the civilian population. Skilled mechanics in nonessential industries, such as manufacturing of jewelry and mechanical tools, were drafted for instrument making. Types, styles, and sizes were narrowed down to those strictly essential, and all energy concentrated on the 300 to 400 items of the standardized list.

In the event of another such emergency the same ingenuity and resourcefulness will be found to be as effective as it was in 1917 and 1918. Moreover, rather than tax the users of surgical instruments beyond all reasonable limits, the Congress might better pass an appropriation for the purchase of an adequate supply of instruments for the medical departments of the Army and Navy. If properly packed, they do not rust or otherwise deteriorate, and will be just as usable in 10 or 15 years as they are to-day. The standardized types do not change in style or design to any considerable extent. The artery forceps of to-day is substantially the same as it was 10 years ago. Periodically the medical departments could overhaul their stocks and replace any obsolete or discarded patterns. Such a plan is feasible and not costly. But why, just because of a vague fear of another catastrophe in the dim future, place a heavy tax on 15,000 instruments in order to attempt to insure a supply of about 400 types of instruments during such dreaded war which may possibly occur at some time, despite the concerted world-wide efforts to insure the preservation of peace?

SUGGESTED CHANGE IN PHRASEOLOGY

Paragraph 359, in H. R. 2667, reads as follows:

"Par. 359. Surgical instruments, and parts thereof, including hypodermic needles, hypodermic syringes, and forceps, composed wholly or in part of iron, steel, copper, brass, nickel, aluminum, or other metal, finished or unfinished, 70 per centum ad valorem; * * *."

The addition of the word "forceps" was probably due to the decision in 14 Court of Customs Appeals, 446, where, in a test case, it was held that surgical forceps are dutiable as "surgical instruments" under paragraph 359 rather than as "hand forceps" under paragraph 354.

In view of the decision by the Court of Customs Appeals, it would seem that the addition of the word "forceps" is unnecessary and might tend to create new confusion. The specific inclusion of one general group of instruments might indicate an intention that some other types are to be excluded. Forceps constitute about 60 per cent of the great body of surgical instruments sold or used. In the act of 1922, for the first time in tariff legislation, a separate classification was given to "surgical instruments." What is the force or significance, of saying "surgical instruments, including forceps," when forceps constitute such a large part of what is understood to be embraced in the term "surgical instruments?"

There is such a great variety of instruments that it is impracticable to attempt an enumeration in order to make sure that the paragraph includes all that are intended. Question was raised concerning surgical scissors, and the United States Customs Court held that they should be classified as surgical instruments under paragraph 359, and not as ordinary scissors under paragraph 357. Therefore, if "forceps" are specifically mentioned, then also "surgical scissors" and the other principal groups should be specifically mentioned.

It is respectfully suggested that the portion of paragraph 359 covering surgical instruments should read as follows:

"Par. 359. Surgical instruments of all kinds, and parts thereof, including suture needles, knives, scissors, forceps, hypodermic needles, and hypodermic syringes, used in or in connection with surgical work of any kind, composed wholly or in part of iron, steel, copper, brass, nickel, aluminum, or other metal, finished or unfinished, 45 per centum ad valorem; * * *."

THE RATE OF 45 PER CENT AD VALOREM SHOULD BE RETAINED

It has been shown that under this rate the soft-metal instrument industry has been built up in this country and that all steel instruments for which there is sufficient demand to permit of quantity production can be made in successful competition with the foreign producers. The failure of the domestic manufacturers to make all of the 12,000 different varieties of steel instruments is due to causes which have no connection with the tariff, and which can not be cured by

any increase in the tariff rate. Such increase will not enable the domestic industry to make all the types necessary to the work of the surgeon. It will however, permit the manufacturers to charge more for their products, and the hospitals and surgeons will have to pay more for all their instruments.

Why disturb the present condition, all to no purpose except to put additional profits into the pockets of a few manufacturers?

The 45 per cent rate should be retained.

Respectfully submitted.

THE KNY-SCHEERER CORPORATION OF AMERICA,
By MONROE W. ROTHSCHILD, *Vice President.*
STILLE-SCANLAN CO. (INC.),
By W. E. WHEELER, *Secretary.*
F. A. KOCH & CO.,
By HARRY P. KOCH, *Vice President.*
S. DONIGER & CO. (INC.),
By SUNDEL DONIGER, *President.*
CLAY-ADAMS CO. (INC.),
By LLOYD T. HILBORN, *President.*

ERNEST W. STRATMANN, *Counsel.*

STATEMENT OF CHARLES J. PILLING, PHILADELPHIA, PA., REPRESENTING THE SURGICAL AND DENTAL INSTRUMENT INDUSTRY

[Including dental instruments]

(The witness was duly sworn by the chairman of the subcommittee.)

Mr. PILLING. I want to start out by telling you gentlemen that there are two associations, the American Surgical Trade Association and the American Dental Trade Association. Our firm——

Senator KING. You are speaking for which?

Mr. PILLING. I am not speaking for either association. The gentleman who represented the importers belonged to the American Surgical Trade Association. Our firm belongs to both; and we make no difference at all in our sales policy whether a man belongs to the association or not. If a man is doing a good clean business and will pay his bills he can always get our goods.

Senator KING. You are manufacturers?

Mr. PILLING. Yes, sir; we are manufacturers; and we are compelled to be importers.

Senator KING. What do you manufacture?

Mr. PILLING. Surgical and dental instruments.

Senator KING. How long has your company been in existence?

Mr. PILLING. One hundred and fifteen years.

Senator KING. When did you begin manufacturing surgical instruments?

Mr. PILLING. I can not remember that—you mean our company?

Senator KING. Yes.

Mr. PILLING. I began 47 years ago. I do not know when the firm began, probably whenever surgical instruments were in demand.

Senator KING. Where is your office?

Mr. PILLING. Philadelphia.

Senator KING. What is your capital?

Mr. PILLING. Our investment is between $400,000 and $500,000.

Senator KING. Is this the largest manufacturing firm in the United States?

Mr. PILLING. I think it is the largest firm manufacturing surgical instruments in the United States. As the other gentleman mentioned, there are other firms, for instance the firm of Sharpe & Smith,

and others. There is a very fine little manufacturing plant in Indianapolis, Ind. There are small plants all over the country. Would you like to have some figures, Senator, about our business?

(The witness produced three cases of instruments which he opened and displayed on the table before the members of the committee.)

Here are three cases of instruments. In the first case the instruments are all made in the United States; in the second case the instruments are all made in Japan; and in the third case the instruments are all made in Germany.

Senator REED. What are these, surgical or dental instruments?

Mr. PILLING. They are both surgical and dental.

The method of manufacturing dental instruments and surgical instruments is exactly the same. They start with the forging and go through the regular process in dental instruments just like they do in surgical instruments. Here is a whole case of dental instruments [exhibiting].

There have been so many misstatements that I have figures here of the earnings of the firm, if you would like to have them.

Senator REED. To what extent do the Japanese send these instruments into the United States?

Mr. PILLING. We recently received a letter that was written by a Japanese manufacturer to a dealer in the United States stating that they were making a complete line of dental—not only dental instruments, but dental supplies. They are now selling to a good many foreign markets and are very anxious to increase their business in the United States.

Senator REED. They have not yet imported any substantial quantity into the United States, have they?

Mr. PILLING. They have imported some; yes, sir.

Senator KING. The Tariff Commission does not mention it.

Mr. PILLING. This industry is certainly of great importance to public health and national defense. The new House bill, H. R. 2667, has written a rate of 70 per cent for surgical, and 60 per cent for dental instruments. The present duty, as you know, is considerably less than that. With the present duty we can only make about 10 per cent of the instruments in this country. Under the provisions of the House bill as it is now written, and with which we are not satisfied, we could make about 20 per cent; and we could make all kinds of instruments. These men say we have not the skill, nor do not make the high quality of instruments that are made abroad. They are entirely wrong. We have the skill but the trouble is with the tariff. If we got all the tariff we ask for we could make 40 per cent.

Senator KING. You are asking for a 200 per cent increase.

Mr. PILLING. Yes, sir. We ask 75 per cent ad valorem and a specific duty of one cent apiece up to 60 cents apiece.

Senator KING. That would mean an increase of about 300 per cent in some articles, would it not?

Mr. PILLING. In some articles, yes. The Tariff Commission, I think, were entirely wrong, or, rather, were mistaken when they said 800 per cent. Perhaps it was 300 per cent, was it not?

A REPRESENTATIVE FROM THE TARIFF COMMISSION: On dental instruments, yes.

Mr. PILLING. Well, it said 800; and I think that eight was intended to be a three.

A REPRESENTATIVE FROM THE TARIFF COMMISSION. It was intended to be a three; yes, sir.

Mr. PILLING. So it was wrong. Senator Reed asked a question a few moments ago and got it down to a little bit less than nothing.

Scissors, ordinary household scissors have an average duty of about 145 per cent whereas surgical scissors have but 45 per cent duty. Here is an instrument which requires much more skill to make (referring to a pair of surgical scissors) than household scissors; and we think that we should have at least as much protection on that kind of an instrument, which is a surgical instrument, as there is on that one, which is a pair of household scissors.

Senator KING. What is the tariff on household scissors?

Mr. PILLING. About 145 per cent.

Senator KING. Why should we not reduce it? I think it is too high.

Mr. PILLING. Well, I think not, because that is what the scissors people say.

In making surgical instruments we will take a basis of 100 hours. At least 95 hours are required in hand labor and five hours in machine labor.

Some one made the remark yesterday that nail nippers could not be made in this country because we did not have high skill. Surgical instruments require just as high skill as does the making of nail nippers.

One of the witnesses this morning said there were 12,000 different instruments. Well, there might be 12,000 instruments and sizes, because some instruments have 30 or 40 sizes to one instrument; but it was shown by the War Department that of all kinds of surgical instruments they only required 350 different ones. So we can get along with less than 12,000 instruments.

The manufacturers in this country are importing instruments because they can not afford to make them.

If you gentlemen decide that instrument making is not needed in the United States, then our shops can close and we can, of course, import our instruments.

I want to speak on this question of hospital expense. No one has more sympathy for the hospitals than I do; and we have shown that one-quarter of 1 per cent, or, in other words, out of every $400 that they spend, they only spend about $1 for instruments; and that does not include the repairs, because repairs have got to be made anyhow whether the instrument is a domestic instrument or an imported instrument; they all have to be repaired.

Going back to the last war, we had nearly three years to prepare making surgical instruments before we were called on to put 4,000,000 men into the field. I do not know what the Surgeon General is going to say regarding the necessity of instruments in the event of war, but probably he will tell you all about that.

You brought up the question of forgings. We have sold our forging plant—that is, our firm has. I will speak of my own company. We have sold our forging plant, but we have retained the dies hoping that some time we will have enough protection so that we can make forgings for our own surgical instruments.

Senator REED. Where do you get the forgings that you use now?

Mr. PILLING. We send our dies to a drop-forge shop and have them do it, because we can not afford to maintain a drop forge shop for the small number of steel instruments we make.

The question of soft-metal instruments and hard-metal instruments was brought up. That is all bunk, because we make both soft and hard instruments; and we make them just as good as they do on the other side.

Senator REED. The Tariff Commission tells us that practically all of the soft-metal surgical instruments used in this country are made here.

Mr. PILLING. They were up until about two or three years ago.

Senator REED. They say they are still made here.

Mr. PILLING. Do you not find that the importations are getting very much larger? We find it is interfering with our business—the imports of soft metal goods.

This subdivision of surgical and dental instruments is a matter we can not understand. We can not understand why they should be divided, because it requires the same kind of skill, the same men and the same kind of tools to make surgical instruments that it does to make dental instruments.

Senator REED. I presume they were divided mainly because we have got to deal with the world trade in dental instruments.

Mr. PILLING. Speaking of dental supplies, Senator, dental instruments form but 2 or 3 per cent of the equipment that goes into a dental office; and it has been estimated, and analyzed, and shown that if a dentist used all imported instruments—and he makes from $10 to $20 an hour—the entire cost of his dental instruments for that operation would not be over 5 cents.

Now, I would like to file a brief.

There is one other thing I would like to show you gentlemen. You asked when Doctor Browne was talking about that [showing a book to Senator Reed].

Senator REED. This is the House report.

Mr. PILLING. This is the House report. You asked where Doctor Browne got his information. That is it. I think I would like to have that written in the record.

Senator REED. That is not necessary; it is already in the record. That is made in a different form from the way he made it, evidently.

Mr. PILLING. You understand that.

Senator REED. I understand this.

Mr. PILLING. That answers your question?

Senator REED. Yes.

Mr. PILLING. Here is an instrument [producing an instrument] that was brought to our factory about three or four weeks ago to be made—a new instrument. We made one instrument and that has gone out to the Pacific coast for a convention. We are now making another one which we will send immediately to Europe to have made. Now, you see the complicated work on that, the skillful work?

Senator REED. I see there is a lot of machining on it.

Mr. PILLING. There is very little machining on it except on the slide. That instrument is all done by hand with the exception of the slide. Instead of making it in this country we are sending it to Europe to have it made.

Senator REED. What is that for?

Mr. PILLING. That is for use in a mastoid operation.

Senator REED. It is going to be a cutting tool?

Mr. PILLING. It is going to be a cutting tool, yes. We should make it in this country, but we can not afford to.

Senator REED. Do you have any trouble getting skilled labor for the final process?

Mr. PILLING. Yes, sir; we have a great deal of trouble getting the skilled labor because we can not develop them as we should. We have plenty of skilled labor here for the small amount of work going on, but we want the industry to grow.

Senator REED. How comes it that the American manufacturers of instruments of this general character can not make those finger nail nippers?

Mr. PILLING. They can.

Senator REED. Why don't they?

Mr. PILLING. I suppose on account of the duty.

Senator REED. But the present duty, though, is very much higher than yours.

Mr. PILLING. Then, maybe, they are making them.

Senator REED. No, they are not.

Mr. PILLING. I do not know. Here is an instrument that is something of the same style as the nippers.

Senator REED. Sixty per cent.

Mr. PILLING. That is the reason they are not making them, Senator. What we ask is that the rate requested in our brief filed herewith shall be given to us.

Senator REED. That is compound duty.

Mr. PILLING. Yes, sir; that is a combined specific and ad valorem duty. There is another thing, very often a surgical instrument can be imported—if you make a difference in the rate between surgical instruments and dental instruments, then many instruments that are imported into this country will take the classification which carries the lesser duty.

Senator REED. All right, sir. I think we understand your problem. There was nothing else, sir, was there except to file your brief? Give that to the stenographer, if you please.

(Mr. Pilling submitted the following brief:)

BRIEF OF THE SURGICAL AND DENTAL INSTRUMENT MANUFACTURING INDUSTRY

To the MEMBERS FINANCE COMMITTEE,
United States Senate, Washington, D. C.

GENTLEMEN: That part of paragraph 359 (1922 tariff bill) referring to surgical and dental instruments now reads:

"Surgical instruments, and parts thereof, composed wholly or in part of iron, steel, copper, brass, nickel, aluminum, or other metal, finished, or unfinished, 45 per centum ad valorem, and dental instruments 35 per centum, etc."

The above 1922 tariff rate is entirely inadequate as will be shown by the conditions recited below.

At the hearing of the Ways and Means Committee, at the request of the surgical and dental industry, the present witness was requested to submit a brief. This was done on January 16, 1929. Not only was the brief submitted but also three cases of instruments, all the instruments in one case made in Japan, all in another made in Germany, and all in the other made in the United States.

The witness was most courteously received by that committee and when the new bill (H. R. 2667) was presented, it recommended an advance not only in

paragraph 359 but also in a separate citation telling why an advance was needed, signed by the following members of the (Metal) Ways and Means Committee, the Hon. Isaac Bacharach, the Hon. Henry W. Watson, the Hon. Charles B. Timberlake.

While appreciating the advance recommended by the Ways and Means Committee yet the industry has asked the same witness to appear before the Finance Committee to say that the advance recommended by the Ways and Means Committee is not sufficient to allow more than 20 per cent of the manufacturing to be done in the United States, and we therefore again submit and repeat our first request which is later attached to this brief.

ACCURACY OF INFORMATION FURNISHED

This brief has been prepared by the cooperation of some of the most competent men in this country, not only those in the manufacturing but also men who use the instruments, a few of whom are as follows: M. W. Becton, of Becton, Dickinson & Co., Rutherford, N. J.; F. G. Crandell, of Ransom & Randolph Co., Toledo, Ohio; John J. Douglass, of Fred Haslam Co., Brooklyn; Chester Ivory of J. W. Ivory Co., Philadelphia; Dr. Edward C. Kirk of Philadelphia, internationally known in the dental field; Richard Mead, of Penn Surgical Instrument Co., Philadelphia; Charles J. Pilling, of George P. Pilling & Son Co., Philadelphia; G. F. Richter, of Richter Instrument Co., Brooklyn; Emerich Schmidt of Indianapolis; Edward Sovatkin, of J. Sklar Manufacturing Co., Brooklyn; F. G. Sutton, of S. S. White Dental Manufacturing Co., Philadelphia, and others. The long practical experience of these gentlemen is a guaranty of the accuracy of the information.

The Ways and Means Committee, May 7, 1929, recommend the following:

"PAR. 359. Surgical instruments, and parts thereof, including hypodermic needles, hypodermic syringes, and forceps, composed wholly or in part of iron, steel, copper, brass, nickel, aluminum, or other metal, finished or unfinished, 70 per centum ad valorem; dental instruments, and parts thereof, including hypodermic needles, hypodermic syringes, and forceps, wholly or in part of iron, steel, copper, brass, nickel, aluminum, or other metal, finished or unfinished, 60 per centum ad valorem; *Provided:* That all articles specified in this paragraph, when imported, shall have the name of the maker or purchaser and beneath the same the name of the country of origin die sunk conspicuously and indelibly on the outside, or if a joined instrument on the outside when closed."

Change requested in paragraph 359, Surgical and Dental Instruments.[1]

"PAR. 359. Surgical and dental instruments, including hypodermic and dental needles, and parts thereof, composed wholly or in part of iron, steel, copper, brass, nickel, aluminum, or other metal, finished or unfinished, valued at not more than 25 cents per dozen, 1 cent each and 75 per centum ad valorem; more than 25 cents per dozen, and not more than 50 cents per dozen, 2 cents each and 75 per centum ad valorem; more than 50 cents per dozen and not more than $1 per dozen, 5 cents each and 75 per centum ad valorem; more than $1 per dozen and not more than $2 per dozen, 12½ cents each and 75 per centum ad valorem; more than $2 per dozen and not more than $4 per dozen, 25 cents each and 75 per centum ad valorem; more than $4 per dozen and not more than $12 per dozen, 40 cents each and 75 per centum ad valorem; more than $12 per dozen and not more than $24 per dozen, 50 cents each and 75 per centum ad valorem; more than $24 per dozen, 60 cents each and 75 per centum ad valorem: *Provided*, That all articles specified in this paragraph, when imported, shall have the name of the maker or purchaser and beneath the same the name of the country of origin die sunk conspicuously and indelibly on the outside, or if a joined instrument on the outside when closed."

HOW THE SUGGESTED CHANGE IN TARIFF WOULD STILL GIVE THE FOREIGN MANUFACTURER THE BULK OF THE BUSINESS

If the rate of tariff as above requested becomes effective, the foreign manufacturers would still have a liberal advantage over the American manufacturer.

At the present time under the 45 per cent surgical and the 35 per cent dental rate, it is estimated by well-known authorities that only 10 per cent of the instruments sold here are made in the United States. If the rate of 70 per cent and 60 per cent as recently suggested by the Ways and Means Committee should go into effect, it would mean about 20 per cent would be made in this country.

[1] Certainly as much tariff protection should be granted surgical and dental instruments as is given to household scissors (par. 357), pocket knives, etc. (par. 354).

If the rate as asked for in this brief and as also filed with the Ways and Means Committee January 16, 1929 should go into effect it would mean about 40 per cent of the instruments could be made in the United States.

WHAT THE WAYS AND MEANS COMMITTEE RECOMMENDED REGARDING SURGICAL AND DENTAL INSTRUMENTS (EXTRACT FROM WAYS AND MEANS REPORT MAY 7, 1929)

"These are among the outstanding American industries suffering from foreign competition. Before the World War we obtained the bulk of our surgical and dental instruments from Germany. With the advent of the war the industry was developed to a high point in the United States. Following the close of the war, and particularly since 1924, imports of surgical instruments have increased with a resultant decrease in domestic production.

Price studies made by the Tariff Commission indicates that there is a wide spread between the foreign and domestic prices, ranging from 100 to over 300 per cent on surgical instruments, and from about 80 to 300 per cent on dental instruments. To partially equalize this difference, and with a view to the maintenance of an industry so necessary to the welfare of the Nation, we have recommended an increase in the rates covering these articles."

Report by the subcommittee, Isaac Bacharach, chairman; Henry W. Watson, Charles B. Timberlake.

Household scissors are adequately protected while surgical instruments are not.

A fair tariff was placed on the scissors industry (357) in the tariff act of 1922, yet there is no comparison between the high skill required in the making of surgical and dental instruments and that used in the production of scissors, nevertheless, scissors are protected and the surgical instrument industry demoralized through lack of protection.

American surgical manufacturers are now compelled to sell imported instruments.

Because with the present tariff it is impossible to manufacture staple surgical instruments in this country, those makers who were formerly extensive manufacturers are now importing surgical instruments from abroad and very naturally doing away with their surgical instrument mechanics and equipment.

If the industry in this country is killed, the American manufacturer who is now a partial importer will become a total importer, and of course will be compelled to discontinue his shop and his mechanics.

The rate of tariff on dental instruments should not be 10 per cent lower than on surgical instruments, as indicated in the 1922 law and as scheduled in the new bill now pending.

Surgical and dental instruments should have a uniform rate of tariff, because identical in process of manufacture. The same high grade labor is required and the same wage applies to each. The American wage is about four to six times the wage of the foreign maker.

COMPARISON OF THE FOREIGN WAGE WITH THE WAGE OF THE AMERICAN SURGICAL INSTRUMENT MAKER

The foreign wage of the instrument mechanic is approximately one-fourth of the American wage of the same skilled instrument maker; for instance, in the United States where the cost of labor would be $1 the cost for the same labor in Germany would be 25 cents (1 mark) or less.

America is foremost in her surgical and dental clinics.

The progress of surgery and dentistry would be seriously retarded if there were not manufacturers in this country who could cooperate with the surgeons (medical and dental) in the development of new instruments.

The importers through a paid publicity department, not under their own names, but using the hospitals as "a cat's paw to pull the chestnuts out of the fire" pretending defense of the hospitals, but really attacks on the American makers are issuing many unjust statements. It has never been difficult, in a few minutes conversation, to convince the hospital superintendent of the duplicity of the importers and that the hospitals are simply being used as a tool to carry out the importers designs.

One grossly incorrect statement by the importers is that American manufacturers can not make all of the different designs of instruments.

This untrue statement is worse than an error because the American surgical and dental instrument makers can make any instrument that has ever been

used, and furthermore, the majority of the most prominent instruments in the world were designed by American surgeons and the instruments made by American mechanics, but unfortunately, because of the very great difference in the labor cost (almost the entire cost of an instrument is labor, very little for material) these models are immediately taken to Europe for manufacturing.

It is universally known that a majority of the most interesting and progressive clinics in the world are in the United States; let your mind reach out to locate a few of the hundreds of clinics such as the: Johns Hopkins, Baltimore; Mayo Clinic, Rochester, Minn.; Crile Clinic, Cleveland; Chevalier Jackson Clinic, Philadelphia; and so on into hundreds whose progress would be most seriously handicapped without the aid of the American instrument maker.

Among the hundreds of America's best surgeons we note below only a few who have designed most valuable improvements in instruments and these instruments first made by our own American makers. Surgeons such as: Albee, Auvard, Barrett, Beck, Brophy, Brown, Carmalt, Crile, Crotte, Cunningham, Cushing, Deaver, DeLee, Douglas, Eastman, Einhorn, Emmett, Farlow, Ferguson, Fowler, Frazier, Garrigue, Gelpi, Goodell, Hagen, Halstead, Hirsch, Hudson, Jackson, Jennings, Kelly, Lower, Lynch, Mayo, Murphy, Myles, Ochsner, Otis, Percy, Pratt, Richardson, Scudder, Skens, Smith, Van Buren, Walther, Yankauer, Young, Ziegler, and hundreds of others.

Surgical instruments are largely the production of hand labor. It is estimated that in 100 hours of labor on surgical instruments, 95 per cent of the 100 hours is consumed in hand work and 5 per cent of the 100 hours in machine work.

Quantity production does not apply in the instrument manufacturing industry as quantities are comparatively small and the variety of patterns very large.

RAPID DECREASE IN THE UNITED STATES OF SKILLED SURGICAL INSTRUMENT MAKERS

The results of previous hearings show that prior to the World War there were 25 firms in the United States engaged in the manufacture of surgical instruments, and in addition thereto about 15 or 20 small shops operated by retail dealers, to produce special patterns; these facilities have probably been decreased one-half. Dental instrument manufacturing is also on the decrease due to the same cause.

Who will repair the instruments? How will the future repairs of instruments be done? One most important and vital detail of the operating room is keeping instruments in repair. Imagine the patient under anaesthesia, the incision made, the internal organs exposed, and the instruments in bad order.

Instruments, if correctly repaired should be done by the mechanics making the instruments, not by a cutlery or scissor grinder; in an instant he may destroy the essential qualities of the instruments.

Does this mean sending instruments all the way to a foreign country to be repaired? For this detail alone the American manufacturer is a necessity to the hospital and surgeon.

SAMPLES OF INSTRUMENTS MADE IN THE UNITED STATES, GERMANY, AND JAPAN

We are submitting herewith three cases of instruments, classified under paragraph 359, selected from the many thousand surgical instruments, used by surgeons and dentists.

Contents of one case were made in the United States.

Contents of one case were made in Germany.

Contents of one case were made in Japan.

Our purpose in submitting these samples is that the committee shall understand that the making of the instruments requires far greater skill than in making scissors, yet scissors have been since 1922 protected by a fair and proper tariff while tariff on instruments has been sorely neglected up to the point of almost total extermination.

We also want to show that strictly first-class instruments can be made in either the United States, Germany, or Japan.

Undoubtedly during the World War, some very poor instruments were made in Japan, but there are regular instrument makers in Japan who can make very fine instruments, and in Germany while it is well known that a few unprincipled makers may derive additional profit by making poor quality of instruments, yet Germany does make fine instruments.

The German instrument makers are treating their export trade very fairly regarding price and quality.

The efforts put forth by the American manufacturers are not intended to show any unfriendly feeling to the German makers but the American industry does want to secure a fair advance in tariff that will allow the industry to live.

THE EXPORT OF AMERICAN-MADE INSTRUMENTS

A very erroneous idea exists regarding the export of surgical and dental instruments. It is true that the volume of medical and dental supplies (not instruments) exported may be misleading if these were all instruments, but we venture to say that because there are so many varieties of hospital and dental supplies that are not scheduled under paragraph 359 that the export of instruments is not 5 per cent of the instruments manufactured and sold in this country.

This 5 per cent or less consists principally of special instruments made in very small quantities and on which the price does not become a factor, for just as soon as quantity can be sold the sample is sent to foreign makers then the foreign manufacturer has the American at a disadvantage, sometimes 6 to 1, and nearly always 4 to 1.

SOFT METAL (NONFERROUS) INSTRUMENTS OF FOREIGN MANUFACTURE

Foreign manufacturers have made considerable progress in the past five years and are now also manufacturing soft-metal instruments which were, prior to 1914, imported in rather small quantities so that the foreign market virtually controls 90 per cent of the making of surgical instruments, both steel and nonferrous metals, of those used in the American market.

JAPAN MAKING SURGICAL AND DENTAL INSTRUMENTS AT PRICES LOWER THAN THE EUROPEAN NATIONS

Japan is making surgical and dental instruments and, in some instances, at prices even lower than the European factories.

One of the most extensive fields of competition being rapidly developed to-day in the making of instruments is Japan. Within a few days a letter written by a Japanese exporter was received by American dental dealers quoting a list of the very low prices, of not only instruments, but also various other dental supplies.

Four extracts from this letter are quoted below.

"Our extensive and continued trading with the dental dealers in Manila has, for some time past, convinced us of an ideal field for our goods to be developed in your esteemed country [the Japanese exporter writing from Japan means the United States] and we are anxious to seek your cooperation in this regard."

"Excepting perhaps a very few and minor supplies in the dental line, nearly everything used in the profession is manufactured in Japan and our goods are meeting a fine demand and approval of our clients abroad who import from us."

"While our new catalogue is being edited, should you find the present one inadequate when ordering, kindly refer to the catalogue of the S. S. White Co., of America, or the Amalgamated Dental Co., of England, for descriptions, shapes, and numbers of the articles in question."

"We have been exporting our dental chairs, instruments, supplies, to the following countries and will ge glad to furnish you any further information or testimonials if necessary: Manila, China, Mexico, the Straits Settlements, Australia, the South Sea Islands, America."

We must not be deceived by thinking that because during the World War Japan sent to this country some badly made surgical and dental instruments or that Japan can not make good instruments, because it is well known that Japan is credited with having some of the most skillful metal workers in the world and in Japan are to be found instruments that are hand forged and very skillfully finished and at labor prices so low that in some instances they cut under the European nations.

As we all know, the Japanese yen is approximately half of the American dollar, or 50 cents.

DO NOT CONFUSE SURGICAL AND DENTAL INSTRUMENTS WITH OTHER EQUIPMENT OF HOSPITALS AND DENTAL CLINICS

Surgical instruments, under paragraph 359, are not to be confused with the other supplies needed in a hospital, such as operating-room furniture, chemicals, gauzes, rubber goods, ligatures, X ray, and dozens of other materials. None of these are classified under surgical instruments, paragraph 359.

The same also applies to dental instruments, as it is estimated a dentist in the yearly expenditure of his office and operating room does not pay over one-quarter of 1 per cent of his entire annual expenditure for new instruments. His requirements, however, do call for amalgams, artificial teeth, dental equipment, dental cement, dental plaster, investment compounds, dental golds, anæsthetics, vulcanizers, dental rubbers, fusing porcelains, and many others; none of these are in any way related or subject to the tariff in paragraph 359 and therefore not affected in any way by the proposed change, as in surgical instruments repairs can not be included in this, because if Congress, by refusing adequate protection, decides to eliminate the industry the foreign-made instruments will need repairs and sharpening.

NINETY PER CENT OF THE SURGICAL INSTRUMENTS USED IN THE HOSPITALS IN THE UNITED STATES ARE OF FOREIGN MANUFACTURE

If Congress wishes the United States to keep the industry intact a tariff of sufficient size must be given us.

Because of the very low cost of foreign labor and the present low rate of tariff, because most surgical instruments for the hospital are bought by competitive bidding, it has been demonstrated that at least 90 per cent of the instruments used in the United States and as described in paragraph 359 are of foreign manufacture.

If the 70 per cent surgical and 60 per cent dental as recommended May 7, 1929, by the Ways and Means Committee goes into effect, we can only expect to make 20 per cent of the instruments in the United States.

If the ad valorem and specific duty as asked for in the brief filed January 16, 1929, is given us, then we can hope to make probably 40 per cent of the instruments used in this country and later on perhaps increase the quantity to 50 per cent.

THE ELIMINATION OF THE AMERICAN MANUFACTURERS WILL INCREASE THE COST OF FOREIGN-MADE INSTRUMENTS

If the American manufacturer is eliminated, as he will be unless relief is quickly given, the hospitals and all surgeons and dentists using instruments will pay more for instruments because the foreign manufacturers are encouraged by their Government to combine in order to control prices.

There is no doubt that the foreign maker has long had this idea of getting the monopoly on surgical and dental instruments and at least in this one particular point they have shown their intentions.

The Americans are prohibited by law to follow this procedure, so it simply means that not only will the industry be killed, but the prices advanced through the European export taxation until increased to the figure desired.

This, of course, will not be done until the American industry is nearly exterminated.

A HIGHER TARIFF WILL CAUSE NO BURDEN TO THE HOSPITAL

It is well known that surgical instruments are used principally in the hospitals and very few in the office of the doctor.

During the tariff hearing of the 1922 bill it was shown that less than one-half of 1 per cent of the annual expenditure of the average hospital was spent for surgical instruments and the replacement of same, and through the recent statistical research of Mr. Edward Sovatkin, of Brooklyn, we find this small percentage further reduced; so that only about one-quarter of 1 per cent of the annual expenditure of the average hospital is for surgical instruments and the replacement of same.

This means that when a hospital spends $400 out of this $400 not over $1 is spent for instruments and replacement of same. Repairs can not be included in this, because if Congress decides to eliminate the industry the foreign instruments would need repairs and sharpening just the same.

IS THE UNITED STATES ARMY EQUIPPED WITH GERMAN AND JAPANESE MADE INSTRUMENTS?

A few days ago during a visit to the hospital convention at Atlantic City there was found a very fine display of a United States Army Hospital field unit, consisting of ambulances, tents, cots, stretchers, instruments, etc.

At random 11 instruments were picked from two cases, containing a total of about 60 or 70 instruments.

Ten of these instruments picked at random were of German and Japanese make and one was American made.

What would be the result if the American Army and Navy during the time of war were compelled to depend on foreign countries for their supply of instruments, with the American instrument maker out of existence?

The present law requires that the Army and Navy purchases be awarded to the lowest bidder, and as a result most of the instruments bought by them are of foreign manufacture.

Is this in conformity with our ideals of patriotism and loyalty to our country?

As a matter of national defense, in the event of an emergency, surgical and dental instruments are as important to the Army and Navy as guns and munition; therefore that alone is a most important reason why the industry should be kept alive in this country.

THE TERRIBLE SITUATION REGARDING INSTRUMENT SHORTAGE IN THE WORLD WAR

It is now an open secret that at the time of the starting of the European war our foreign supply of surgical instruments was immediately cut off and this country both from a civil and military standpoint was in a pitiful condition regarding instruments.

By the most Herculean efforts in the two years prior to the entry of the United States into the war, a small supply of instruments were made.

Any surgeon using some of the instruments that were made in these two years fully realizes that many of these instruments, because of the lack of facilities, were not nearly as good as they should have been, and had the big drive that was very fortunately prevented by armistice day occurred, the loss of life through improper and insufficient instrument equipment might have been terrible.

The pacifists tell us that we will not have another war. The same people told us the World War would only last 30 days. If there is another war, we may not have two or three years to prepare for it. Perhaps this thought is worth considering as another reason why a nucleus of the surgical and dental instrument industry should be kept in this country.

Furthermore, we might be the innocent victims in a war which we were not even participants by having our foreign surgical instruments cut off by a so-called friendly nation. We can not yet depend on the freedom of the seas. Belligerents will continue to attack each others commerce, regardles of the effect on noncombatants.

During the World War the United States Army, feeling the need of a surgical and dental instrument factory close to the fighting area, equipped a repair department under a competent instrument manufacturer who was commissioned a captain in the United States Army.

One hundred and twenty men secured from the surgical shops, from the Pacific to the Atlantic Oceans and from the Canadian border to the Gulf were assembled; these men were enlisted as privates in the United States Army, they were shop trained in Philadelphia, then shipped overseas to the Army shop which was equipped with all necessary machinery and was located outside of Paris. It remained in operation for 15 months, taking entire charge of not only all surgical and dental repairs but making many complete instruments.

SURGICAL AND DENTAL INSTRUMENTS NEEDED PUBLIC FOR HEALTH AS WELL AS FOR WAR EMERGENCY

This industry is essential to public health and is an important factor in national defense. The War and Navy Medical Departments have expressed concern regarding the necessity of maintaining similar industries which are vital in time of war.

Replacements and war emergency would demand large production due to the loss and destruction of these fine instruments, impossible to prevent in the field of action.

Without surgical and dental mechanics, whitout factory equipment, without instruments, our armed forces would be at a great disadvantage. Surgical and dental instruments in time of war are as necessary as arms and munitions.

THE HOSPITALS ARE BEING GREVIOUSLY MISLED BY A FEW OF THE IMPORTERS

Because of the very unfair and misleading tactics used and the statements made by a few of the importers, those we mean who are using every effort to

exterminate the surgical and dental instrument industry in the United States, the hospitals are being greviously misled by a few of the importers.

This has been carried to such an extent that some of the fair-minded concerns in the United States, who are very small manufacturers and quite large importers, are taking the trouble to explain to the hospitals the real situation, and within a few minutes, any hospital superintendent, who will listen to the truth of the matter, can be convinced that the manufacturer of instruments are doing nothing that will to any appreciable extent increase their expenses.

It has been shown by actual figures that even if the advance as now specified should go into effect, that the annual expenditure of the hospital would not be increased one-fifth of 1 per cent above what it is to-day, for much of the expense is repairs, and these must continue.

Therefore the propaganda that the hospital supplies will be largely increased in the cost is entirely wrong and we ask hospital superintendents to look into the matter from the manufacturers' standpoint.

Why do the importers avoid coming out in the open?

At the meeting of the Ways and Means Committee, January last, when the manufacturers presented their side of paragraph 359, the importers with their attorney were present, but did not appear as a witness nor did they file a brief.

Are the importers hiding behind the hospitals, using the hospital as cat's paw by creating sympathy to gain their ends?

Information has reached the manufacturers that a novice in the surgical instrument field but one well-known as an ex-politician of New York, said to be employed by the importers to champion their cause, is the author of a number of articles written from a sympathetic standpoint, pretending to champion the cause of the hospital, but really backed by the importers, and not giving the full or correct facts. These have been printed in several newspapers.

In two of these newspaper letters we find 13 errors, probably due to the inexperience of the importers' sob story writer.

WHY AND BY WHOM THIS BRIEF IS SUBMITTED

On January 16 last the present witness was requested to appear before the Ways and Means Committee by the following firms (later this list of firms was supplemented till it reached 191 names of leading firms of the United States, to whom the requested advance in the tariff is of vital importance and by whom this brief is respectfully submitted):

American Cystoscope Makers, Long Island, N. Y.
Bard-Parker Co., New York, N. Y.
Becton Dickinson Co., Rutherford, N. J.
Carstens Manufacturing Co., Chicago, Ill.
L. D. Caulk, Milford, Del.
Cleveland Dental Manufacturing Co., Cleveland, Ohio.
Dental Products Co., Chicago, Ill.
Detroit Dental Manufacturing Co., Detroit, Mich.
Electro Surgical Instrument Co., Rochester, N. Y.
George Ermold Co., Chester, N. Y.
Fred Haslam & Co., Brooklyn, N. Y.
Jas. W. Ivory Co., Philadelphia, Pa.
MacGregor Instrument Co., Needham, Boston, Mass.
Penn Surgical Manufacturing Co., Philadelphia, Pa.
G. P. Pilling & Son Co., Philadelphia, Pa.
Ransom & Randolph Co., Toledo, Ohio.
G. F. Richter Manufacturing Co., Glendale, Long Island, N. Y.
Emerich Schmidt (Inc.), Indianapolis, Ind.
J. Sklar Manufacturing Co., Brooklyn, N. Y.
Western Instrument Manufacturing Co., Chicago, Ill.
S. S. White Dental Manufacturing Co., Philadelphia, Pa.

STATEMENT OF MAJ. S. S. CREIGHTON, WASHINGTON, D. C., REPRESENTING THE SURGEON GENERAL OF THE UNITED STATES ARMY

(The witness was duly sworn by the chairman of the subcommittee.)

Major CREIGHTON. Colonel Whitcomb was unable to be present to-day and asked me to appear before the committee in his place.

We do not take a position, as you well know, with reference to tariff matters.

The only object I have in appearing before you is to again invite your attention to national defense. We have certain requirements which, if you wish, I will give you confidentially; and our present reserve would only probably represent a very small proportion of that.

I am now detailed to a study of a procurement plan for a major emergency and we are attempting to draw that plan and we find in reviewing the history of the last war that we would have approximately the same troubles in the next. I have no idea whether a high tariff or a low tariff will solve that problem. You have that evidence.

Senator REED. But you would like to see a domestic industry created.

Major CREIGHTON. I would like to see some protection to the American forces and to the civilian profession, to our people, in the event that our shores were cut off from imports, or if we were allied in such a way that we could not depend upon outside resources.

In other words, let me put it this way: We must have surgical instruments. We can not fight a war without instruments any more than we can without ordnance. In your wisdom, I am sure there is a solution. We can not attempt to offer any suggestion, because we are an administrative branch and not a legislative one; and I doubt if we are competent to give you any suggestion which will help.

Senator REED. Major, at the conclusion of the last war you found yourself with a very large stock of these nonperishable necessities.

Major CREIGHTON. Yes, sir.

Senator REED. Has any part of that stock been retained?

Major CREIGHTON. A small portion of it, Senator; we were forced by Congress to sell a certain percentage of the surplus, which we did to the best of our ability; and the statement was made that 5 or 10 per cent was returned to the Government. I think the figures will be higher than that. We held on to the greatest reserve that we were permitted to, but that reserve, which I can give you, is very small compared to our total demand. That is about all I can tell you, Senator.

Senator REED. How about the comparative quality of the present domestic surgical instruments and those that come from Germany?

Major CREIGHTON. I think they are approximately equal. I think we can use either German instruments or domestic instruments.

Senator REED. Do you think the finish is as good?

Major CREIGHTON. Approximately so.

Senator REED. And the general workmanship as good?

Major CREIGHTON. Approximately so.

Senator REED. You heard the testimony of some of the gentlemen who import these German forceps?

Major CREIGHTON. Yes, sir.

Senator REED. Stating that the delicacy of their manufacture is such that we have not been able to equal it.

Major CREIGHTON. I am not prepared to state, Senator, that American workmen are less skillful than the foreign workmen.

Senator REED. As far as your own observation goes, the American forceps is as good as the German, is it?

Major CREIGHTON. So far as I can see; yes, sir. They have the advantage of training from childhood, and possibly in the early days

were able to manufacture scientific instruments and surgical instruments which might have been better than ours; but I believe that our American industry, if it sets itself to it, can manufacture anything that can be manufactured any place in the world provided they get the raw materials.

The Japanese instruments which were imported during the war were not of high quality. I have seen no recent importation from Japan that I have had the opportunity of examining, but we had a great many Japanese instruments that were inferior in possibly the finish or the temper of the instrument.

Senator REED. That industry was built up in Japan during the war, just as ours was.

Major CREIGHTON. It was one of the things we reached out to get in order to supply ourselves.

Senator REED. But the same thing happened in Japan, did it not?

Major CREIGHTON. And the same thing happened in Japan.

Senator REED. I went through some Japanese hospitals just before the war. They told me then that practically every instrument in the hospital was imported from Germany.

Major CREIGHTON. Yes. They began the manufacture of surgical instruments during the war; but we did not get any large shipment of surgical instruments to Europe before about August of 1918.

Senator REED. Thank you, Major. I think we understand your view.

BRIEF OF JOHN J. DOUGLASS, REPRESENTING AMERICAN MANUFACTURERS OF SURGICAL INSTRUMENTS

I wish to make a statement and to express some of my views concerning the matter of tariff now pending before your honorable committee on surgical instruments, paragraph 359.

Our opponents (importers) have filed their briefs at length and have made several statements and have solicited the support of hospitals from a stereotyped letter. They have worked through the hospital associations in various ways and of various denominations. They have taken great advantage of the hospitals' ignorance of the true situation and have mislead them into the belief that a great extra charge would be made upon the cost of instruments to them if the present Congress should see fit to grant a reasonable protective tariff to the surgical instrument industry in this country.

It would seem as though our legislatures need only to refer to the cutlery industry to learn what good a protective tariff has done for their industry already. Factories that were used for making arms are now making cutlery for the benefit of this country and the workmen here instead of abroad.

We manufacturers of surgical instruments failed to see why we did not receive a tariff in line with the cutlery industry because in surgical instruments, similar workmen are used for the making of scissors, forceps, knives, etc., and to obtain workmen we must pay them the same wages that are paid to men in the cutlery line.

To manufacture surgical instruments it takes even a finer line of workmen than it does to make cutlery, as is shown in the testimony in the brief of the importers read before the subcommittee of the Senate. They reiterate the importance of skill, and we agree with them that it does require skill and training to make a surgical-instrument workman, but we resent the slur they have cast by saying that American mechanics can not make surgical instruments the equal of those made in Germany. American workmen are as capable as any and this we know from our experience. I, myself, am interested in a factory that has some of the best workmen in this county and I know that we can obtain thousands more if we could pay them the wages that are on a par for similar industries.

Our opponent (importers) stated before your committee that it required generations of family inheritance and artistic temperment to make a good surgical-instrument maker. I have had 40 years of experience and have handled as many American-made surgical instruments as any man in this country, and I know such a statement to be simply nonsense. All that is necessary is to pay the men as much as is paid in similar industries and we can get all the young men we need to learn this trade. It is simply a matter of giving our young men a chance and fair wages, which we are unable to do at this time under the present tariff.

There is no reason why we should not do this and develop this infant industry to such a proportion that we will not be so dependent on a foreign country who has its artistic temperament people and generations of experience.

The opponents of the American manufacturer have stated that the purpose of this tariff is to make a few manufacturers rich. This is one of the most absurd statements that could possibly be said for the industry. I have personal experience in this line and know that I do not make any money out of manufacturing. I can name several shops who have gone out of business because they could not make money. Recently R. C. and C. H. McCully, of Brooklyn, N. Y., who were 40 years in this business, were compelled to go out of it because of the importation of their specialty—the soft-metal goods.

One of the (importer) signers of the brief presented to your committee, who is so desirous of having a low tariff, built a factory in Brooklyn and they have since sold out the manufacturing end for the reason that it did not pay them to manufacture soft metal or steel goods. They got practically nothing for their dies because no other manufacturer wished to purchase something they could make no money on.

Our opponents state and it has been loudly proclaimed that a few manufacturers want to make some money. This is not true, because the importers make the money. My firm makes its money on imported goods. The American manufacturers do not wish to have any more losses and are desirous of serving the country with American-made goods and building more factories in this country and less in Germany and by giving employment to American workmen.

I know of the handicaps during the last war, and I do not wish to see it again to save any country outside of our own. Therefore it is absolutely necessary that at this time we take a step forward and make more of our own instruments.

The United States Army and Navy do not use American-made surgical instruments to any extent, because they buy at the lowest price. It is the desire of the Army and Navy to use American-made surgical instruments, and it is the opportunity for you to give them what they desire and need.

During the last war there were several hundred outside trades drawn into the surgical-instrument business to make instruments, most of which were not satisfactory, and this must not occur again.

The surgical-instrument industry to-day, as stated by our opponent and ourselves, is a mere nucleus, but we fear for its entire elimination unless some proper action is taken. One can easily get together a lot of figures and contradictions to make arguments, but we are facing a proposition that requires our earnest attention from a self-defense standpoint. The few manufacturers who desire to make a few dollars, as is claimed by the importers who already make a very much greater percentage of profit on their goods than do these manufacturers.

The brief read by our opponent is one that supports the American manufacturers' position adequately. They frankly state how well-trained men must be. They also state that 90 per cent of the goods are made abroad and that we can not make them here. This is all true, because we can not make here what we would like to make here because of the inefficient tariff, but as to our ability to supply capital and men there is no question if we are only allowed to do so. They state that we are only pottering with the business in this country.

We can point to the fact that we already have drop hammers, dies, and complete up-to-date equipment for the manufacture of steel and soft metal or any kind of surgical instrument necessary for the profession. We have proven this for during the period of four years before our entry into the World War we made a variety of instruments in one factory alone that amounted to several thousand items and were able to meet all the requirements. This

covers the period that we had practically no importations, owing to the fact that Germany was at war with Europe.

We do not understand why the importers should persistently state to your committee the inability of the American manufacturer. Some of the fine instruments like cystoscopes and other delicate instruments are made in this country and can not be surpassed.

When all is said and done, let face the situation frankly. Our opponents talk about broad humanitarism and charity, etc., when the fact of the matter is that they want to get all or as much of the surgical-instrument business for the financial benefit of themselves and the German factories, and they are using the hospitals as a tool to gain their ends.

The American manufacturer wants to continue in business to protect his investment, increase his profits and to keep his workmen employed and add further workmen so that the manufacturing in this country may be able to make a respectable showing for as it is now, we are giving 90 per cent abroad and hardly able to hold the 10 per cent we now make in this country.

It is American money that supports the hospitals, and why should they not support the American manufacturer and help him to increase his facilities to such an extent that the cost to them will eventually be lower than they will be if the foreign monopoly is maintained.

I am inclosing a copy of a paper read by me at a convention of surgical instrument dealers in the United States at their last convention in June, composed of retailers, wholesalers, importers, and manufacturers.

Respectfully submitted.

JOHN J. DOUGLASS,
President of Fred. Haslam & Co. (Inc.).

Witness to signature:
G. F. RICHTER,
President G. F. Richter Mfg. Co.

PENDING TARIFF LEGISLATION, BY JOHN J. DOUGLASS

The tariff question has been argued pro and con for years and it really simmers right down to a personal point of view. The broadminded economic scientist, having the world's best interest at heart, would advocate free trade between all countries. But inasmuch as the American standard of living is on a higher plane than any foreign country, free trade would mean that we must bring their standard up to ours, or lower ours down to their standard. You probably have read the pro and con tariff arguments from the manufacturers' point of view, and of the importers' point of view as well. Personally it is immaterial to me whether we have a high or low tariff. With a higher tariff, we will increase our factory output or with a lower tariff we will increase our imports. I therefore trust you will accept my statements as absolutely impartial, being guided solely by what, I believe, will be best for the fostering and perpetuation of the surgical-instrument industry in the United States.

Let us now consider who will be benefited by a fair protective tariff.

How protective tariff benefits hospitals and surgeons—

By keeping the American manufacturers in the field the prices will remain reasonable, because of the healthy competition that will exist.

If the American manufacturer is eliminated, as suggested by certain propaganda, you will be in the power of a German monopoly. This will enable them to charge any price that the traffic will bear and, as they have recently advanced prices more than 10 per cent, no doubt more advances will follow, as there will be no competition. The German manufacturers are encouraged by their government to combine and control prices. We Americans have not at any time combined, as it is against the law of the United States. There is no doubt that the Germans have long had this idea of getting the monopoly on surgical instruments and now at last they have come out in the open. Mr. Bird S. Coler, an employee of an importing house (who are sole agents for a German manufacturer employing about 2,000 men) has come out openly. In an article published in various New York papers, he stated that the manufacturers of surgical instruments in the United States should be eliminated.

The American manufacturer is a great necessity to the hospitals and surgeons in order to keep instruments in good condition, make alterations and other important services.

It is also important for the surgeons to have factories close at hand to carry out their ideas and improvements on surgical instruments. In many instances it was found necessary to make up special instruments on short notice to enable them to relieve suffering patients or save the life of many.

A surgeon is really a high-class mechanic who needs special tools to meet his requirements and if his ideas are not promptly developed, he would drop the idea, as the thought of waiting about six months necessary to have the work done in Europe would discourage him.

The hospital superintendent should realize that the tariff needed to assist the surgical-instrument industry would make no appreciative difference in his cost of hospital maintenance but eventually reduce it for the reason that the tariff would apply only on surgical instruments which are the small end of the purchases.

Recent investigation has proved to be less than one-fourth to one-half of 1 per cent. Let the superintendent analyze his own cost and verify this statement.

Surgical instruments must not be confused with larger items upon which there is no change of duty proposed such as X-ray apparatus, sterilizers, hospital furniture, electrical apparatus, scientific glassware, laboratory apparatus, microscopic apparatus, dressings, sutures, splints, catheters, ureteral and urethral, rubber goods, orthepedic apparatus, etc.

The hospital superintendent by assisting to develop industry in America will naturally pave the way toward eventual lower cost to his institution. Let the hospital superintendent be also fair to the surgeon as well as the citizen who contributes to the support of the hospital. He should realize that we are all a part of the institution. There seems to be a mistaken idea among some that America can not make all designs and patterns of surgical instruments but I know from my experience of over 40 years that we can in this country if given the opportunity make any surgical instrument as it has already been done. As a matter of fact most of the new and improved models of surgical instruments have been originated here in America and fully developed by the American mechanic.

On account of the unfair rate of present tariff the quantity orders and volume production have been given to Germany.

HOW PROTECTIVE TARIFF BENEFITS THE DISTRIBUTOR

The dealer may think that a low tariff will be beneficial to his interest but I believe that if the tariff rates requested are put on surgical instruments, it will benefit all. A greater production of surgical instruments in this country would result in enabling the distributor to render a better service to his customers at fair prices not influenced by any foreign country. I estimate that the production of the goods in America would increase from the present 10 per cent production to 50 per cent of the total amount used in this country, and anything that benefits the American manufacturer naturally benefits the American people, both consumer and dealer.

HOW THE PROTECTIVE TARIFF BENEFITS THE UNITED STATES ARMY AND NAVY

Surgical instruments are as much a part of national defense as are rifles, shells, bullets, warships, etc., and anything that enters into or in any way has an affect on this country's ability to be prepared for a great emergency, ceases to be a problem for a small few but rather assumes national importance. Did not the late war teach us important lessons? Did our surgeons have the proper instruments made by experienced workmen?

In the event of a major catastrophe or the outbreak of war, must we relay on foreign countries to supply our needs? Is it not a safe and sane solution and in conformity to our Nation's policy of preparedness, to be able to meet any emergency—to have adequate factories equipped to turn out surgical instruments, made by expert, experienced workmen.

At present I am an officer in the reserve corps on special service for procurement planning in the Surgeon General's office and am, therefore, in a position to observe the needs of our country. And I say that anything that in any way affects our ability to be prepared takes on vital importance.

The tariff on surgical instruments ceases to be a business problem for a group of manufacturers and merchants but rather is a problem that strikes deep to the roots of national defense.

There can be no greater insurance against unpreparedness than the proper adjustment of the tariff. With proper adjustment and protection against unfair competition the surgical-instrument business in America can be developed into such form that no emergency regardless of its proportions, would find us unprepared.

The present law regulating supplies for the Government require that the purchase of surgical instruments for the Army and Navy be awarded to the lowest bidder and as a result most of the surgical instruments bought by them are of foreign manufacture. Is this in conformity to your ideas of patriotism and loyalty to country? Are other progressive countries compelled to purchase surgical-instrument requirements outside of their own boundaries?

A protective tariff will develop the ingenuity of American manufacturers, surgeons, and workmen and as a result the Government will ever have within easy reach the latest and most improved instruments that American genius can devise.

Figures show that 90 per cent of all surgical instruments are imported from Germany. Is this a fair break to American manufacturers who have large capital and years of experience invested in factories, making dies, etc.?

Are not American manufacturers entitled to a 50–50 break—should they not be permitted to produce 50 per cent of the surgical instruments used in America by American hospitals and American surgeons?

American manufacturers are not asking for a tariff wall but a square deal.

BRIEF OF GEORGE TIEMANN & CO., NEW YORK CITY

With reference to the proposed increase in the duty on surgical instruments, we want to say that we are the oldest manufacturers of steel surgical instruments in the United States and would be favorably affected by such an increase in so far as our American manufacturing is concerned. It is our feeling, however, that the present duty of 45 per cent is equitable and that as far as steel surgical instruments are concerned, there is no valid reason for increasing the present rate.

However, realizing that the American manufacturers of soft metals would benefit by such an increase and that through this, at least a nucleus of American manufacture would be preserved to meet any contingency which might arise in the future, we are perfectly willing to waive this protest and accept the proposed increase of 25 per cent as stated in the revised tariff schedule.

We do, however, oppose the differentiation between the duty on surgical instruments and dental instruments; the former proposed duty being 70 per cent and the latter duty 60 per cent. This opposition is prompted by the fact that oral surgery, which has become very prominent in this country, embodies a great many of the instruments used in the eye, ear, nose, and throat line. This difference in the duty schedule would permit a great many houses who are engaged in both the surgical and dental line to import a great many of their surgical instruments under the dental schedule. Without going into any excessive detail with reference to this, we might mention that mastoid curettes of various patterns are used in oral surgery; various types of thumb, tissue, haemostatic, towel, and bone cuttng forceps have a prominent field in the dental line; scissors of a great many types, including eye, general operating, bandage and suture scissors, are of the same pattern in both lines; and also a great many patterns of ronugers and bone cutting forceps are the same in the dental line as in the surgical line. Thus, it can be readily seen that when these various patterns together with others too numerous to mention, can be imported under the dental 60 per cent schedule, whereas they should come under the surgical schedule at 70 per cent, it places the surgical importer at a disadvantage in selling.

Referring to the section 402, "Basis of valuation." We feel that this section permits of a great deal of elasticity at arriving at the import value of instruments. We further feel that the wording of this section is without proper foundation because of the fact that in mentioning the American valuation, we find that the instructions mention that the American valuation shall be based on what similiar imported instruments are sold in the open wholesale market for in this country, and if similar instruments have been sold in the wholesale market in this country, there certainly is no reason why there should not be

an imported schedule giving the proper valuation of merchandise under this heading. This would leave a great deal to the discretion of the appraising officer, and in some of the ports of embarkation it is quite probable that the appraising officer will not be familiar with merchandise of this technical character. It is our contention, therefore, that the wording of this should be better defined to the end that no confusion might arise with reference to the American valuation clause.

In connection with the proposed increase in tariff, it is our understanding that the American Hospital Association and American Medical Association have filed a protest against this increase in the tariff schedule and supplemented it with the request that instruments be permitted to come into this country duty free where ordered direct from the continental countries by the hospitals.

It is our feeling that surely our legislative body will not recognize this request or give any consideration to it as it certainly has no basis of justification because of the fact that practically all hospitals are run on just as commercial a basis as any other business enterprise. It is our contention that if consideration is given to this request there should be no reason why any other ultimate consumer of merchandise manufactured abroad should not be in line to make a similar request.

Granting that any favorable consideration should be given to a proposition of this kind, it could not, under any circumstances, work out satisfactorily because of the fact that out of some 3,500 models of surgical instruments, which are used in hospitals, there are possibly only some 3 dozen models which can be imported direct to advantage. This would not only be ruinous to the retail surgical dealers because of the fact that these three dozen models would constitute the bulk purchases by hospitals, but that the American dealers would find themselves in a position of supplying only those highly specialized items which are sold in small quantities and on which the turnover and profit is very limited. Further, the American dealer would be obliged to service and repair those instruments imported direct, and it is a well-known fact that work of this kind is neither desirable nor profitable.

This situation would also only affect or be applicable to those hospitals who are in a financial position to pay cash for their merchandise as all imported merchandise of this character is payable immediately upon receipt. Further, regardless of the fact that it might be entered as duty free, it would have to be handled through some broker which would entail an additional expense to the importation.

A situation of this kind can only work out adversely to all concerned as the American retailers have a certain operating overhead which they must meet, and if any appreciable amount of their business is taken away from them under circumstances of this kind, their only alternative would be to raise their prices on those lines which can not be handled in this way, which it can readily be seen, would not decrease the bulk amount which the hospitals would pay for their merchandise in this particular line.

Might we also add, that this is not a matter which involves as much difference in outlay as some of the hospital executives would make it appear because of the fact that a careful research in the purchases of surgical instruments indicates that the average hospital's expense in this particular line is only $0.05 a day, which is less than $0.01 per patient.

This brief is filed as an actual statement of facts as we see them, and with the plea that same be given favorable consideration by the Senate Finance Committee.

GEORGE TIEMANN & CO.,
By O. O. COCHRANE, *General Manager.*

Signed before me June 29, 1929.

[SEAL.] SOPHIE STICHT,
Notary Public.

Commission expires March 30, 1931.

DENTAL INSTRUMENTS

[Par. 359]

STATEMENT OF DR. HOMER C. BROWN, COLUMBUS, OHIO, REPRESENTING THE AMERICAN DENTAL ASSOCIATION

(The witness was duly sworn by the chairman of the subcommittee.)

Senator REED. Did you testify before the House committee?

Doctor BROWN. I did not. Neither did out association.

Senator REED Did you file a brief?

Doctor BROWN. We did not.

Senator REED. Do you appear in favor of or against these increased rates of the House?

Doctor BROWN. We are opposed to any increased rates on dental instruments. I speak for dental instruments, paragraph 359.

Senator REED. You are not talking about surgical instruments?

Doctor BROWN. No, sir.

Senator KING. For whom do you appear?

Doctor BROWN. I appear representing the American Dental Association, an organization of approximately 35,000 members.

Senator REED. Have you a brief you want to file?

Doctor BROWN. No, sir; but I have prepared a statement, which is very brief.

Senator KING. May I ask you a question before you proceed?

Doctor BROWN. Yes.

Senator KING. I have received, I think, 400 letters—at least, a large number—within the past two weeks, from dentists, quite a number from my own State, in little towns. The letters are all substantially the same, saying that we must have a higher duty upon all dental instruments. Obviously they were not manufacturers. I was wondering who isnpired those persons to write me, because all the letters are substantially the same. Did your organization do that?

Doctor BROWN. Absolutely not. I am the official spokesman on legislative matters relating to the American Dental Association, and I can assure you that if I had been requesting the representatives of my profession from your State, or any other State, to write to you, I should have stated that we have already ample protection, rather than the reverse. I can understnad that an individual may be requested by a manufacturer, or a dental supply house, to write in such a request, but that is the individual's opinion, expressing the views of someone with whom he is in contact.

Senator KING. I was wondering if some of the manufacturers were sort of terrorizing the dentists throughout the United States, or at least appealing to them to write to Senators.

Doctor BROWN. I can understand that that would be possible, but it has not come from the American Dental Association.

Senator KING. All right. Excuse the interruption.

Dr. BROWN. Mr. Chairman, and members of the subcommittee of the Senate Finance Committee: As chairman of the committee on dental legislation of the American Dental Association, an organization of approximately 35,000 members, I am authorized to protest against the increase in tariff duties on dental instruments, as con-

tained in paragraph 359 of the tariff bill recently passed by the House of Representatives. Therefore, we respectfully submit the following:

First. In the report of the Ways and Means Committee, accompanying H. R. 2667 under the heading of Surgical and dental instruments, we find the following statement:

> These are among the outstanding American industries suffering from foreign competition. Before the World War we obtained the bulk of our surgical and dental instruments from Germany. With the advent of the war the industry was developed to a high point in the United States. Following the close of the war, and particularly since 1924 imports of surgical instruments have increased with a resultant decrease in domestic production.

This statement is decidedly erroneous in so far as dental instruments are involved, since it is a generally accepted fact that the manufacturing of such instruments is strictly an American development. In fact, the preeminence of the American dental profession and the dental instrument industry is recognized throughout the world, and both are distinctly of American development. This favored position is due to the long and close cooperation of the profession and the industry and for many years past the ratio of exports to imports has ranged from 10 to 1, as it is to-day, to in excess of 20 to 1 a few years ago, which should be the best possible evidence that no increase in tariff duty is necessary for the continued success of this industry.

Senator KING. That is, we export twenty times as much as we import?

Doctor BROWN. Ten times now. A few years ago we exported twenty times, and in excess of that.

Senator REED. What are most of these imports? Are they burrs?

Doctor BROWN. Many of the imports are burrs, and many of them are forceps and pliers, and instruments of that nature.

Senator KING. The exports are general?

Doctor BROWN. The exports are general; not necessarily limited to dental instruments, but dental supplies, dental chairs, and things of that nature. There is no separation in the classification of these dental instruments, and materials, supplies, and so forth, that are exported.

This should be the best evidence possible that no increase in tariff duty is necessary for the continued success of the industry; I mean in view of the fact that we are exporting ten times the amount, in dollars and cents, that we are importing, it is the best evidence in the world that there is no occasion for any increase in the duty.

Graduates of the American dental colleges are located in all of the important cities of the world and this foreign contact has stimulated a demand for the product of the American dental manufacturers.

A dentist graduates from one of our great American dental universities, and he locates in some outstanding foreign city. He is accustomed to using American-made dental equipment and materials and supplies. He has that feeling that nothing is quite so good. Therefore, he not only needs that for himself, but the American dentist abroad is looked upon as an outstanding professional man, and he naturally influences the foreigners to give orders to the American industry.

Second, the dental industry in this country is quite different from the surgical. The dental is an old and well-established industry,

while the surgical is one of recent development, that is, it was largely developed through necessity during the World War. For that reason we contend that the rate of duty on dental instruments should be lower than on surgical instruments and it is so provided in H. R. 2667. We emphasized the necessity for a lower rate on dental instruments before Congress in 1921 and 1922 and the Senate Finance Committee recognized the justness of our contention and provided a rate of 35 per cent on dental instruments and 45 per cent on surgical instruments.

For the benefit of you gentlemen, I want to say that your distinguished chairman of the Finance Committee protested against a lower rate on dental instruments, because of the fact that it was stated that it would be a very difficult thing to administer. They could not differentiate between surgical and dental instruments. I made a special trip here to confer with him, and he was convinced that that could be done; and they placed a lower rate on dental instruments. This rate has been in force for the past seven years and is satisfactory to the American Dental Association, and I think it is fair and equitable to the manufacturers. However, it might be well to add a provision which would more definitely make this rate applicable to all dental instruments, since some of the manufacturers took advantage of a technical situation and secured a decision whereby all hand forceps, pliers, and instruments of that nature, were temporarily taxed at 60 per cent, as provided in paragraph 354, but this was later overruled by the United States Customs Court, Second Division, decision No. T. D. 41670. In view of this I think it would be advisable for some definite phraseology to be added which would prevent any technical evasion regarding the specific duties provided in paragraph 359 or possibly this purpose could be better served by striking out "by whatever name known" in paragraph 354, immediately preceding "60 per centum ad valorem."

Senator REED. If you have a decision of the Court of Customs Appeals, you scarcely need any change in the law to support that.

Doctor BROWN. Except that possibly they might resort to some other technical method to bring about a similar condition. I have been impressed with that fact yesterday afternoon and this morning. So many hand forceps are in the different paragraphs that have been under discussion here that it was a little confusing, and it caused quite a little annoyance for some time.

Senator REED. I have been wondering what in the world the term "hand forceps" meant, as it is used in paragraph 354.

Doctor BROWN. I suggest that——

Senator REED. Does anybody know what that means?

(Voices from the audience.) No.

Doctor BROWN. I suggest that hand forceps be stricken out of 354.

Senator KING. What line is that found in, Senator?

Senator REED. Line 22 of page 92 of our print.

Doctor BROWN. That was my suggestion. That would seemingly solve that, and I am glad to have the support from over here, that no one knows just what hand forceps means, in that connection.

Third, definite statistics as to the production of dental instruments is not readily available because in the compiled figures various dental products and supplies are included. The statistics, as compiled by the United States Tariff Commission, relating to imports from all

countries show that there has been a gradual increase from $106,136 in 1923 to $153,955 in 1925. The next two years showed a decrease to $141,605 in 1927, but in 1928 their value increased to $168,495. On the other hand, the same statistics show there had been a decided increase in the value of dental instruments and supplies exported. For instance, from September 22 to December 31, 1922, the value was $179,425; in 1925 it was $1,263,590; and in 1928 it increased to $1,663,362. In other words, the ratio of exports to imports during the year of 1928 was on a basis of approximately 10 to 1, which upon its face very clearly demonstrates that there is no occasion for increase of tariff duty on dental instruments.

Fourth, a recent statement has been called to my attention wherein a person advocating an increase of duty on dental instruments says that it costs from 80 to 800 per cent less to manufacture dental instruments in Europe than it does in the United States.

Senator REED. It cost 800 per cent less to manufacture?

Doctor BROWN. This statement says that it costs from 80 to 800 per cent less to manufacture dental instruments in Europe than it does in the United States.

Senator REED. Who made that statement?

Doctor BROWN. I think the speaker will follow this afternoon.

Senator REED. Taken literally, that means that it costs 700 per cent less than nothing.

Doctor BROWN. I have been told that that was an error; that it should have been 300, but I was told that since I arrived here.

Senator KING. It is just as stupid if it was 300 per cent.

Senator REED. You do not need to take the time to discuss that.

Doctor BROWN. I will not attempt to dignify such a statement by any answer because it falls of its own weight.

Fifth, the American Dental Association recognizes that the American standards of living are much higher than those of foreign countries and we are in sympathy with a reasonable protection whenever and wherever it is necessary, but at the same time we are convinced that the lowest possible rate should prevail on anything that contributes to the relief of suffering humanity or where it is to be used for the correction of physical defects. Therefore, we would strongly urge that there be no increase in tariff duty upon dental instruments, surgical instruments, or scientific apparatus, such as may be employed in any field of scientific research and investigation.

Senator REED. That philosophy would prevent any increase in the tariff on foods, would it not? What would the farmer do then?

Doctor BROWN. I do not carry the argument that far.

In this connection I will state that the American Dental Association is very much interested in scientific dental research. We are, and have been for the past 15 years, making grants to various universities and institutions in order to assist in solving some of the important unknown dental problems.

At the present time our Scientific Foundation and Research Commission, of which I have the honor to be secretary, is directing research activities of an annual expenditure of approximately $50,000, and we have tentative plans which will greatly increase these research investigations in the near future. For the information of Senators Reed and Barkley, we are appropriating funds for cooperative research work at the University of Pennsylvania and the University of

Louisville, as well as a number of other universities, and the National Bureau of Standards.

STATEMENT OF GEORGE A. LILLY, REPRESENTING THE AMERICAN DENTAL TRADE ASSOCIATION

(The witness was duly sworn by the chairman of the subcommittee.)

Mr. LILLY. I want to say to the committee that I did not intend to appear, but I do want to refute the statement made by the preceding witness. I am managing director of the American Dental Trade Association.

Senator REED. Did you testify before the House?

Mr. LILLY. I did not, sir.

Senator REED. Or did you file a brief?

Mr. LILLY. I did not, sir. I merely want to refute——

Senator KING. What is the association you are connected with?

Mr. LILLY. This is the American Dental Trade Association, which the gentleman has just made the statement about that we are a close corporation, so to speak, and do not sell except to our own members, which is an absolute misstatement of fact.

Senator REED. Are you willing to sell to the other men?

Mr. LILLY. If a member individually sees fit to do so we have no direct control over the action of any manufacturer or dealer in the American Dental Association.

Senator REED. What motive would lead one or two members to refuse to sell to him at all for spot cash?

Mr. LILLY. Possibly because that member might consider in that particular market that he did not care for any further outlet.

Senator KING. Do you profess to speak for the members of the organization?

Mr. LILLY. I do, sir.

Senator KING. You speak for the members of your association?

Mr. LILLY. To that extent; yes, sir.

Senator KING. Will you say that they have refused to sell?

Mr. LILLY. They might have refused; yes, sir.

Senator KING. To Mr. May and to others?

Mr. LILLY. They might have refused just the same as there are at the same time men who are not members of our association who are buying from them; but it is based entirely upon the individual right of that manufacturer, not by any association control.

Senator REED. In other words, they would think it to their interest to give an exclusive right to some jobber to handle their products.

Mr. LILLY. That is the point, exactly. You see, here is a peculiar thing: We do not believe in middlemen, so to speak, that is, the jobber. There is the manufacturer, and there is the dealer who sells to the dentist. I will just illustrate it. The S. S. White Dental Manufacturing Co., for example, may feel that in the city of Chicago, or the city of New York, that five dealers would be enough to distribute their particular product rather than to have 12 dealers, or some larger number; and you will find, I believe, in the city of Chicago that there are nonassociation dealers that are representing that particular firm. I know it is so in New York and a great many other cities—men who are not members of our association and who have never applied for membership.

Senator REED. Your association includes both manufacturers and dealers?

Mr. LILLY. Yes, sir. It is the twentieth oldest trade association in the United States, organized in 1882.

Senator KING. Have you any idea what percentage of the products manufactured by the members of your association is sold to dealers that are not members of your association?

Mr. LILLY. No. That would be hard to tell because we do not attempt to keep any record of any such statistics at all, sir. Our organization, primarily, is not for that purpose; it is for the advancement of the dental trade through the manufacture of better dental materials, instruments, equipment, etc. Our object is primarily research.

STATEMENT OF HAROLD N. MAY, REPRESENTING THE RELIANCE DENTAL MANUFACTURING CO., CHICAGO, ILL.

(The witness was duly sworn by the chairman of the subcommittee.)

Senator REED. Did you testify before the House committee, Mr. May?

Mr. MAY. No, sir; I did not.

Senator REED. Did you file a brief there?

Mr. MAY. No, sir; I did not.

Senator REED. You appear on behalf of the Reliance Dental Manufacturing Co., of Chicago, do you?

Mr. MAY. Yes, sir; on paragraph 359, pertaining to dental instruments.

Senator REED. How many manufacturers of dental instruments are there in the United States?

Mr. MAY. Offhand I would say about 15.

Senator REED. What percentage of the domestic production does your company make?

Mr. MAY. We do not make anything in that line. We manufacture materials that are entirely foreign to any steel ware or any materials of that character.

Senator KING. Are you opposing the tariff upon imported dental instruments?

Mr. MAY. Yes, sir.

Senator REED. You import them, do you?

Mr. MAY. No, sir; I do not do either. I represent—if I could have your permission to have the stenographer put in the record the fact that I represent the independent dental dealers, whose sole source of revenue is the sale of merchandise, instruments, materials, etc., to the ultimate consumer, the dental profession.

Senator REED. By independents you mean independents of what nature?

Mr. MAY. Independents of the American Dental Trade Association, a combination formed of manufacturers and dealers that prohibit the sale of their own products to anyone except their own members.

Senator KING. Do you mean to say that the dental manufacturers of the United States have such an organization?

Mr. MAY. Yes, sir.

Senator KING. And prohibit the sale of their products except to their own members?

Mr. MAY. To their own associate members.

Senator KING. Does Mr. Pilling belong to that association?

Mr. MAY. I do not know; but I think he does.

Mr. PILLING. It is absolutely untrue.

Senator REED. You will have a chance to say so, Mr. Pilling, in about 10 minutes. Proceed, Mr. May.

Mr. MAY. I have a brief which I would like to read, if I may.

Senator REED. We are very much pressed for time.

Mr. MAY. It is just two pages; it will not take very long.

Senator KING. Does it cover the question of this organization?

Mr. MAY. Yes, sir; it does.

Senator KING. It seems to me to be a monopoly.

Mr. MAY. No; not a monopoly, because this has been through the United States Supreme Court, and through the intercession of a few of the members of this association who do sell to the independent grade this was thrown out.

Senator KING. Go ahead.

Mr. MAY (reading):

Careful analysis of the duty as proposed in this document does not, we believe, justify the proposed increase. Statistics show that dental and surgical instruments as manufactured and used are entirely separate and in no way comparable. Dental manufacturing is a highly organized industry, entirely divorced from all others and holding an international reputation as an American accomplishment. More dental merchandise manufactured in America is exported than any combined importation of such materials by a ratio of 10 to 1. Actual figures are not obtainable but previous records show this to be minimized in the total. Sufficient to say that the leading manufacturers of dental instruments and materials show a much healthier financial condition to-day than ever before in the history of the industry. I might also mention here that in the original statement and brief filed before the Ways and Means Committee by Mr. Charles J. Pilling appear neither the name nor application of any concern manufacturing exclusively dental merchandise and depending upon this revenue for their business existence.

The original request to apply the proposed increase in tariff against dental imports is cloaked in the appeal for the claim for needed surgical import protection which is absolutely irrelevant to the dental industry.

American manufacturers to-day of dental merchandise operate on volume production and their earnings have been more than commensurate with their application. As far as the manufacturing costs and other incidentals are concerned as outlined, the question of volume sales and the overhead pertaining to this s largely a matter of the individual manufacturer's efforts in his own behalf.

Senator REED. Why are you concerned with this duty at a l on dental instruments if you only deal in dental supplies?

Mr. MAY. Mainly because it means our sole source of existence in a competitive market. The manufacturers of dental instruments here have earned a reputation that places them far and above all foreign competition.

Senator REED: Do you import?

Mr. MAY. No, sir.

Senator REED. Then, why are you concerned about the imports?

Mr. MAY. We sell a lot of imported instruments. That is the only source of supply we have.

Senator REED. Where do you get them?

Mr. MAY. We buy them from importers. That is the only instrument and material we have for competition with the domestic market.

Senator REED. I should say, then, that you were a customer of the importer.

Mr. MAY. We are a customer of the importers. We also export a lot of domestic manufacture that is not in the trade association.

Senator REED. What do you manufacture?

Mr. MAY. We manufacture materials like temporary stopping and base plates, gutta perchas, molding compounds, flasks, and laboratory materials, commercial laboratory materials.

Since the war it has been a difficult struggle for concerns such as ours and those allied with us to maintain a satisfactory trade development to permit us to remain in business. American manufactuerers have had the whole-hearted cooperation of all the dental colleges through the efforts of the American Dental Association, an organization of dentists representing the essence of the profession and consequently American-made items hold preference over all others. The prevailing demand is for American merchandise in this field, and when the students graduate after years of familiarizing themselves with these products, they settle in all parts of the world and continue to demand such articles by name, thus giving the American dental industry a much greater export market than America offers for the imported merchandise.

Now I come to the part which affects Mr. Pilling's organization. The majority of the manufacturers of these specified items have formed themselves into a group known as the American Dental Trade Association and only offer the said items to the profession through cooperative dealers or members of their association permitting only a select few to become members.

Senator REED. You say they will not sell to you?

Mr. MAY. No, sir; they do not sell to me. I have that on their letterhead in black and white, I think for cash money.

Senator KING. Is Mr. Pilling's company in that?

Mr. MAY. No, sir. We, therefore, and likewise hundreds of other concerns of a similar nature, are unable to offer the same merchandise and must seek other sources of manufacture to remain in business. Thus enters the import merchandise which is infinitisimal in comparison to American export privileges. Imported merchandise is for the greater part offered to the profession at comparative prices to the domestic articles as shown in the exhibits already presented, and in some instances at higher prices, quality being the basis of price comparison.

We do not believe that this committee, after careful deliberation and in justice to fair trade competition, will see fit to impose an increase of duty, as the present rate of 35 per cent ad valorem should afford ample protection to this highly developed American industry.

Senator REED. Would you buy the domestic instruments if you could get them?

Mr. MAY. Yes, sir; and pay cash.

Senator REED. And would not buy the imported instruments?

Mr. MAY. No, sir; I would not.

Senator KING. What is the difference in the price of the articles which are not only similar in stlye, but of the same value, the same quality?

Mr. MAY. You ask for the difference in price?

Senator KING. Yes.

Mr. MAY. In the majority of cases it is very little difference. In some cases the imported article is offered at a higher price simply because it is more——

Senator KING. Highly finished?

Mr. MAY. Not highly finished, but it is a more accurate instrument.

Senator REED. Then, if I understand you correctly, to the extent that your concern resorts to importing——

Mr. MAY. Buying from importers.

Senator REED. Or buying imported articles, the American manufacturer has it within his own hands to prevent that importation by——

Mr. MAY. By enlarging his own scope of selling by permitting the independent manufacturer, those we represent, to buy his product.

Senator REED. I think we have caught your point, Mr. May.

Senator KING. What proportion of the sales of the domestic manufacturers is made by your organization?

Mr. MAY. What proportion of the sale of the domestic?

Senator KING. Yes.

Mr. May. Not one-half of 1 per cent.

BRIEF OF CLAUDIUS ASH, SONS & CO., U. S. A. (INC.), NEW YORK CITY

COMMITTEE ON FINANCE,
United States Senate, Washington, D. C.

SIRS: This brief is submitted by Claudius Ash, Sons & Co. (Inc.), a company incorporated under the laws of the State of New York, and engaged in the domestic manufacture and importation of high-grade dental instruments.

We believe your committee is interested primarily in protecting domestic manufacturers against competition from importations out of low-cost labor countries and that no discrimination is intended against products of countries which maintain high wage schedules.

Our importations are made exclusively from England, where high-cost labor prevails, and where wages are almost as high as they are in the United States.

As domestic manufacturers and importers of high-grade instruments, we are anxious to maintain the superior plane on which the industry is established in this country.

The grade of merchandise purchased by us in England commands prices which, when landed in this country duty paid at the present ad valorem rate of 35 per cent, oblige us to maintain selling prices higher than similar domestic dental instruments are profitably marketed.

It is self-evident that importations under such conditions have not been and can not be harmful or threatening to the domestic industry. By the same reasoning it is manifest that the present rate of 35 per cent ad valorem is more than sufficient to foster and protect the domestic business. Any increase beyond that rate will serve to prohibit our importations almost without exception. Such result would be inevitable and can hardly be the intention of the Congress, especially in view of the thought expressed by the Committee on Ways and Means in its report to accompany H. R. 2667, which states, along with its reasons for readjustment of the tariff act of 1922, that its policy of protection is not intended to exclude foreign products from our markets.

We are aware that certain vastly inferior dental instruments are imported into the United States from Germany, and that by reason of low-cost labor in that country such merchandise is sold here at prices which result in unjust competition. Such competition is fully as injurious to our business in high-priced importations as it is to us as domestic manufacturers, as well as other domestic manufacturers.

A general advance in the duty rate would serve only to increase our burden on importations from England's high-cost labor market, with little or no determent to continued importations of Germany's low-cost labor productions. Small benefit would accrue to the domestic industry by reason of the additional duty exacted.

To correct this condition we are submitting below a suggested change in paragraph 359 which in our opinion will equalize the differences in costs of

production between low-labor-cost merchandise from Germany and high-labor-cost articles from England, and in addition provide adequate protection to domestic manufacturers with relation to importations from all countries. This may be accomplished by the assessment of specific rates of duty on the known low-production-cost articles, with an adequate ad valorem rate of 35 per cent on high-production-cost articles.

Suggested change in paragraph 359:

"Dental instruments, and parts thereof, including hypodermic needles and hypodermic syringes, composed wholly or in part of metal, finished or unfinished (excluding burrs, drills, reamers and forceps, finished or unfinished, and parts thereof), 35 per centum ad valorem; dental burrs, drills, and reamers, composed wholly or in part of metal, finished or unfinished, and parts thereof, the finished articles valued at less than $3.50 per gross, $2.75 per gross; valued at $3.50 per gross but not more than $5 per gross, $1.80 per gross; valued at more than $5 per gross, 35 per centum ad valorem; dental forceps composed wholly or in part of metal, finished or unfinished, and parts thereof, the finished articles valued at less than $27 per dozen, $21 per dozen; valued at $27 per dozen, but not more than $36 per dozen, $10 per dozen; valued at more than $36 per dozen, 35 per centum ad valorem: *Provided*, That all articles specified in this paragraph shall have the name of the maker or purchaser and beneath the same the name of the country of origin die sunk conspicuously and indelibly on the outside, or if a jointed instrument on the outside when closed."

In its Summary of Tariff Information, 1929, on the tariff act of 1922, the United States Tariff Commission states: That by reason of the early development and continued advance position of the profession of dentistry in the United States, the production of dental instruments has always been extensively carried on in this country, both to supply the domestic demand and for export. That American trained dentists have gone all over the world and have carried with them the demand for American dental instruments. That because of this relatively large market, most dental instruments can be produced in the United States upon a considerable scale. That a substantial portion of the total domestic production of dental instruments is exported, and that the trade itself states that in export markets American dental instruments usually command higher prices than those made in other countries. The tabulated statistics of the United States Tariff Commission show that imports of dental instruments and parts during 1928 amounted to $168,495, compared with $1,663,362 of exports by the domestic industry. In other words, exports of the United States industry were almost ten times the value of imports from all countries during 1928.

In a brief which appears on pages 2240 to 2242 of Tariff Readjustment, 1929, hearings before the Committee on Ways and Means, House of Representatives, a Mr. Charles J. Pilling states that conditions affecting surgical instruments are practically identical to those of dental instruments. The whole record before the Ways and Means Committee, and the facts compiled by the United States Tariff Commission, are replete with evidences of differences in manufacturing conditions between the two classes of instruments rather than similarities.

It is definitely shown that surgical instruments do not lend themselves to quantity production, and that skilled handwork constitutes 95 per cent of the time consumed in their manufacture, while dental instruments require little hand work and are shown by the United States Tariff Commission to be subject to mass production by reason of standardization and of the large domestic and export market for American-made instruments.

Surgical instruments are used chiefly in hospitals and consequently are bought by competitive bidding. It is needless to state that purchases of dental instruments are usually matters of individual choice by each dentist.

Surgical instruments are subject to a very large extent to demands of special design, while requirements of special design in dental instruments are rare in comparison to the large production.

Surgical instruments of domestic manufacture do not have the advantage of extended export markets, whereas the export markets enjoyed by domestic dental instruments are worldwide.

Respectfully submitted.

CLAUDIUS ASH, SONS & CO. (INC.),
CLARENCE E. GREENE, *President*.

BRIEF OF A. PFINGST, GUSTAV SCHARMANN, AND OTHER IMPORTERS, NEW YORK CITY

Hon. REED SMOOT,
Chairman Committee on Finance, United States Senate, Washington D. C.:

We are importers of dental instruments and file this brief in protest against the increase in the rate on these instruments from 35 per cent ad valorem as now assessed under paragraph 359, tariff act of 1922, to 70 per cent ad valorem as proposed in paragraph 359 of H. R. 2667, or to 75 per cent ad valorem as requested by Mr. Chas. J. Pilling, of Philadelphia, who appeared before your committee.

Mr. Pilling in his brief filed with the Ways and Means Committee of the House of Representatives stated that "conditions affecting surgical instruments are, in the writer's opinion, identical to those of the dental instruments," and he is reported in the press as representing to your committee that there should be no division between surgical and dental instruments, inasmuch as they require the same skill.

These statements are very inaccurate, as Mr. Pilling certainly must know that surgical and dental instruments are not in the same class, and that the conditions affecting the same are not identical.

In the Summary of Tariff Information of 1921, which was prepared by the United States Tariff Commission at the request of the Committee on Finance of the United States Senate, pages 477 and 478, the status of dental instruments is, in our opinion, correctly set forth as follows:

"Although there is some demand for instruments of special design, it is not comparable to that for surgical instruments.

"The dental appliance, instrument, and supply industry produces sufficient material to furnish the home market, and exports large quantities of its products to all the world's markets. Dental instruments are more nearly standardized than surgical instruments and can, therefore, be manufactured in quantity.

"There is practically no importation of dental instruments.

"It has been represented that because of different competitive positions, surgical and dental instruments might be separated."

The Tariff Commission in the said Summary of 1921, further states:

"The export business absorbs a considerable proportion of the entire production, a proportion, which is estimated at over 35 per cent. These exports amounted to over $1,100,000 in 1913, and to almost $10,800,000 in 1919."

While the Tariff Commission suggested a new provision for dental instruments, this suggestion was not adopted and in paragraph 359 of the tariff act of 1922, surgical instruments and parts thereof, and dental instruments and parts thereof were included in the same paragraph, but at different rates of duty, the former being made dutiable at 45 per cent ad valorem, and the latter at 35 per cent ad valorem.

The imports of dental instruments and parts amounted in 1927 to only $141,605, while the exports for that year of dental instruments and supplies aggregated $1,508,067. The imports of dental instruments, it will be seen, are, negligible, and this for the reason that these instruments may be manufactured in quantity. Those that are imported can hardly be said to be competitive with domestic instruments, for the reason that they form a source of supply for small, independent dental dealers who can not obtain their supplies from the American dental manufacturing companies, except at retail prices.

Further, the domestic dental instruments are sold at lower prices to the dental dealers, as is shown by the advertisement of the Cleveland Dental Manufacturing Co. in the magazine Oral Hygiene of July, 1928, wherein a gross of dental burs in a case are offered for $6.75. Our price for the same assortment of burs is shown by our advertisement in the same magazine, September issue, where we offered them for $8.10.

A package containing six dental broaches manufactured in the United States for the dental trade is sold to the wholesale dental trade at $1 a gross. The comparable imported broaches cost, laid down in New York including the present rate of duty 35 per cent, $1.30 a gross. The imported broaches, therefore, cost, without overhead or profit, $1.30 a gross, while the domestic broaches are sold to the wholesaler for $1 a gross, or 30 cents a gross less than the cost to the importer of the imported article.

Labor is a very small item in the manufacture of dental instruments. As was stated by the Tariff Commission, these instruments are standardized and can be manufactured in quantity.

To increase the duty on dental instruments to the rate suggested by Mr. Pilling of 75 per cent, which is double the present rate, and that of 70 per cent in H. R. 2667 would make the importation prohibitive and deprive the small, independent dealers, who can not purchase from the domestic dental companies, of their only source of supply. Further, it is suggested that a domestic industry which supplies practically the United States market, and in addition has an export business of large volume, does not need the protection asked for.

It is, therefore, recommended that the suggestion made in the Summary of Tariff Information in 1921 be adopted and a new paragraph provided for dental instruments, including dental needles which differ from other hypodermic needles. If, however, a separate paragraph is not provided for dental instruments and parts, including dental needles, we request that the present rate of 35 per cent ad valorem be retained.

SUGGESTED NEW PARAGRAPH

"PAR.—Dental instruments and parts thereof, including dental needles, composed wholly or in part of iron, steel, copper, brass, nickel, aluminum, or other metal, finished or unfinished, 35 per centum ad valorem."

Respectfully,

A. PFINGST,
GUSTAV SCHARMANN,

Representing A. Pfingst, Gustav Scharmann, F. W. Massel, Reliance Dental Supply Co., Guggenheim Bros., The David Perry Co., and The Kimball Dental Manufacturing Co.

STATE OF NEW YORK, *County of New York, ss:*

Adolph Pfingst, being duly sworn, deposes and says that he is one of the signers of the attached brief in opposition to the rate of duty proposed in H. R. 2667 on dental instruments; that with the exception of an error in the first paragraph, in which the proposed rate is stated to be 70 per cent, whereas it should be 60 per cent, as contained in paragraph 359, H. R. 2667, the matter which is stated in said brief, as of his own knowledge, is true, and that which is stated upon information and belief, he believes to be true.

ADOLPH PFINGST.

Subscribed and sworn to before me this 17th day of July, 1929.

JOHN J. TOBIN,
Notary Public.

Term expires March 30, 1930.

SCIENTIFIC INSTRUMENTS IN GENERAL

[Par. 360]

STATEMENT OF C. G. FISHER, PITTSBURGH, PA., REPRESENTING THE ASSOCIATION OF SCIENTIFIC APPARATUS MAKERS OF AMERICA

(The witness was duly sworn by the chairman of the subcommittee.)

Senator REED. What is your occupation?

Mr. FISHER. I am president of the Fisher Scientific Co.

Senator REED. Did you appear before the Ways and Means Committee of the House?

Mr. FISHER. I did.

Senator REED. Did you file a brief there also?

Mr. FISHER. I did, but not on the metal schedule.

Senator KING. What schedule did you appear on?

Mr. FISHER. I appeared on glass and on the free list.

Senator REED. You want to speak to us about this scientific instruments section, 360, do you?

Mr. FISHER. I am here to represent the Scientific Apparatus Makers of America; and I want to explain my position here and ask you if I am in order.

When you heard the glass schedule, a purchasing agent appeared here who said he represented 186 universities and the Educational Buyers' Association. He asked you for a special reduction in tariff for educational institutions; and he said at the time that he was also interested in paragraph 360. His association is scheduled right ahead of me. I notice you omitted to call his name.

Senator REED. His name was stricken off at his own request.

Mr. FISHER. At his own request—that is the reason I am here; I am here to discuss their request for a special concession to universities, having mentioned it in the glass schedule, having put his name on this schedule to appear. I am appearing for the entire association to answer that. Now, am I in order, or am I not?

Senator REED. Yes, you are. Let us take up this glass item. Are you referring to paragraph 228 dealing with spectroscopes, spectrometers, spectrographs, polariscopes, microscopes, testing and recording instruments; is that what you are referring to?

Mr. FISHER. Yes. I have Mr. Johnson's testimony in regard to that.

Senator REED. In regard to that paragraph?

Mr. FISHER. Yes. Mr. Johnson said he appeared on paragraph 268–A, and paragraph 228 and that he was also interested in paragraphs 359 and 360. Later on in his testimony he asked for a special concession in duty to universities. That is why I am here.

Senator KING. Have you anything to say about spectrographs, spectrometers, and those particular items mentioned in paragraph 228–A?

Mr. FISHER. No; I have not.

Senator KING. All right; let us pass on.

Senator REED. As far as you are concerned the 60 per cent tariff on those articles is sufficient?

Mr. FISHER. As far as the association as a whole is concerned. We are here to combat requests for special concessions.

Senator KING. You want special concessions for those whom you represent, do you not?

Mr. FISHER. I say the association is only opposing the Educationals' request.

Senator KING. Are you applying for a higher rate over the present law?

Mr. FISHER. The association is not.

Senator KING. Then you are not appearing here to ask for a higher rate than the existing law?

Mr. FISHER. No.

Senator KING. Then what are you appearing for specially?

Mr. FISHER. The individual manufacturers have a right to their own opinions. The association is opposing special concessions to educational institutions.

Senator REED. Now, tell us about paragraph 360 which deals with scientific instruments under the metal schedule.

Mr. FISHER. That is one of the important paragraphs that goes to make up the entire equipment of a laboratory—218, 228, and 360. The question of scientific apparatus is one that must be considered as

a whole, and that is only part of it. It can logically be discussed just as well here as at any other place rather than discussing it seven or eight times.

I do not know whether your committee has anything in its mind as to giving the universities a special concession, but if you have I have got to talk to you. If you have not I can save your time.

Senator REED. You are assuming that we have not. Go ahead.

Mr. FISHER. No; it has been asked for. Back in 1913 they were entitled to duty free importations. As a going industry we had no industry, and this committee, therefore, gave it no consideration in the tariff—having none, it got no consideration. The industry was born when the war started and took the entire matter out of the hands of political sagacity and we had to go to work.

England had exactly the same problem, but before they developed this industry they went to the Government. The Government urged them—they had to have it. They said: "Well, what will you do for us after the war if we develop this industry?"

Germany at that time had practically the entire industry, the whole of England and the United States.

They said: "You develop the industry and we will protect you."

The American manufacturers made no such request, but it is interesting to see what England did in that situation. In their tariff scheme they have one group of industries that they call "key industries"; and in that group they put the manufacturers of these scientific instruments. So they class that as a key industry in England and have a 50 per cent duty to protect their key industries.

That is a far-sighted policy, because it is the only industry in the United States that can make fire-control instruments for ordnance. The Assistant Secretary of War delegated a man to come to the committee and explain the connection between scientific instruments and fire-control instruments. It is the only industry that can make them, for the reason, first of all, that the equipment is entirely different from machine shop equipment. The methods employed are different, and the character of skill is way beyond machine shop practice. England appreciated that, and they are protecting that industry. We have every reason to do the same thing, because this same industry is vital in aircraft instruments; and it is also necessary in chemical warfare service. You must know the kind of gas that is being sent across by the enemy. You can not charge your gas masks for a certain gas when you do not know what that gas is. Indeed, it is a very vital thing.

I would like to get back to the college problem. The representative of the Educational Buyers' Association did not make himself clear, and I believe that Senator King suggested that in a very polite way—that he did not make himself clear. First of all, he did not represent the universities. The universities can only be represented on a problem like this by the board of trustees of that university. The boards of trustees of those universities never have taken any such action.

Senator KING. I think he made that clear, although my recollection is that he was rather ambiguous, and I was unable to get from his testimony just exactly what he did want; but I did derive the information from what he said that, speaking for the purchasing activities, or purchasing agencies of those organizations, and I assume that, speaking for the purchasing agencies, those agencies either had

authority from the boards of trustees or from some authorized authority or agency of the universities.

Mr. FISHER. Would you be surprised to know that they did not?

Senator KING. I have no information one way or the other. I am not very much concerned on that.

Senator REED. Mr. Johnson was the purchasing agent of the New York University, was he not?

Mr. FISHER. Yes, sir.

Senator REED. It has been said that the New York University sells these articles to students at a very high profit. Do you know anything about that?

Mr. FISHER. No; except I know that it is common practice in the universities in the United States to charge to the students the material they use in the laboratory. There is nothing derogatory in that statement, because it is logical that they should. In other words, why should a student who is not using material pay for material that other students are using?

They all do it.

Senator REED. That is not what I asked you. I asked you whether they made a profit on it.

Mr. FISHER. I have seen the lists that they charge out of their stock room, and they are considerably higher than what it costs them.

Senator KING. Are you speaking of universities generally?

Mr. FISHER. I am speaking of the New York University.

Senator KING. I would like to make one suggestion, if I may.

Mr. FISHER. Certainly.

Senator KING. You said that before the war we had no industry of the character you are speaking for. The census shows that in 1914 there were 197 companies that manufactured $13,000,000 worth of scientific instruments, not including medical and technical instruments. So that, in 1914, before the war there were 197 companies in the United States producing instruments that come under the paragraphs we are discussing, if I am correct, speaking from the census information.

Mr. FISHER. That is one of the most misleading things that I know of—to try to get statistics on the particular instruments we are speaking of. For instance, they classify as a scientific instrument the speedometer on an automobile, or a dashboard instrument. They are electrical measuring instruments, it is true, and yet those are not the ones we are talking about at all. We are talking about the instruments used in the studying and applying of the sciences, such things as are used in a special way, that have no commercial application.

Senator REED. You are talking about instruments of a great precision, such as are used in laboratories, and not the mechanical or electrical recording devices that are in common use.

Mr. FISHER. Not the ones that are used in industry commonly. Now, the student pays this difference, and it is astonishing—Mr. Johnson did not even represent the association, Senator King. I think Senator Edge questioned that. So we went back to the association, and we have gotten the minutes of their last meeting, and it says:

> As we all know, the tariff controversy has been very much to the front. This association, as such, could not take a decided stand, because we have members who stand on both sides of the argument. Therefore, this——

Senator KING. Mr. Johnson called our attention to that minute, according to my recollection of the testimony.

Mr. FISHER. But he also made the statement that he represented that association.

Senator KING. And he was clear in that, that he called attention to that minute.

Mr. FISHER. Mr. Johnson represented Mr. Johnson personally. Now, there was another man who joined Mr. Johnson in signing the brief, and he signed that brief with his own name, "Mr. Frank, of Cornell University." It may be very interesting to know that he was not representing Cornell.

Senator REED. Mr. Fisher, I do not think it was very important whom he represented. What we want are the facts.

Mr. FISHER. All right, now——

Senator REED. They are more eloquent than any association's name.

Mr. FISHER. The facts are——

Senator REED. What ought we to do? Ought we to increase the tariff, lower it, or let it alone?

Mr. FISHER. Increase the tariff from 40 to 50 per cent. Certain educational institutions have made a plea for a reduction below a fair tariff. You could raise the tariff to a thousand per cent, yet without that half of the consumption it would do no good.

Senator REED. I do not understand you.

Senator BARKLEY. In other words, you are not so much interested in the rate as you are in having whatever rate it takes apply to everybody.

Mr. FISHER. We have got to have it apply to everybody or we have got to fold up our tents.

Senator BARKLEY. These present rates would be satisfactory provided no concessions were made.

Mr. FISHER. The present rate, so far as our association is concerned, yes.

I think also that these gentlemen who proceeded me on balances are certainly entitled to some consideration. We do not make balances, but we buy them; and we buy quite a few of them abroad because we can not pay the American prices for some of those balances. Now, I am on the other side of the fence.

Senator BARKLEY. You mean you can not buy them?

Mr. FISHER. And compete with our sales.

Senator BARKLEY. And compete with the foreign-made article, or do you mean that the American consumer will not pay the American price. Which do you mean?

Mr. FISHER. I mean some balances are sold principally on price rather than make, if you understand just what I mean. Those balances we have to buy in Europe, because they are so much cheaper than the Americans can make.

Senator REED. Is the quality of the American article as good as the German?

Mr. FISHER. In my opinion it is better.

Senator REED. But many of these articles, you say, are sold on price and not on quality.

Mr. FISHER. Those are the ones we buy abroad. When they want American goods we can get a higher price for them than we can for the others, because it is sold on make.

I have very little sympathy for the inferences thrown out by Mr. Johnson that American goods were inferior. It is absolutely astonishing to note the progress that American manufacturers have made in scientific instruments in only 10 years. Usually the improvement of an industry is a pretty long matter, but we have developed simply wonderfully. The instruments are coming so fast that some of us almost just have to devote our time to studying new instruments and new developments; periodically our organization has to get out a paper to keep our users informed of new developments, they come so fast.

Senator KING. I do not understand exactly for whom you appear?

Mr. FISHER. I appear for an association of 54 scientific instrument and apparatus makers in this country.

Senator KING. Then you represent the manufacturers of scientific instruments?

Mr. FISHER. This association; yes, sir.

Senator KING. And you are now lauding the products of your own organization—and I am not complaining; you are doing the right thing.

Mr. FISHER. But I am under oath.

Senator KING. I do not think your laudation would take on any greater honor or height by reason of that fact. Will you tell me, representing the manufacturers, to what you attribute the fact that in 1928 we exported $3,541,838?

Mr. FISHER. That is absolutely beyond my comprehension, because it does not include the instruments I am talking about.

Senator KING. I am not so sure about that, but with such articles as barometers, laboratory balances, meteorological instruments, lecture and demonstration apparatus, laboratory hardware, drawing instruments, navigation instruments, surveying instruments. That is, our 1924 production of these instruments was considerable; balances, scientific and laboratory instruments; and the imports were not nearly so great as the exports.

Mr. FISHER. As I tried to explain to you, the ones I am talking about are the ones used in the teaching and application of science. Those figures are confusing.

Senator KING. I shall be greatly obliged if you will just hand to the clerk a list of the particular instruments which you are speaking for, in contradistinction to these other instruments that are cross catalogued under the paragraphs referred to; in other words, list the instruments under these paragraphs that you are speaking for.

Mr. FISHER. The catalogue of our own company has 630 pages, and there are no duplications in it. That is how long and varied this whole subject is.

Senator KING. Then of these three or four articles that I have read, what are you interested in—barometers, laboratory balances and weights, meteorological instruments, lecture and demonstration apparatus?

Mr. FISHER. Yes.

Senator KING. Laboratory hardware.

Mr. FISHER. Yes.

Senator KING. Drawing instruments?

Mr. FISHER. No.

Senator KING. Navigation instruments?

Mr. FISHER. No.

Senator KING. Surveying instruments?
Mr. FISHER. No.
Senator King. Lecture demonstration apparatus?
Mr. FISHER. Laboratory instruments; yes.
Senator KING. Laboratory balances and weights?
Mr. FISHER. Yes. May I call your attention——
Senator KING. The tariff information states that of laboratory balances and weights there were only $800,000 manufactured in the United States in 1924. So, apparently this that you represent would be very small.
Mr. FISHER. The balance makers?
Senator KING. Laboratory balances and weights.
Mr. FISHER. Yes; that is what these other gentlemen are talking about.
Senator KING. I understood you to say that is what you represented too.
Mr. FISHER. No, no.
Senator KING. Lecture demonstration apparatus.
Mr. FISHER. The whole line of instruments and apparatus, long and varied, which are used in the teaching and application of science in the laboratory.
Senator KING. All right.
Mr. FISHER. There is one thing I wish to call your attention to, and that is paragraph 399 of the metal schedule provides for any article not otherwise provided for chiefly of metal. Our firm has imported balances under 399 and 360. The rate is the same.
Senator KING. That is immaterial.
Mr. FISHER. It is not when you get your import figures. If your import figures do not include all of them, they are misleading; and I find they are not reported correctly.
Senator KING. That comes in under some other heading.
Senator REED. You want them included here where they properly should be?
Mr. FISHER. Yes.
Senator BARKLEY. Does your association represent all manufacturers, or are there others not members of the association?
Mr. FISHER. There are about 200 or more throughout the United States, and we have 54 of them; and our lines are varied, and go from porcelain to metal and all the way through; but we can not operate if you are going to give the universities a special concession. The Ways and Means Committee felt so keenly on this subject that they spent five days on it back in 1919. It was so vital that a special bill was introduced before the 1922 tariff just to protect this thing before it went to pieces. During all that time college men were brought here and representatives of all the scientific societies and every one of them said that the best interests of this country will be served if we have this industry here. The American Chemical Society is the largest organization of its kind in the world. They have 17,000 members and they passed an official resolution going on record that they favored the elimination of that duty, and they are the users, and had to pay the price.
Another favorite argument that has been made is that we need the German competition to keep our prices down; but that is not the fact. Just to show you that we are playing fair, since 1922 the entire

schedule of material which we make has been voluntarily reduced 18 per cent. Just as soon as we could organize and get a little larger quantity we could reduce costs; and we passed them on, but we do not take any special credit for that.

Senator REED. Did that come about because of increased consumption or because it increases consumption?

Mr. FISHER. Naturally it increases consumption; and it is the right thing to do.

Senator REED. Or did domestic competition bring about the reduction?

Mr. FISHER. We have but one rule in our organization, and that is, compete with each other.

Senator BARKLEY. So it was not entirely a moral question, then.

Mr. FISHER. I say we claim no credit at all; but we have done it. Now, the German importers come here and say that we have got to have this competition to keep our prices down; but I do not think there is much to it.

Senator REED. All right; sir. We are much obliged to you.

STATEMENT OF J. M. ROBERTS, CHICAGO, ILL., REPRESENTING THE METAL INSTRUMENT SECTION OF THE SCIENTIFIC APPARATUS MAKERS OF AMERICA

(The witness was duly sworn by the chairman.)

Senator REED. Did you testify before the Ways and Means Committee?

Mr. ROBERTS. Yes, sir; I did

Senator REED. Did you file a brief also?

Mr. ROBERTS. I did.

Senator REED. We have the benefit of those, and we will read them, Mr. Roberts.

Mr. ROBERTS. Thank you.

Senator REED. We will be glad to have you add anything you want to.

Mr. ROBERTS. Yes. I have a few things I want to bring out, Senator.

Senator KING. Whom do you represent?

Mr. ROBERTS. I am representing the metal instrument section of our association of scientific apparatus makers. I am also an officer of the Central Scientific Co., of Chicago. There is a group of about 25 manufacturers belonging to our association that manufacture chiefly metal goods. The association is composed of people in the optical instrument industry, chemical glassware, and metal instruments.

Senator REED. Illustrate what type of instrument you have in mind.

Mr. ROBERTS. This set of instruments that is classified under 360 is known as philosophical and scientific instruments. The term "philosophical" there is as old as the hills, and I think perhaps it would be better to discard it for the term "scientific instruments."

Senator REED. What is a "philosophical instrument"?

Mr. ROBERTS. I would define a philosophical instrument as——

Senator REED. It is more likely to be a book than anything else, is it not?

Mr. ROBERTS. Yes. Fifty or more years ago you had the old original Galvani experiment with frogs' legs, and certain natural phenomena. They are gradually coming out of the mazes, until we know now exactly. I would say that natural philosophy and the philosophical instruments that were used with it when this tariff was first made back in the fifties or forties applied to those instruments that were used to illustrate and demonstrate the phenomena in natural philosophy.

We are away from that at the present time, just the same as we are away from those textbooks, and they are scientific instruments at the present time; and this paragraph 360 is intimately connected with paragraph 228, because we have a metal workers' section. The men that are now interested in 360 are making metal devices for the optical instruments. For example, our firm makes the metal mountings and the American Optical Co. make the lenses. They interlock in that way.

Senator KING. What is your company? You said "our company."

Mr. ROBERTS. The Central Scientific Co. is our firm.

Senator KING. Is that a manufacturer?

Mr. ROBERTS. A manufacturer and jobber in Chicago.

Senator KING. Where is its plant?

Mr. ROBERTS. Chicago.

Senator KING. Have you more than one plant?

Mr. ROBERTS. No.

Senator REED. You have not yet given us an illustration of the metal instruments that you have in mind.

Mr. ROBERTS. These metal instruments are instruments of precision that are used in demonstration work, laboratory work, colleges, and the finer controls in industrial plants, and not for production purposes.

Senator REED. Would that include the ordinary pyrometer in the steel works?

Mr. ROBERTS. No; it would not.

Senator REED. Well, give us an illustration.

Mr. ROBERTS. It would include electrical measuring instruments, megohmeters, ohm meters, resistance boxes, Wheatstone bridges, and in optical instruments those used in demonstrations of science, those instruments that can not be used in a practical way; in heat, instruments for expansion, contraction; and in sound they would be the various instruments used; in light it would be the various photometers that are used in laboratories.

Senator REED. And you are interested now in that group of those instruments which is in chief part of metal?

Mr. ROBERTS. Yes, sir.

Senator KING. Do those come under class A in your brief which you filed in the House, cathode-ray tubes?

Mr. ROBERTS. No, no.

Senator KING. Chronographs?

Mr. ROBERTS. No.

Senator KING. Colorimeters; conductivity bridges?

Mr. ROBERTS. Some of them, Senator.

Senator KING. Electrical conditioning ovens?

Mr. ROBERTS. Yes.

Senator KING. Fluoride plates and prisms?

Mr. ROBERTS. Yes.
Senator KING. Flux meters?
Mr. ROBERTS. Yes.
Senator KING. Hardness-testing machines, and so forth?
Mr. ROBERTS. Yes.
Senator REED. Now, Mr. Roberts, you think the duty ought to be increased on this whole line?
Mr. ROBERTS. You have increased the duty, Senator, from 40 to 50 per cent. Here is what I am asking for, and my contention is supported by the following elements: In 1914 the hourly rate was from 40 to 50 cents; in 1923 it was 65 cents; in 1929 it was 80 cents to a dollar. Now, take Europe, for example, Germany, because that is one of our chief competitors. In 1924 it was 20 to 25 cents; and it is the same at the present time.
Senator KING. No; there has been an increase in wages in Germany as well as in materials.
Mr. ROBERTS. When was that?
Senator KING. Within the past few months; and in Belgium too.
Mr. ROBERTS. This information I have here was authentic not two months ago when I testified before the Ways and Means Committee, because I had gotten information at that time. I do not know what has happened since.
The figures I have cited give us in 1914 a ratio of 2 to 1; but in 1929 it is 4 to 1. In other words, we are twice as bad off as we were in 1914; our hourly rate is 90 cents, and our material has increased—brass and copper 30.7 per cent.
Senator KING. It has increased abroad, too.
Mr. ROBERTS. Yes, to a certain extent; but in thinking of raw material you have got to take into consideration castings, and labor conditions in making those castings.
Senator KING. But they have to get their copper from the United States.
Mr. ROBERTS. Certainly; but we have to pay for iron castings as high as 14 cents a pound, and raw iron is not worth 14 cents. The only reason for that price is because of the labor involved; and our raw material has advanced 20 per cent, and the woodwork in the cases has advanced 60 per cent. Especially in woodwork can the Germans get by cheaper than we can I have gotten that from them direct.
Senator KING. What do you mean by saying that the woodwork has advanced 60 per cent?
Mr. ROBERTS. That is for the bases and woodwork that is used, the finished bases, the finished blocks or finished cases on which to mount the metal parts of our instruments. We do no woodworking.
Senator KING. Do you mean to say that you pay the furniture manufacturer, because he manufactures the woodwork for you, 60 per cent more than you paid him a few years ago?
Mr. ROBERTS. That was in 1921; yes, sir.
Senator KING. In comparison with 1921?
Mr. ROBERTS. Yes, sir.
Senator KING. What about the years 1923 and 1924?
Mr. ROBERTS. I do not know anything about 1923 and 1924; I did not take them for those years; I took 1921 and 1929 for comparison.

Senator KING. Do you mean to say that the furniture manufacturers have increased their costs, or their sales prices, 60 per cent starting in two or three years ago?

Mr. ROBERTS. I mean that the men——

Senator KING. Or are they increasing now?

Mr. ROBERTS. That the men that we get these same bases from have increased the price to us.

Senator KING. Since 1921.

Mr. ROBERTS. Yes, sir; I do not know anything about their regular line.

Senator REED. All right; go ahead.

Mr. ROBERTS. Take this first article I have before me. The cost in labor in our factory is $13.50; raw material, $6; factory overhead, $16.50, making a total of $36. I can import that into New York c. i. f. without duty $24.40; 40 per cent duty $33.10; and 50 per cent duty would be $35.50.

I have another one here, a declination and inclination meter. Labor, $12.90; raw material, $5.25; factory overhead, $15.25, a total of $33.40. I can import that into New York c. i. f. $23.48; 40 per cent duty $32.25; and at 50 per cent duty it would be $34.05. I can give you a dozen examples, but those are typical.

Senator REED. I am struck by the very high allowance you make for factory overhead.

Mr. ROBERTS. We make 125 per cent on the labor.

Senator REED. Why is so much necessary?

Mr. ROBERTS. On account of the engineering.

Senator REED. Because the production is small?

Mr. ROBERTS. The production is small, and the engineering cost is so high. I know some firms in a similar line of business that have even 250 per cent, and I have been told of one firm—it is not official, so I can not give the name of the firm—whose overhead was 300 per cent.

Senator KING. That is to say that if the labor amounted to $1,000, then the overhead would be $3,000?

Mr. ROBERTS. Yes. That includes all engineering and development expense. You see, Senator, this is a small production affair.

Senator KING. Do you include in your overhead the cost of your raw materials?

Mr. ROBERTS. No, no.

Senator KING. Just simply the labor cost.

Mr. ROBERTS. Just simply labor.

Senator KING. And multiply that by 3?

Mr. ROBERTS. We do not; no, no. We multiply it by 1.25.

Senator KING. One and a quarter.

Mr. ROBERTS. One and a quarter; yes.

Senator REED. All right, Mr. Roberts, go ahead.

Mr. ROBERTS. Now, the matter has come up—and I am sure you want my opinion about it—about these imports and exports and production figures.

I have read over carefully this Tariff Information, 1929.

Senator KING. You mean the tariff information schedule or report?

Mr. ROBERTS. Yes, sir; this [indicating]; and I realize what any fact-finding body of the Government is up against in trying to get a proper classification, because, in the parlance of the customs author-

ities, this information has never been refined. It has been a general classification.

If I want to bring in a balance under paragraph 399; nobody questions it, because it is the same rate.

I find here that they have the production of laboratory balances and weights, laboratory and lecture apparatus, and laboratory hardware given as $1,300,000. Now grant for the purposes of argument that that is true.

Senator KING. That was in 1928?

Mr. ROBERTS. That was in 1924—the last one that is in this book here. That is in paragraph 360, page 772, Senator. That is correct; is it not?

Senator REED. That is right; yes.

Mr. ROBERTS. Now, on page 773, the table for imports, the first division given there is "Philosophical, scientific, and laboratory instruments." I am sure that does not include anything it should not and their total under that head is, European value, $900,689.

Senator KING. For 1928?

Mr. ROBERTS. Yes; I guess it is 1928. This is the foreign f. o. b. value; and if you want to get that on the same basis as American production, you should add 40 per cent for duty and 10 per cent for transportation and other expenses, which will bring that up to $1,351,000. If you pass up two other classifications—drawing instruments and surveying instruments—and go on to the next one, "other scientific and professional instruments, apparatus and supplies," you find that they have a further classification there that to my mind is rather doubtful as to what it includes. If you give the foreigner the benefit of the doubt, you will have to say that on American valuation the imports were $1,351,000. If you want to give the American manufacturer the benefit of the doubt, you will have to add that $489,000 reduced to a landed value of $748,289, or a total import of 32,099,323.

Senator KING. What would be the basis in determining the American value?

Mr. ROBERTS. Forty per cent duty.

Senator KING. No; I am speaking of the domestic product. Where does the Tariff Commission establish the basis for the American value—the wholesale price, or the retail selling price, or what? When they say that the production, for instance, of pyrometers is $2,250,000 for 1924, where is that value fixed?

Mr. ROBERTS. If they were to send that questionnaire to me and ask me the value, I would give them the factory cost on it.

Senator KING. Oh, this is the factory cost?

Mr. ROBERTS. The factory cost, including overhead; yes, sir.

Senator KING. That would not be, then, the selling price; so that instead of being $2,250,000 it might be considerably more, depending upon the price which was obtained by the manufacturer for the article sold?

Mr. ROBERTS. I do not know what other manufacturers do. I do not know what their practice is. I could not tell you.

Senator KING. Have you any idea as to what they add to the cost? Do they add 25 per cent, or 30 or 40, or what?

Mr. ROBERTS. If they are going to make any money, they ought to add about 30 per cent or 33⅓ per cent.

Senator KING. But you do not know that?

Mr. ROBERTS. No.

Senator KING. Take the factory you represent: Are you a director of it?

Mr. ROBERTS. Yes, sir.

Senator KING. What do you add to your cost?

Mr. ROBERTS. Well, I suppose it is an average of a third—the selling price.

Senator REED. You are able to do that in spite of these importations?

Mr. ROBERTS. On certain items, which are becoming more restricted every day.

Senator KING. When was your company organized?

Mr. ROBERTS. In 1904. The present owners secured it in 1904; it was organized, I think, in 1900.

Senator KING. Was it engaged in the manufacture of these instruments in 1900?

Mr. ROBERTS. Yes. Our business is a jobbing and manufacturing business. I should say that 40 per cent is manufacturing, or 50 per cent manufacturing, and the rest is jobbing.

Senator KING. Will you please tell us what the articles were that you manufactured prior to the war and prior to the tariff act of 1922?

Mr. ROBERTS. Yes, sir; I will.

Senator KING. I am speaking of these philosophical and scientific instruments.

Mr. ROBERTS. Yes.

Prior to the war we manufactured a line of apparatus that was chiefly applicable to what we will call high-school and preparatory-school work. The business was very, very small, and those schools were small, and they did not understand the method of importing free of duty, and we got that business. Very seldom did we sell to colleges, for two reasons: First, we could not sell to them on account of the competition. The second reason was, our product was not up to the college standard.

Senator KING. Has your output expanded since those days?

Mr. ROBERTS. Yes, sir.

Senator KING. Has it increased every year?

Mr. ROBERTS. Yes.

Senator KING. Substantially?

Mr. ROBERTS. Yes.

Senator KING. Was it greater last year than year before?

Mr. ROBERTS. As far as manufacturing was concerned, it is about at a standstill; but the total volume of business has increased.

Senator BARKLEY. Is your product up to the standard of the colleges now?

Mr. ROBERTS. Yes, sir.

Senator REED. You have gone in for a new market, then?

Mr. ROBERTS. Yes. Well, we still have the old market—understand that—but we have developed those instruments that are applicable to precision work.

Senator KING. Have you exported?

Mr. ROBERTS. Our exports are confined to some specialties that we make, and also to mission schools and government schools in the Philippines that have had their people trained in this country.

Senator KING. You have exported, then?
Mr. ROBERTS. Oh, yes; we have exported.
Senator KING. You have exported these instruments upon which you are asking for an increase in tariff?
Mr. ROBERTS. Yes; but the volume of those manufactured instruments last year would not be more than $50,000.
Senator KING. Have you increased the capital stock of your company?
Mr. ROBERTS. Yes.
Senator KING. You have declared stock dividends, have you not?
Mr. ROBERTS. Yes.
Senator KING. When was the last stock dividend you declared?
Mr. ROBERTS. Five years ago, I guess.
Senator KING. There has been one since then; has there not?
Mr. ROBERTS. No; I think not.
Senator KING. How much of a stock dividend did you declare then?
Mr. ROBERTS. We increased our capital stock at that time to $500,000 common and $500,000 preferred.
Senator KING. And what was the stock before?
Mr. ROBERTS. We had been running along for about 20 years on $100,000.
Senator KING. And you declared a stock dividend, making a million preferred and common?
Mr. ROBERTS. Yes, sir.
Senator KING. And you put in no additional capital?
Mr. ROBERTS. No, sir.
Senator KING. And you have been paying dividends upon that increase from $100,000 to $1,000,000?
Mr. ROBERTS. Yes, sir.
Senator KING. You increased it ten times?
Mr. ROBERTS. Pardon me, now: That $100,000 did not represent what was invested in the business at that time. We had a surplus that we capitalized.
Senator KING. Well, you had been paying dividends upon the original capital, and had established a considerable surplus?
Mr. ROBERTS. Yes, sir.
Senator KING. What was the surplus that you had accumulated?
Mr. ROBERTS. That had been accumulated over about 25 years or 20 years. It was about $700,000.
Senator KING. $700,000; and what dividends had you been paying in the meantime?
Mr. ROBERTS. We did not pay any dividends to amount to anything until about four years ago.
Senator KING. Did you pay any on that $100,000?
Mr. ROBERTS. Sometimes we did not; no, sir.
Senator KING. Then you increased the stock, as you stated, to $1,000,000?
Mr. ROBERTS. Yes, sir.
Senator KING. And you have been paying dividends upon that ever since?
Mr. ROBERTS. Yes, sir.
Senator KING. What dividend did you pay in 1926?

Mr. ROBERTS. The average dividend on the common and preferred stock was 13 per cent.
Senator KING. And in 1927?
Mr. ROBERTS. It was 11 per cent.
Senator KING. And in 1928?
Mr. ROBERTS. I do not know. Pardon me—the dividend in 1928 was 13 per cent.
Senator KING. And in 1927 it was what?
Mr. ROBERTS. It was about 11 per cent.
Senator KING. About 11 per cent; and in 1925 what was it?
Mr. ROBERTS. I do not know.
Senator KING. In 1924?
Mr. ROBERTS. I have not the figures here.
Senator KING. Do you represent any other corporations or companies or associations except your own business?
Mr. ROBERTS. I said so, yes, sir.
Senator KING. That is what I understood. What companies do you represent?
Mr. ROBERTS. Do you want me to read the names of them?
Senator KING. No; give me the largest one, for instance.
Mr. ROBERTS. There are not any large ones here. Most of these companies are in Chicago. Here is the Chicago Apparatus Co.
Senator KING. What is its capital stock?
Mr. ROBERTS. I do not know.
Senator KING. What is its dividend?
Mr. ROBERTS. I do not know.
Senator KING. What stock dividends has that company paid?
Mr. ROBERTS. None that I know of.
Senator KING. Will you say it has not?
Mr. ROBERTS. Not that I know of.
Senator KING. What other companies do you represent?
Mr. ROBERTS. Eberbach & Son.
Senator KING. Give me the name of one of the largest domestic manufactures in the United States.
Mr. ROBERTS. Well, Gaertner—I am speaking of this group that I am representing here of scientific-instrument concerns— the Gaertner Scientific Corporation.
Senator KING. Where is that company?
Mr. ROBERTS. That company is in Chicago.
Senator KING. What is its capital stock?
Mr. ROBERTS. I do not know.
Senator KING. Do you know what dividends it has paid?
Mr. ROBERTS. Very little, if any.
Senator KING. Do you know whether it has declared stock dividends?
Mr. ROBERTS. I think not. I do not know. The International Equipment Co., of Boston.
Senator KING. Are you familiar with that company?
Mr. ROBERTS. Yes. I know they have not paid dividends.
Senator KING. When was that company organized?
Mr. ROBERTS. I do not know.
Senator KING. Is it a large corporation?
Mr. ROBERTS. No. L. E. Knott & Co., of Boston.

Senator KING. Let me inquire: Are there other companies engaged in the manufacture of these articles that you are speaking of, outside of those which you represent? As I understood the preceding witness, there are about 200 in the United States engaged in these activities, and the tariff statement shows that a number of years ago there were 197.

Mr. ROBERTS. I am going to disagree with both of them. It is a matter of definition, Senator. I do not believe that there are 200 companies in this country that are manufacturing the class of instruments that I am talking about. I do not believe there are 50 companies manufacturing metal instruments.

Senator KING. Are there 200 that are manufacturing the metal instruments and scientific and philosophical instruments—those that would come under this paragraph?

Mr. ROBERTS. I do not think so; no, sir. Here is the situation——

Senator KING. I am not very much concerned about it, but the preceding witness mentioned it.

Mr. ROBERTS. Here is the situation: You may find a small manufacturing concern here in Washington that is manufacturing a piece of apparatus, say, for one of the Government departments. They start out and make a sample of it. It may prove to be a good thing, and they may manufacture it for four or five years, or something of the kind, until the demand is supplied. Now I do not call those fellows in our class. They are manufacturers of scientific instruments, however, and if you should ask them perhaps they would say they are.

Senator REED. Mr. Roberts, you said that last year your dividends were 13 per cent.

Mr. Roberts. Yes, sir.

Senator REED. On the total par value of your capital stock?

Mr. ROBERTS. Yes, sir.

Senator REED. Presumably you paid more on your common stock than on your preferred stock?

Mr. ROBERTS. Yes.

Senator REED. What was your gross production? What were your gross sales last year?

Mr. ROBERTS. Our gross sales last year were about $2,700,000. Understand, Senator, that was not all manufactured goods. I should say that not over half of it was manufactured in our place.

Senator REED. So that your stockholders got about 5 per cent profit out of your gross sales?

Mr. ROBERTS. Yes sir.

Senator BARKLEY. Are you setting aside any surplus in addition to your dividends?

Mr. ROBERTS. Oh, yes, we are conservative on that.

Senator BARKLEY. How much surplus did you set aside last year?

Mr. ROBERTS. I have forgotten the amount last year; the figures are just off, Senator; but we have about $200,000 surplus.

Senator BARKLEY. That is, you have that much now?

Mr. ROBERTS. Yes; about that.

Senator BARKLEY. That has been accumulating since you recapitalized?

Mr. ROBERTS. Yes; about five years ago.

Senator REED. Is there anything else, Mr. Roberts?

Mr. ROBERTS. Yes; I have a few things I want to speak about.

Senator KING. I have read your brief in the House. It is very full. Is there anything with which you want to supplement that?

Mr. ROBERTS. Yes; there is.

One main thing that I do want to bring out is this classification, the reading of the section, because these scientific instruments—for example, balances and weights, which have been in there—have been put under section 399. Others have been put under the general section which includes machines.

We find that the customs courts are continually rendering decisions that to our notion do not give the correct classification. For example, here is Treasury Decision 43159, which places ohmmeters, megohmmeters, and carbon-dioxide recorders in a section having a 30 per cent rate. That was for machines. My idea of a machine is entirely different from what a megohmmeter or an ohmmeter is. My notion of a machine is something that produces energy that can be used in a commercial or industrial manner; and while these megohmmeters and ohmmeters have a few little cogs in them, and you turn a crank, they do not generate enough electricity to be of any use whatever, except to show the deflection of a very sensible magnetic needle.

Senator KING. You think that ought to be classified under paragraph 360?

Mr. ROBERTS. That is what it was intended to be. It is a scientific instrument.

Senator REED. How are we going to attain the end? What change would you suggest?

Mr. ROBERTS. I have something here that I should like to read, if you care to have me.

Senator REED. I wish you would.

Mr. ROBERTS. It is rather long, but I will try to make it conclusive.

Senator KING. Is this a proposal to rewrite paragraph 360?

Mr. ROBERTS. Yes. (Reading:)

Philosophical, scientific, laboratory and industrial instruments, utensils——

Senator KING. You have the words "industrial instruments" there, have you?

Mr. ROBERTS. Yes, sir.

Senator KING. That language would include a spade, would it not?

Mr. ROBERTS. No; a spade is not an instrument.

Senator KING. What is it, a utensil? Go ahead, however.

Senator REED. Start again, please.

Mr. ROBERTS (reading):

Philosophical, scientific, laboratory and industrial instruments, utensils, appliances and apparatus, including indicating, recording, controlling instruments, devices capable of producing Röentgen vacuum with a pressure as low as 0.01 mm. or lower, for the measurement or instrumental control of physical, physiological, psychological, chemical, and biological quantities and processes in the fields of mechanics, sound, light, heat, electricity and magnetism, chemistry, electrochemistry and biology, including the measurement or control of the constituency, rate of flow or pressure of liquids and gases——

Now, this next is not ours, although it is in the same section:

Also drawing, surveying, and mathematical instruments——

We are not interested in them——

including models and devices used for demonstration purposes other than optical, all the foregoing and parts thereof, of metal, not containing clockwork mechanism, and not plated with gold, silver, or platinum, finished or unfinished, not specially provided for, whether used for experimental purposes, in hospitals, laboratories, schools, colleges, or universities, or otherwise, 50 per cent ad valorem.

Then the marking feature is the same as it was.

Senator REED. All right. The language of that is in your brief?

Mr. ROBERTS. Yes, sir.

Senator REED. And you will give it to the reporter?

Mr. ROBERTS. Yes, sir.

Now, there is a possible conflict between paragraph 360 as I read it, or the old one, either one, and paragraph 353 in the House bill that is before you.

Senator KING. The House bill?

Mr. ROBERTS. Yes, sir—paragraph 353, the fourth line of the paragraph, which contains the word "instruments." That, coupled up with the first word of that clause, would refer to electrical instruments.

Senator KING. So that it would read, then, "therapeutic and X-ray apparatus, instruments, and devices"?

Mr. ROBERTS. Yes. You see, the word "instruments" is set off by commas there, and you would have to go back to the word "electrical," the first word in the clause, to get the antecedent. "Electrical instruments" is the way that would be read; would it not?

Senator KING. Well, it might be "telephone, signaling, radio * * * instruments and devices:"

Mr. ROBERTS. Certainly; but electrical instruments would be classified under that. Now, I consider that a very broad terminology; and it can be applied to everything in the laboratory for demonstrating the properties of electricity, and would annul any claims we might make under paragraph 360.

The intent of paragraph 353 evidently was to include all commercial appliances using electricity, also therapeutic and X-ray apparatus, which is all right. We do not consider any of these belonging to paragraph 360; but we do claim for this paragraph all scientific instruments, including those as applied to electricity. We therefore suggest that the word "instruments" be omitted from paragraph 353, as its meaning is too broad to be applied to a paragraph dealing chiefly with commercial appliances.

Senator KING. You get 40 per cent under that section, though, just the same as you do under section 360.

Mr. ROBERTS. Yes. We are asking 50 per cent.

Senator KING. Yes; I understand. But if the committee concludes not to yield to your very admirable address, then you would not need that change?

Mr. ROBERTS. Well, yes; but I sincerely hope you do write it the way we have requested.

Senator REED. If in paragraph 353 we inserted a parenthetical clause reading "other than laboratory instruments" it would pretty nearly cover it; would it not?

Mr. ROBERTS. I judge so. You have men who are expert in those things, Senator.

There is one thing that was brought out in some preceding briefs by the men who are opposed to this increase, or opposed to any tariff whatever.

Senator KING. As I recall, there was only one witness here.

Mr. ROBERTS. No; I mean in the House. We had a couple of importing firms there, and they seemed to infer that the United States could not make good instruments. There is a very insidious murmuring or propaganda, as you may term it, going around that we can not make scientific instruments. It even got down to a specific instrument, and that was this spectrograph that you have heard so much of.

A spectrograph is a metal instrument which requires skilled metal men to make it. We have men in our employ who can make the metal portion of it, but not the glass part; but the Gaertner Scientific Corporation, of Chicago, which belongs to our association, is known all over the world as a manufacturer of high-grade instruments of precision. When those briefs came out I went to see Mr. Gaertner and asked him if he had made any of these instruments. I knew he had. He said, "Yes." I said, "Can you get any testimonials as to whether or not they are accurate?" I have here five or six testimonials from men that have used his spectrograph, men who are internationally known. For example, here is Dayton C. Miller, professsor of physics at the Case School of Applied Science, than whom there is no better physicist in the United States; and he states that he found the instrument to be first class in every respect, both as regards its optical parts and its mechanical construction.

The Commonwealth Edison Co. have an engineer there who took his post-graduate work in the University of Chicago. He gives it a very high rating.

There is a letter here from F. A. Osborn, professor of physics at the University of Washington, Seattle. I should like to read that.

Senator REED. Do not let us take time to read it.

Mr. ROBERTS. All right; and so on through. There are testimonials here from the New Jersey Zinc Co., the city of Seattle, the University of Michigan, Ann Arbor, and so on. I am here to say that Americans can make as good an instrument as is made anywhere in the world.

Senator REED. Where do they get their optical glass from—Jena?

Mr. ROBERTS. Americans?

Senator REED. Where does this man get his optical glass for the quartz spectroscope?

Mr. ROBERTS. I do not know. The principal thing is quartz, and he grinds it right in his own place from a chunk of quartz. I do not know where he gets his optical glass. I could not tell you; but you take the balances that are made here in this country: They are simpler, more sturdy. You take the chemical glassware made here: The German stuff can not pass our Bureau of Standards. The American product is of an accuracy that is unassailable; and the same is true of every good and high-grade precision piece of metal apparatus. I will put it up against any of them, and it will last longer.

Senator REED. All right, sir; thank you.

(Mr. Roberts submitted the following brief:)

BRIEF OF THE METAL INSTRUMENT SECTION OF THE SCIENTIFIC APPARATUS MAKERS OF AMERICA

FINANCE COMMITTEE OF THE SENATE,
Washington, D. C.

HONORED SIRS: In accordance with the notice of general tariff hearings by your committee, I desire to submit on behalf of the metal instrument manufac-

turers of the Scientific Apparatus Makers of America, a brief in regard to paragraph 360 of the present tariff law, and also to make certain suggestions on this paragraph for the law now in process of formation. Paragraph 360 includes all instruments and apparatus for scientific and laboratory use, exclusive of those classified under the optical instrument paragraph 228 and the laboratory glassware paragraph 218. The uses of the instruments contained in these three paragraphs are identical as is also the economic condition of the industry in regard to wages paid in Europe.

A brief history of the industry at this time may be interesting. Previous to 1914 we did not have a scientific instrument industry in the United States, as with very few exceptions all instruments were imported from Europe where in a number of countries to a great extent the industry was subsidized on account of its relation to national defense. Suddenly at the beginning of the World War, all imports were cut off due to the fact that the subsidized factories were making supplies necessary for the national defense and safety of their own countries. The United States was thrown upon its resources but fortunately we had two years in which to adjust ourselves and were able after a lengthy and costly delay to produce a limited amount of instruments.

Because of the economic condition of the industry at the present time and the continued increase of imports as well as the tendency to reclassify certain instruments at a lower rate, we ask:

1. In order to meet the economic condition, an increase of duty from 40 to 50 per cent.

2. In order to preserve the intent of the act, a more inclusive description of the items classified under paragraph 360.

To justify our claim for increase of tariff from 40 per cent as given in the Fordney-McCumber bill, to 50 per cent, we call your attention to the following data showing a continual increase of wages:

Comparison of the hourly wage of skilled instrument makers in the United States and Europe

	1914	1921	1929
United States.....per hour..	$0.40-$0.50	$0.65	$0.80-$1.00
Europe.....do.....	.20- .25	.....	.20- .25

You will notice that I left 1921 blank as far as European wages were concerned. This is due to the fact that on account of depreciated currency, it was impossible to determine true wages. You will notice that the ratio of wages of the United States to Europe from the above table in 1914 was 2 to 1, and in 1929 is 4 to 1; in other words, economically we are in worse shape to compete than we were in 1914. In 1921 the average hourly wage was 65 cents, in 1929 it is 90 cents, making a net increase in percentage of 38 per cent.

In addition to the wage increase, the cost of material has increased as follows:

	1921	1929
Copper sheet.....per pound..	$0.21¾	$0.27¾
Copper rod.....do.....	.19¾	.26¾
Brass sheet.....do.....	.16¾	.23¾
Brass rod.....do.....	.14½	.21¾
Iron castings.....	.107	.145
Woodwork (typical pieces).....	2.00	2.60
	2.75	4.00
	1.00	2.63

You will notice that there has been an average increase in raw materials of brass and copper of 30.7 per cent in iron castings of 35.5 per cent, in typical pieces of woodwork 60 per cent.

To justify our request for an increase, I will quote for your convenience the following comparative costs of typical pieces of scientific instruments. Numerous other articles can be given but as the line is so very extensive, I have only given a few items:

Items	American cost				Foreign cost (New York delivery)			Hour rate		Present duty
	Labor	Raw material	Factory overhead	Total	No duty	40 per cent duty	50 per cent duty	American mechanic	Foreign mechanic	
										Per cent
No. 6	$16.45	$2.08	$14.40	$32.93	$22.60	$30.73	$32.77	$1.00	$0.23-$0.26	40
Wheel and axle	.26	.40	.24	.90	.62	.844	.90	.70	.25	40
Gyroscope Bohnenberger	6.50	2.17	8.25	16.92	11.50	14.49	15.52	.75	.20- .25	40
Hydraulic press	16.50	13.50	20.00	50.00	24.00	32.64	34.80	.70	.20- .25	40
Magnetic needle declination and inclination	12.90	5.25	16.25	33.40	23.48	32.32	34.05	.85	.20- .25	40
Leyden jar	.68	.42	.70	1.80	1.15	1.54	1.67	.90	.20- .25	40
Primary and secondary coil	.40	1.25	.45	2.10	1.50	2.03	2.17	.70	.20- .25	40
Alternating current apparatus	13.50	6.00	16.50	36.00	24.48	33.28	35.50	.75	.20- .25	40

To further strength our claim for increased duty, I will submit the relative amounts of production in this country on scientific instruments and the imports. In looking over Tariff Information, 1929, compiled by the United States Tariff Commission, paragraph 360, page 772, is found a production table of certain groups of instruments obtained by the Tariff Commission in 1924. I realize how hard it is for any Government body to get the correct statistics on scientific instruments as the term is so broad, but granting that the production figures and the import figures are based on the same method of computation, we call your attention to the following production figures which can be readily classified as scientific instruments. I refer to the following subdivisions:

Laboratory balances and weights	$800,000
Laboratory and lecture apparatus	250,000
Laboratory hardware	250,000
Total production	1,300,000

By referring to page 773, the table for imports, the first division is philosophical, scientific, and laboratory instruments. This classification is supposed to include all of the above and gives the advantage to the foreign manufacturer of all mistakes of general classification. Selecting the one given in the Tariff Commission's report will minimize to the least possible figure the value of imports. The value of imports in 1928 was $900,689. This is the foreign value f. o. b. the European factory and in order to determine the landed value in this country, which would be comparable to the value of the American product, we should add 40 per cent for duty and 10 per cent for transportation, boxing, and insurance and other fees which would make the total imports have a landed value of $1,351,034, or if you wish to give the American manufacturer the benefit of a doubtful classification, you should add the classification "other scientific and professional instruments" which amounted in 1928 to $489,859, or a landed value of $748,289. This added to the previous landed value makes a total import of $2,099,323.

To further demonstrate that the imports have not declined under the present tariff law, I will refer to the following figures. In 1914 the total volume of imports of scientific instruments was $704,496. This dropped to $228,849 in 1921, the last year of the duty-free privilege, and then increased under the Fordney-McCumber Act to $900,689 in 1928—about 28 per cent over the imports in 1914 or 300 per cent over the imports in 1921. These figures are based on the classification "philosophical, scientific, and laboratory instruments."

Certain definite tendencies are evident to the manufacturers of scientific instruments. We notice from year to year that there is a continual drive on the part of European manufacturers to get this business back, and one by one we see the manufacture of our instruments cease. Since the opening up of the European markets, about 1921, the manufacture of the following instruments has ceased or diminished to an alarming extent: Certain types of electrical apparatus for demonstration, induction coils, tuning forks both physical and physiological, certain types of the more popular-priced analytical balances and weights, hand centrifuges, and certain types of oil-testing apparatus. So we wonder where the end will be unless we get this needed protection.

CHANGE OF WORDING IN PARAGRAPH 360

The importer, being a specialist on a particular item, sets up claims that are hard for the customs court to refute, and as he is so greatly concerned with lowering a rate, and also due to the fact that the definition of a scientific instrument is so broad, there has been a continual tendency to take instruments that should be classified as scientific out of paragraph 360 and place them in a paragraph having a lower rate; for example a recent decision (T. D. No. 43159) has placed ohmmeters, megohmmeters and carbon dioxide recorders in a section having a 30 per cent rate against the judgment of the United States customs appraisers. I am sure that impartial users as well as leading manufacturers would classify these devices as instruments for the measurement of electrical quantities in the field of electricity as applying to ohmmeters, megohmmeters, while CO_2 indicators are instruments for the determination of presence of certain gases, the only machine element being a clockwork control. Other decisions might also be cited, showing the continual effort to break down the intent of paragraph 360.

Therefore, I wish to suggest that in order to preserve the intent of the law, paragraph 360 should read as follows:

Old paragraph 360

Philosophical, scientific, and laboratory instruments, apparatus, utensils, appliances (including drawing, surveying, and mathematical instruments), and parts thereof, composed wholly or in chief value of metal, and not plated with gold, silver or platinum, finished or unfinished, not specifically provided for, 40 per centum ad valorem: *Provided*, That all articles specified in this paragraph, when imported, shall have the name of the maker or purchaser and beneath the same the name of the country of origin die sunk conspicuously and indelibly on the outside, or if a jointed instrument on the outside when closed.

Proposed paragraph 360

Philosophical, scientific, laboratory, and industrial instruments, utensils, appliances and apparatus, including indicating, recording, controlling instruments, devices capable of producing Roentgen vacuum with a pressure as low as 0.01 mm or lower, for the measurement or instrumental control of physical, physiological, psychological, chemical, and biological quantities and processes in the fields of mechanics, sound, light, heat, electricity, and magnetism, chemistry, electrochemistry and biology, including the measurement or control of the constituency, rate of flow or pressure of liquids and gases, also drawing, surveying, and mathematical instruments, including models and devices used for demonstration purposes other than optical, all the foregoing and parts thereof, of metal, not containing clockwork mechanism and not plated with gold, silver, or platinum, finished or unfinished, not specially provided for, whether used for experimental purposes, in hospitals, laboratories, schools, colleges, or universities, or otherwise, 50 per cent ad valorem: *Provided*, That all articles specified in this paragraph when imported shall have the name of the maker or purchaser and beneath the same the name of the country of origin die-sunk conspicuously and indelibly on the outside, or if a jointed instrument on the outside when closed.

I would also call your attention to the possible conflict between paragraph 360 and 353 (new), the fourth line of which contains the word "instrument." This is a very broad terminology and can be applied to everything in the laboratory for demonstrating the properties of electricity and would annul our claims in paragraph 360 for higher duty. We claim that electrical instruments as instruments should be in paragraph 360. The intent of paragraph 353 evidently was to include all commercial appliances using electricity, also therapeutic and X-ray apparatus. We do not consider any of these belonging to paragraph 360 but we do claim for this paragraph all scientific instruments including those as

applied to electricity. We therefore suggest that the word "instruments" be omitted from paragraph 353 as its meaning is too broad to be applied to a paragraph dealing chiefly in commercial appliances.

Going into detail more as to the importance of continuing the scientific-instrument industry in the United States, I am sure that everyone realizes the importance of scientific control of production, of sanitary conditions, the improvement of living conditions in our daily life and finally but not least, national defense. This can be assured to any country only by the production within its boundaries of an adequate supply of scientific instruments. This industry is not one of so-called "mass production" as the demand for any particular instrument is comparatively small when compared to an article turned out by other industries that cater to everyday needs, such as the automobile, etc. Therefore our manufacturers can not develop the mass production methods. Our workmen necessarily must be more intelligent and skillful; in fact they are practically the sole survivors of the guild of hand-working mechanics. These instrument makers are trained men who can work with their hands and at the same time necessarily must use their brains—men who can work on a hand lathe as well as an automatic; men who have the desire to produce an accurate instrument, who take pride in their product, and for this reason are constantly striving to make it more accurate. They must understand in a large degree the basic principles of science, perhaps not the laws but the practical application. Many times they understand this application better than the user. Looking over our own factory, I can see men who have been instrument makers for 30 years. They take personal pride in their work and are as critical of it as the user in the laboratory. You will realize that this type of mechanic is entirely different from the one in the modern automobile factory working in the production line, where according to Ford they can be trained in 24 hours. The skilled labor that we have been able to train to manufacture these instruments of precision has been of great help in developing some very important military instruments furnished to the various departments of defense of the United States, such as oxygen apparatus, bomb sights, etc.

You may also wish to know what has been the effect on the growth of the industry on account of the protection given by the Fordney-McCumber bill. This is rather hard to say as its products are so varied and in tariff classifications come under different heads. In the Association of Scientific Apparatus Makers of America of 54 members there are at least 22 that are making scientific instruments of metal—that is, perhaps, their chief industry. In 1913 the total number of employees, which includes nonproductive as well as productive, was 811; in 1928, 3,550. As near as we can ascertain, the volume of business including items manufactured and merchandized in 1913 was $3,500,000; in 1929, $13,750,000. I wish to emphasize that this does not include scientific glass, pyrometers, thermometers, and various control instruments.

I wish to state that the scientific apparatus industry is making practically everything needed for the scientific laboratory. In proof, I wish to make the following statement: In a report of the United States Tariff Commission entitled "Information Concerning Scientific Instruments," printed for the use of the Committee on Ways and Means in 1919, a survey was made of the different kinds of scientific instruments on the American market at that time. In reviewing this report in January, 1929, we find some very interesting changes, confirming the general belief that the United States is independent of foreign sources for scientific instruments. We will only enumerate those items that were reported unsatisfactory or unobtainable from American manufacturers in 1919.

For a detailed report on these instruments, we would refer you to the hearings before the Ways and Means Committee, pages 2258 to 2261, inclusive. The following instruments stand out in this list that are essential to the life of the Nation:

Air speed meters for United States Air Corps; altmeter recorders for United States Air Corps; bomb sights for United States Air Corps; machine gun chronographs, for testing action of machine guns; torpedo chronographs, for speed of torpedoes; soleil compensators; length comparators, various kinds; ecolostats; flame testing apparatus; grain crusher for testing hardness of grain; mosaic indicators, for United States Air Corps; Woodyatt injection apparatus for intravenous precision injections; liquid fuel weighing machines, for gasoline engine testing; manometric altitude recorders for airplanes; manometers, all kinds, for United States Air Corps; microphotometers, various kinds; nephoscope, for cloud observation; oxygen breathing apparatus for United States Air Corps; pantogravers for United States Hydrographic Office; propeller protractors; recording supercharger gauges for United States Air Corps; rotating sector photometers;

rubber testing machines; X-ray spectrometers; smoke recorders; vertical view finders for United States Air Corps; wind-tunnel balance for United States Air Corps.

What are our members making that is essential to the well-being of this country? Control instruments of all kinds, instruments used in production and for the control of production; instruments used in the regulation of moisture, temperature, etc., instruments used in analysis of various products; instruments used in laboratories, all kinds of public health laboratories, the Bureau of Standards, the Medical Departments of the Army and Navy, aviation, navigation; and in fact everything contributing to the comfort and safety of our population. These instruments produced in our plants have enabled the manufacturers of such products as automobiles and household conveniences of all kinds to make a better product and at a lower cost. Shall we turn this industry over to a foreign country and become dependent upon them?

What will be the effect if we train our students with foreign apparatus and supplies? Will they not have a poor opinion of the scientific training they have received as practically applied? Will they not desire the foreign balance, the foreign microscope, the foreign testing machine when they go into the industries? In addition, do not our technical schools train men for positions in scientific work, and yet at the same time some of these schools desire to deprive the same men of a position by eliminating a possible field on account of transferring an industry to a foreign land. Other countries have found it necessary to protect the instrument trade. England's highest tariff is on this key industry, namely, 50 per cent. She had her lesson in 1914–1918 and has profited by it. Shall we?

Another question that may be asked: Are your instruments as accurate and as well made as the European? In reading over the briefs that have been submitted by some of the importers and representatives of European houses, we find that there is a continual effort to cast suspicion upon the accuracy and desirability of the American instrument as a class. I believe we can say without contradiction that such insinuations are without foundation and that the American-made instrument is sturdier, is simpler in design, and results can be obtained from it more quickly than from a European instrument of the same type. I would refer you to our various recorders, to some of our analytical balances with quick reading devices, and to various other similar instruments.

The Gaertner Scientific Corporation of Chicago is known all over the world as manufacturers of high-grade instruments of precision. It was intimated in a previous brief that we could not produce proper optical instruments. This is one of the Gaertner specialties. I wish to submit copies of letters from users of the various Gaertner instruments and let them speak for themselves. These are from recognized universities and control laboratories.

DEPARTMENT OF PHYSICS,
CASE SCHOOL OF APPLIED SCIENCE,
Cleveland, Ohio, July 1, 1929.

The GAERTNER SCIENTIFIC CORPORATION,
Chicago, Ill.

GENTLEMEN: I have received your letter of June 25 regarding the wave-length spectrometer No. L231 of your make which we have been using for some time past. We have found this instrument to be first class in every respect, both as regards its optical parts and its mechanical construction. It is very conveniently arranged for operation and has given us entire satisfaction.

It is gratifying to know that apparatus of this description of the highest quality is being manufactured by your corporation. I wish you every success.

Very truly yours,

DAYTON C. MILLER,
Professor of Physics.

COMMONWEALTH EDISON CO.,
Chicago, Ill., June 27, 1929.

GAERTNER SCIENTIFIC CORPORATION,
Chicago, Ill.

GENTLEMEN: Approximately a year ago the Commonwealth Edison Co., purchased from your concern an L251A quartz spectrograph; also a Hartman microphotometer. These instruments have been in weekly use in our lighting labora-

tory for testing various carbon arc devices. The results obtained must be accurate and trustworthy.

It is also necessary that instruments shall be such that the work can be carried out rapidly. The construction of your L251A quartz spectrograph being all metal has facilitated our work, since the ruggedness of the design has permitted continued use without interruption.

Our physicist had an opportunity during a postgraduate course at the University of Chicago in spectroscopy, to compare other instruments of foreign make with the instruments which you manufacture. It was his experience with foreign instruments which led us to consider the purchase of a Gaertner spectrograph. Work which he carried out in the university indicated that the mechanical details of foreign instruments are relatively clumsy and fragile, and that for all-around serviceability your instrument is superior.

A year's experience with the instrument shows that the spectrograms obtained are clean and that lines are sharply defined.

Our physicist while at the university found much manipulation necessary in order to place the foreign instruments in focus, and to maintain them in working order. We were, therefore, pleased when we received the spectrograph from your concern, to be able to start work with it at once.

We, therefore, take this opportunity to state that for the test work we have carried out with your instrument the results have been satisfactory.

Yours very truly,

E. A. SCHWEITZER,
Chief Testing Engineer.

UNIVERSITY OF WASHINGTON,
DEPARTMENT OF PHYSICS,
Seattle, April 24, 1929.

WM. GAERTNER SCIENTIFIC CORPORATION,
Chicago, Ill.

GENTLEMEN: The constant deviation spectrometer sent us recently is in some respects very satisfactory. We find the wave-length scale has an error throughout its length of less than one Å. This is far ahead of my other instrument.

I wish you had provided a method of illuminating the cross hairs. With the prism cover on it is nearly impossible for the students to set on a narrow line.

If our instrument is in working order, we find it very difficult to hold the scale at a fixed value while setting the cross hairs on the line. The knuried wheel either does not hold or the turning mechanism works too hard. Will you inform me if this is usual?

Very truly yours,

F. A. OSBORN.

CHICAGO, ILL., *June 26, 1929.*

GAERTNER SCIENTIFIC CORPORATION,
Chicago, Ill.

GENTLEMEN: I have had occasion to operate quartz spectrographs of various foreign makes and to compare their quality of workmanship, design, and convenience of operation with your American made, large, all-metal quartz spectrograph, L–251A, and your smaller model, L–250. In consequence of this critical comparison I have abandoned the use of foreign-made instruments in favor of your spectrographs, with which my laboratories are now equipped.

In addition to my conviction that the Gaertner Scientific Corporation spectrographs especially, and American instruments in general, are superior to the best foreign makes, I wish to point out the tremendous economy of time incident to an immediate service, obtainable from American manufacturers, as compared to the long delays in the case of foreign instruments.

Yours truly,

PACINI LABORATORIES,
A. J. PACINI, *Director.*

LIGHTING DEPARTMENT,
City of Seattle, January 16, 1922.

WM. GAERTNER & CO.,
Chicago, Ill.

GENTLEMEN: I am in receipt of your bill of January 1 and am also in receipt of the machine (wave-length spectrometer), and after working with it, I find it

to be one of the best I have ever seen and thoroughly satisfactory in every way. Surely, there is no need of anyone going outside of America for such an instrument. I will attend to the bill shortly.

The machine was long delayed on account of the Christmas traffic, but came in good shape and I have now set it up and made a few tests. I find the lines I was looking for but unfortunately, so far, they are scientific rather than commercial. However, by working along, I hope to reach a commercial stage.

Yours truly,

J. D. Ross, *Superintendent.*

THE NEW JERSEY ZINC CO. (OF PENNSYLVANIA),
Palmerton, Pa., June 27, 1929.

THE GAERTNER SCIENTIFIC CORPORATION,
Chicago, Ill.

DEAR SIRS: In reply to your letter of June 25 asking for an expression of opinion as to the large Littrow type quartz spectrograph No. L253, which you furnished us in 1923, we are glad to say that we have found it extremely satisfactory in every respect. It has been in constant use in our laboratory under the writer's direction for nearly six years, during which time we have taken with it over 13,000 photographic plates. These have been mainly for the quantitative estimation of impurities and minor constituents of materials.

Work such as this requires an instrument of the highest grade, one that is optically accurate and mechanically stable, for it is absolutely essential that the spectrum shall be sharply focused and shall stay in focus constantly. In both of these respects we believe that your instrument is fully equal to the best of the foreign-made instruments.

In many respects we consider it superior to any foreign spectrograph of which we know, mainly because of the all-metal construction which avoids the difficulties which are frequently caused by the shrinkage and warping of wooden parts when those are used. In addition, there are many other details of design which make your instrument particularly satisfactory for routine industrial use such as that for which we are using it.

In furnishing you with this information, we request that you do not use it for advertising purposes.

I am inclosing herewith a reprint of a paper which I recently published thinking that you and Mr. Gaertner may find it of interest.

Very truly yours,

C. C. NITCHIE, *Research Division.*

UNIVERSITY OF MICHIGAN,
DEPARTMENT OF CHEMISTRY,
Ann Arbor, June 28, 1929.

THE GAERTNER SCIENTIFIC CORPORATION,
Chicago, Ill.

GENTLEMEN: In reply to your letter of June 25 with regard to L231 wave-length spectrometer, I would say that if the instrument you refer to is the one purchased on order No. 123828 of January 3, 1924, it has proved very satisfactory, having been used for photographic work and for general comparison of wave lengths, but no attempt has been made to do any very accurate wave-length measurements. Just now the instrument is somewhat out of adjustment and is to be sent to you to be put in order. I should also add that the fine structure of the bands in gas spectra is very nicely shown by the instrument.

Very truly yours,

D. M. LICHTY,
Associate Professor General Chemistry.

HANDY & HARMAN,
Bridgeport, Conn., July 1, 1929.

THE GAERTNER SCIENTIFIC CORPORATION,
Chicago, Ill.

GENTLEMEN: We are pleased to say that we have found the L253 quartz spectrograph very satisfactory. We are using the instrument nearly every day, and from a qualitative point of view, it has been of great value.

In the case of certain alloys we have been able to make approximate quantitative analyses. We should be glad to have you refer to us at any time regarding our experience with this instrument.

Yours very truly,

ROBERT H. LEACH, *Manager.*

MASSACHUSETTS INSTITUTE OF TECHNOLOGY,
RESEARCH LABORATORY OF APPLIED CHEMISTRY,
Cambridge, Mass., December 29, 1925.

GAERTNER SCIENTIFIC CORPORATION,
Chicago, Ill.

GENTLEMEN: I wish to commend you most heartily for your contemplated change in design for the slit of the quartz spectrograph. Please put us down for one of these with stainless steel jaws and micrometer head. With this very good improvement the instrument should surpass anything now manufactured in its class.

The new German silver slit which you sent to replace the original faulty one continues to work fairly satisfactory, but invariably the spectra have long white streaks, showing that the knife edges are not perfect.

Thanking you for your splendid greeting card and extending the best wishes of the season for a very prosperous year,

Very truly yours,

GEORGE L. CLARK,
Assistant Professor of Applied Chemical Research.

Should Congress decide to go on a lower duty basis, some of our companies would necessarily go out of business. Those surviving would have to depend for supplies upon another country where labor conditions are in a ratio to the competitive selling prices that would be forced upon us in the United States. The result would be that our mechanics and, in fact, 75 per cent of our force, would be dismissed, as it would not be necessary to carry a large stock in this country and no manufacturing would be necessary. The labor would be foreign labor. Our value as a corporation to our country in an emergency such as we faced would be measured by the amount of merchandise that we have on hand when the crisis comes. We will not be able to replenish our stock since our source of supply is cut off. Our men who have been trained through a period of years will have to turn to mass machine production where the machine does the thinking and turns out the work automatically. We are reproached continually by foreign countries with the assertion that our mechanics are not as intelligent as theirs and the only way we can produce is by the mass method. Should we prove to them that this assertion is correct by lowering the tariff so that the man without brains can afford to work for the rate that we impose upon them? Is this a desirable situation for the country?

William Ainsworth & Sons, Denver, Colo.; Barnstead Still & Sterilizer Co., Boston, Mass.; Central Scientific Co., Chicago, Ill.; Chicago Apparatus Co., Chicago, Ill.; Eberbach & Son Co., Ann Arbor, Mich.; The Emerson Apparatus Co., Melrose Highlands Mass.; Fisher Scientific Co., Pittsburgh, Pa.; Freas Thermo-Electric Co., Irvington, N. J.; Gaertner Scientific Corporation, Chicago, Ill.; Hoskins Manufacturing Co., Detroit, Mich.; International Equipment Co., Boston, Mass.; L. E. Knott & Co., Boston, Mass.; Leeds & Northrup Co., Philadelphia, Pa.; Precision Scientific Co., Chicago, Ill.; Precision Thermometer & Instrument Co., Philadelphia, Pa.; Rubicon Co., Philadelphia, Pa.; Schaar & Co., Chicago, Ill.; C. H. Stoelting Co., Chicago, Ill.; C. J. Tagliabue & Co., Brooklyn, N. Y.; Taylor Instrument Co., Rochester, N. Y.; Torsion Balance Co., New York City; University Apparatus Co., Berkeley, Calif.; Voland & Sons, New Rochelle, N. Y.; W. M. Welch Manufacturing Co., Chicago, Ill.; Seederer-Kohlbusch, New York City; University Apparatus Co., Berkeley, Calif.; Braun Corporation, Los Angeles; Braun Knecht Heinman, San Francisco; Denver Fire Clay Co., Denver, Colo.

LETTER FROM THE GENERAL ELECTRIC CO., SCHENECTADY, N. Y.

Hon. REED SMOOT,
Chairman Senate Finance Committee, Washington, D. C.

DEAR SIR: Our attention has been called to evidence submitted by Mr. Theodore M. Johnson, of the Educational Buyers' Association, and also purchasing agent for New York University, to the Senate Finance Committee on Friday, June 21, 1929, concerning duty-free importation of scientific instruments. As Mr. Johnson's evidence does not appear to us to accord with the facts, we beg permission to submit evidence to controvert certain statements made by the said Mr. Johnson before the said committee.

Mr. Johnson stated that an order for a certain motor generator had to be given to a firm in Germany just because it could not be procured in the United States. We inclose herewith affidavit of Mr. R. D. Mure, assistant manager of the central station department of the General Electric Co., which we believe covers the particular motor generator referred to by said Johnson and which affidavit is to the effect that the General Electric Co. offered to make said generator but Mr. Johnson procured it in Germany because of the difference between the cost of its manufacture here and abroad.

Mr. Johnson also implied, we are informed, that instruments for the study of X rays were not made in this country of sufficient quality to warrant the scientists of this country working with them. In this connection we submit an affidavit of Prof. Wheeler P. Davey, of the Pennsylvania State College, which affidavit, we believe, controverts the statement made by said Mr. Johnson before the Finance Committee of the United States Senate in respect to X-ray apparatus.

We respectfully ask that these affidavits be made a part of the record in respect to duties to be imposed on the importation of scientific instruments referred to in the testimony of said Johnson.

Very truly yours,

J. FRANK ZOLLER,
Tax Attorney.

STATE OF PENNSYLVANIA,
County of Centre, ss:

Wheeler P. Davey, being duly sworn, deposes and says:

That he is professor of physical chemistry at the Pennsylvania State College; that he regularly teaches the theory and practice of the use of X rays in the analysis of the structure of crystals; that he has published the results of numerous researches on the subject; and that he has been and now is employed in a consulting capacity by industrial corporations in connection with their physico-chemical problems, especially in connection with the X-ray analysis of crystal structures and related subjects.

He further deposes and says that he has used and still uses successfully both in teaching the X-ray analysis of crystals, and in academic and industrial research work on crystal analysis and related subjects, the "X-ray diffraction apparatus" manufactured by the General Electric Co., Schenectady, N. Y.

He further deposes and says that to his personal knowledge similar equipment manufactured by the General Electric Co. is in successful use in the United States Bureau of Standards at Washington, D. C., the United States arsenal at Watertown, Mass.; the Bell Telephone Laboratories at New York, N. Y.; the research division of the New Jersey Zinc Co., at Palmerton, Pa.; and the experimental station of E. I. du Pont de Nemours & Co., at Wilmington, Del.; and that it is in successful use in many institutions of learning in the United States, including among others (in addition to the Pennsylvania State College), Harvard University, Yale University, Massachusetts Institute of Technology, Cornell University, University of Michigan, University of Wisconsin, and University of Minnesota, and that in these schools it is owned and operated by such widely different departments and sections as physical chemistry, physics, metallurgy, and geology.

WHEELER P. DAVEY,
State College, Pennsylvania.

Subscribed and sworn to before me this 3d day of July, 1929.

[SEAL.] LILLIAN I. GARBRICK,
Notary Public.

My commission expires February 7, 1931.

STATE OF NEW YORK,
County of Schenectady, ss:

R. D. Mure being duly sworn deposes and says that he is assistant manager of the central station department of the General Electric Co., and has held such position for about five years; that his attention has been called to certain testimony of Mr. Theodore M. Johnson, president of the Educational Buyers' Association, and also purchasing agent for New York University, before the Senate Finance Committee of the United States Senate concerning the pending tariff bill; that such testimony taken from the records of said Senate Finance Committee reads as follows:

"Mr. JOHNSON. My experience in purchasing for New York University is just this:

"For instance, here is a motor generator which anyone would feel that the American manufacturers could make. I appealed to the American manufacturers, the General Electric Co., and some of the larger ones that we do business with constantly, to make this motor generator. It was of slow velocity, and very special in specifications. I finally had to give the order to a firm in Germany just because I could not get it here."

That deponent verily believes that the motor generator set referred to in said Johnson's testimony is the one for which Prof. Alexander Klemin, of the Daniel Guggenheim School of Aeronautics requested a quotation on November 25, 1927; that said equipment was special consisting of a 10 kilo-volt ampheres, 480 cycle, 3 phase, 30-volt generator driven by a 220-volt, 2-phase, 60 cycle induction motor and having a direct connected exciter; that the said General Electric Co. did submit a quotation on January 27, 1928, on said generator set so requested by said Professor Klemin but found that the said Johnson had a quotation from some German manufacturer which would enable said Johnson to purcure said equipment at a figure somewhat less than was quoted said Johnson by the General Electric Co. and for that reason, as deponent verily believes, the order was awarded to the German company instead of to the General Electric Co.; that there is no question in the opinion of deponent about the General Electric Co. being in a position to furnish at all times the apparatus referred to in said testimony of said Johnson; that because of the difference in the cost of production in the United States and abroad, it is quite possible that unless the tariff duties are sufficient to cover said difference in said cost, such apparatus can probably be procured cheaper in Europe than in the United States; that deponent understands and believes that labor costs in Germany are much less than in this country and that that situation was the reason that this particular apparatus was procured by said Johnson in Germany instead of in the United States; that it is the policy of the General Electric Co. to undertake to furnish to educational institutions any apparatus which they may require in connection with electrical instruction without profit to the General Electric Co.

ROBERT D. NEW.

Sworn to before me this 9th day of July, 1929.
[SEAL.]

GEORGE C. HOLLISTER,
Notary Public.

DRAWING INSTRUMENTS

[Par. 360]

STATEMENT OF CHARLES W. TODD, PHILADELPHIA, PA., REPRESENTING THE DRAWING-INSTRUMENT MANUFACTURERS OF THE UNITED STATES

(The witness was duly sworn by the chairman of the subcommittee.)

Senator REED. Mr. Todd, you desire to speak on paragraph 360?

Mr. TODD. Drawing instruments. I did not know that the notes would be taken by a reporter, and I have prepared a few notes for my oral statement.

Senator REED. Did you testify before the Ways and Means Committee?

Mr. TODD. No; we did not.

Senator REED. Did you file a brief there?

Mr. TODD. We filed a brief, but did not get an opportunity to get it in before the subcommittee; and we took the matter up about the 25th of March. It was not fully determined until after we closed the books. I presented a brief to the chairman of the Ways and Means Committee in March, but that was after the subcommittee had closed its hearings.

Senator REED. Mr. Todd, we are pressed for time, but we want to get your thought.

Mr. TODD. All right.

Senator REED. I do not believe it is going to be profitable to read a long statement.

Mr. TODD. It is not very long. It is only about three or four pages. I will be as brief as I can, and I hope I will be convincing.

I am representing the drawing-instrument industry as a whole, and that represents one company in the United States. I want to bring this out:

Senator KING. That is to say, there is only one drawing instrument company in the United States?

Mr. TODD. Only one company manufacturing drawing instruments; and I want to lay this before you for your own information. There is a set of drawing instruments, Senator.

Senator REED. What is the name of the company?

Mr. TODD. Theodore Alteneder & Sons, of Philadelphia.

Section 3, paragraph 360, reads in part:

> Philosophical, scientific, and laboratory instruments, apparatus, utensils, appliances (including drawing, surveying, and mathematical instruments), and parts thereof.

The inclusion of drawing instruments in this manner in the present law and the proposed new tariff law rather relegates this fundamentally important industry to the background.

We suggest and propose that an entirely new paragraph be inserted in Schedule 3 to cover drawing instruments more definitely, and that a specific rate as well as an increased rate of ad valorem duty be imposed, as will be set forth in the brief that I will presently hand you.

Senator KING. You think drawing instruments are so important that they should have a higher classification than scientific or fine laboratory instruments and apparatus?

Mr. TODD. Absolutely, sir; because there is not anything in the way of promotion of any kind, building, industry, or anything of that nature, that first the plans do not appear on the drawing board.

Senator KING. All right. You do not mean to contend, however, that drawing instruments—and I have used some myself—are comparable with the finest laboratory scales and instruments used in the highest scientific and physical experiments and development; do you?

Mr. TODD. I do.

Senator KING. All right; proceed, then.

Mr. TODD. This particular manufacturing company had its start 81 years ago, in 1848. Up until 1915 or 1916 no particular attention was paid to imports, as the business had a slow but satisfactory growth by making and supplying a product for the trade who desired

to own the best. I will insert, right here, the statement that the Altenedor instrument is recognized by all users and all producers, even the German people, to be the best instrument made in the world to-day.

From 1915, after the accumulated stock of imported instruments in the hands of importers and dealers in this country had been practically exhausted, there was some increased demand on this company to supply the United States and some foreign countries with their needs. Some increase in facilities was then made to provide for the extra business; but when, in 1917, the United States entered the conflict, and when the stocks of foreign-made instruments were entirely exhausted, the whole burden of supplying the Government fell upon this lone industry, which resulted in again expanding their facilities to the utmost; and they worked seven days a week, 24 hours a day, to supply the Government with its needs.

Senator KING. You were paid for your work?

Mr. TODD. Oh, absolutely.

Senator KING. You made profits?

Mr. TODD. Well, not a great sight of profits. After the war was ended and up to 1923, when Germany began to get back to manufacturing on a larger scale, the production and sales of American-made instruments were on a satisfactory basis; but since 1923 the importation of German-made instruments has about put the American industry out of business.

The imports, including the duties thereon, for each year, as compared with American-made instruments, are as follows (I get these figures from the Commerce Department):

In 1923 the imports, including duty, were nine times the American manufacture.

In 1924 the imports, including duty, were ten and one-half times the American manufacture.

In 1925 the imports, including duty, were seven and one-half times the American manufacture.

In 1926 the imports, including duty, were six times the American manufacture.

In 1927 the imports, including duty, were eight times the American manufacture.

In 1928 the imports, including duty, were eight times the American manufacture.

Senator REED. What was your production last year?

Mr. TODD. Our production last year was about $60,000. I can give you the figures of the importations.

Senator REED. We have them here—invoice value, $386,000; duty, $154,000.

Mr. TODD. Last year, 1928, making $540,573 as against $61,682 for the American industry.

Senator REED. About nine times the American production.

Mr. TODD. Yes; about eight or nine times the American production. This condition has driven every other maker of drawing instruments out of the United States. Up until 1923 there were quite a few that were making a cheaper grade of instruments; but the importations and the high cost of American labor required to make these instruments caused the others to close down their shops. In fact, one of the instrument makers of the United States has closed his shop and

moved it to Germany, and is importing his own instruments to-day, because he can get them in.

Senator REED. How many men do you employ in your factory?

Mr. TODD. I represent these people as an accountant. I can not tell you just the number, but I think somewhere around 40. Mr. Alteneder is here, and will follow me with a few remarks that he would like to make.

Senator KING. You are an accountant, then?

Mr. TODD. I am a certified accountant; and it was through my examination of their accounts during 1928, after the close of the year, that they decided to take up this question of tariff revision.

Since 1923, and up to this time, foreign imports have had a ruinous effect on the American producer. In fact, the American producer must receive some relief of this condition, or turn their attention to the manufacture of some other commodity for self-preservation. If this happens, the Government would be in a very embarrassing position if another crisis should occur similar to that of 1917.

Drawing instruments are fundamentally basic to government, education, and the arts, in that no planning of improvements or development of any kind or nature can be or is completed without first appearing on the drawing board.

The labor employed in the production of drawing instruments is of the highest class of skill. No automatic machines can be employed to make the industry one of mass production.

Now, I will not go into the fact of digging up the relation of the prices paid American labor and German labor, because that has been gone through by the surgical instrument people.

Senator REED. We have had that over and over again in other industries, and are pretty familiar with that.

Mr. TODD. Yes; I understand, and I do not want to go into that. Therefore, inasmuch as labor forms approximately 77 per cent of the cost of production, Germany can produce about three times as much as America for the same outlay of money, and, with the present rate of 40 per cent ad valorem duty added, can sell in the American market at about one-half the price of American-made instruments.

Senator KING. That would mean, then, if your wishes were carried out, practically doubling the cost of these articles to the American consumer?

Mr. TODD. Yes; exactly. At least one company that formerly manufactured instruments in this country moved its plant to Germany and is importing its own product.

It is not an easy task to establish a manufacturing plant of this kind. Labor is highly skillful, and must be trained in the art. Training requires as long as six months to nine months.

Attached hereto are pages 96, 97, and 98, taken from the schedule of price awards for stationery, paper and paper articles, drafting supplies and school supplies, by the United States General Supply Department for the fiscal year 1930. These pages apply only to drafting instruments, and by them the great difference between American selling prices of American-made and foreign-made instruments may be seen. In every case shown, the only American-made instrument is that referred to as "Alteneder."

Our plea for an increased tariff on drawing instruments should not be confused with the plea of the Eagle Pencil Co. for an increase in

tariff rate on compasses and dividers at not more than $15 per gross. Those are the little, small instruments——

Senator REED. It is a different sort of instrument?

Mr. TODD. It is a different sort of instrument. Here are the pages we cited in this brief. Take instruments: The price allowed by the supply board for Altenedor's is $33.95 a set.

Senator KING. Do you mean that the price of a case of instruments like this is $33?

Mr. TODD. Yes. Eugene Dietzgen's, a German import, $15.50. K. & E.'s Paragon, $25.93.

Senator REED. Is that the wholesale price in America?

Mr. TODD. That is the wholesale price, and it is the price on which the awards will be allowed in the General Supply budget. Now, take the dividers, such as we have there, that you have in your hands: The Altenedor divider sells for $2.70 as against the imported, $1.33; and so on down with those different instruments, until we get down here.

Senator REED. If I understand you, there is no effort to meet the German price on these instruments?

Mr. TODD. We can not meet it.

Senator REED. Where these are sold at all, they are sold on account of their superior quality?

Mr. TODD. They are sold on their superior quality; yes; I might say, on their superior quality alone. There is not any instrument made, either in Germany or here, that is of the quality of those instruments. The raw material in those instruments is a matter of small moment. A pound of raw material will make a set, practically, after it is ground out and cut up.

Senator KING. You make these with machinery, do you not?

Mr. TODD. Only parts. Seventy-seven per cent of that is hand labor of very skillful labor.

Senator REED. We will hear about the actual manufacture of these instruments from Mr. Altenedor himself, will we?

Mr. TODD. Well, I can answer some of those things. We should like to have, as set forth in our brief, a specific as well as an ad valorem duty.

Senator REED. What duty do you suggest?

Mr. TODD. We suggest a 75 per cent ad valorem duty, and a specific duty on instruments up to $1 of 17½ cents each; from $1 to $2, 40 cents each; $2 and not more than $3, 70 cents each; $3 and not more than $4, $1.05 each; $4 and not more than $6, $1.50 each; $6 and not more than $8, $2 each; $8 to $10, $2.50; and above $10, $3.

Senator KING. That would make an increase of nearly 600 per cent; would it not?

Mr. TODD. No; it would make an increase of about 110 per cent, and we can not do business to-day on less than 120 per cent.

(Mr. Todd submitted the following brief:)

BRIEF OF CHARLES W. TODD, PHILADELPHIA., PA., REPRESENTING THE DRAWING INSTRUMENT MANUFACTURERS

To the CHAIRMAN AND MEMBERS OF THE FINANCE COMMITTEE,
United States Senate, Washington, D. C.

GENTLEMEN: The information herein contained is for the purpose of bringing to your attention the absolute necessity of a better protecting tariff arrangement for the fundamentally basic industry—the manufacture of drawing instruments

and scales. In the following pages will be found a brief history of this industry, but before going into that part, there are some very vital matters that are suggested for your consideration.

Under the tariff law of 1922 the rate of duty is 40 per cent ad valorem on drawing instruments, but drawing instruments may just as well be on the free list at present, in so far as the protection that the 40 per cent duty affords the American industry at this time.

Call it what you will: prosperity, high standard of living, or the craze for luxury, the fact is that the skilled American machanic demands a wage commensurate with the position in society his skill dictates. This high rate of wage to be paid to the skilled craftsmen that are required in the manufacture of instruments, has caused even American distributors to maintain factories in Germany for the purpose of manufacturing the instruments and importing them into this country to be sold at a price of about 50 per cent of what the American goods cost to manufacture.

Bearing out this thought, we want to call your attention to two bids submitted to the chief, Supply Section, office of the Chief Engineer of the War Department, at Washington, D. C. The first bid was asked for on May 2, 1928, under requisition No. E 14042–T304 for 30 sets of instruments in cases, drawing, office set, complete. The only American manufacturer of these instruments submitted a bid of $54 per set; the net cost of manufacture of these sets at that time was a small trifle over $50 per set. Under date of June 19, the War Department, office of the Chief Engineer, advised the American manufacturer that the award of this item was let to a distributor of foreign made goods, on the price basis of $26 per set. Again, on February 2, 1929, the same department asked for a bid on 36 sets of the same kind of instruments under requisition No. E 14982. The American manufacturer's bid was $50 per set with a net profit of less than $2 per set. This manufacturer was advised, under date of March 14, 1929, that this bid was let to a distributor of foreign made goods on the basis of $29 a set. Except during the war and shortly subsequent thereto, no awards have been made to the American manufacturer for American made instruments.

If foreign goods can be imported into this country and in addition to the manufacturing cost thereof, an import duty of 40 per cent is added and then be able to sell the foreign product on a basis of less than 50 cents on the dollar of cost for American made goods, it goes without saying that American industry is doomed to turn its attention to the production of some other commodity, as a matter of self-preservation.

In considering a protective tariff on the manufacture of drawing instruments it is only a matter of saying yes or no to a high rate. There are no other interlocking industries, or industries that would be affected should a real restrictive tariff be put on the import of foreign made goods, and in this connection this industry is a fundamentally basic industry to Government requirement and should be protected to the fullest extent. Protection by tariff will encourage the manufacture in America of the cheaper grade of instruments for uses in education and the arts.

Long ago the manufacturers of the cheaper grade of drawing instruments were crowded out of the American markets because of their inability to compete with the foreign-made goods, and what remains of the industry to-day has survived because the makers have made a quality of instrument that can not be duplicated by foreign manufacturers. But this has limited the growth of the American industry to supplying the few who can afford to pay for the better grade of instruments.

Let us here analyze the situation as to why America can not produce this commodity in competition with German-made goods. The American mechanics capable of doing this particular kind of work are few. They must be trained and taught in the craft. The machines and tools required are delicate and costly. The labor wage is high; the material of better grade is high, and in consideration of all these facts, the American product can not be produced and sold at a fair profit to the manufacturer at a price less than 120 per cent more than the American selling price of the German-made product to-day.

Before we go further into this matter let us cite here a very interesting brief history of the industry in America up to the present day.

HISTORY

Almost up to the time that the United States entered the World War there could be little conception of the strain that was soon to be thrown upon so many industries essential to the winning of the war.

Among the industries that were to be called into requisition was the production of drawing instruments. At first thought, the importance of this industry to the Government would quite naturally be underrated; yet a little consideration will serve to show how pivotal it is in the general scheme of manufacture. For nearly all things start on the drafting board.

This is obviously true of ships, of aircraft, of guns, of munitions, of locomotives. But it also will be readily understood that in every phase of war activity, such as equipment, the construction of cantonments and camps, the building of means of transportation—all started with the employment of drafting instruments.

In recent years the needs of this country for drafting instruments have been mainly supplied by German manufacturers, more than 75 per cent of all the instruments used in the United States being imported from Germany. In former years Swiss instruments formed an appreciable proportion of the imports; but were in the process of being steadily crowded out by the lower priced, and generally inferior, German product, which later, for a time, masqueraded as "Swiss instruments," until the facts were advertised and this course became inadvisable, and, later on, impossible, when the "Made in Germany" label was incorporated into our tariff laws. As a matter of interest it may be stated that England, France, Italy, and practically every country in the world obtained a very large proportion of its drafting instruments from Germany.

At the outset of the war, long before the entrance of the United States, there was an abundant supply of drawing instruments in this country, either in the hands of importers or on the shelves of dealers. Unlike many other lines of merchandise, these stocks seemed to have little bearing upon the activities in which they were soon to take so fundamental a part. For a considerable period the demand remained practically normal, and was only slightly accelerated by the requirements of such American plants as were engaged in munition work for European governments; and there was no appreciable advance in price. With the dwindling of the supply from abroad, came a loss of confidence in Germany's ability to make deliveries, and a "taking of stock" and stiffening of prices ensued; but it was not until the entrance of the United States into the war, with the consequent sudden expansion of war industries, that there came a realization that the supply was virtually at the point of exhaustion, and the facing of the fact that for any new supply to meet the Government's needs there was but one establishment in the United States engaged in the manufacture of drawing instruments; that of Theo. Alteneder & Son, Philadelphia.

This industry was established in 1848 by Theodore Alteneder, a craftsman of the highest skill, purposes, and standards. It was Theodore Alteneder's conviction that instruments for the draftsman should be so perfect in every detail that they should become, in fact, a part of the draftsman himself; that in the intricate work which the draftsman was called upon to perform the tools should respond with no conscious thought on the part of the user.

Yet despite this high standard it was only through a period of difficulties and even hardships, in which the courage of the founder was sorely and persistently tried, that the industry was finally established. Looking back over the past 81 years, there is little doubt that the vitality and tenacity of the enterprise was due solely to the ideals of its founder and to the high quality of its product.

It was, indeed, fortunate for the industry that Mr. Alteneder's sons so heartily imbibed and shared his ideals and knowledge of the craft. In fact, at an extremely early age, these sons began their apprenticeship and soon became an important factor in the new establishment, supplementing the father's skill and knowledge of the craft with a new business vision. Their entrance into the enterprise may be said to have been the first step from the stage in which it was the individual effort of a master draftsman at the bench, toward the stage in which it became a modern business.

And this new blood could perhaps see more readily than the founder, the problems presented by foreign competition. There was, first of all, the problem as to labor. For in the manufacture of fine drawing instruments much skilled hand work has always been necessary because of the character of the design of the various instruments. It was this that made the difficulty in combatting foreign competition, which had at its command an almost inexhaustible supply of mechanics, expert in the use of the file and other hand tools.

The difficulties may be better appreciated from the fact that though a number of attempts were made to establish this industry in the United States, the Alteneder plant is the sole survivor.

It was to this plant that the Government turned for many thousand sets of drawing instruments. And how suddenly the load fell upon this single modest

establishment, can be realized by the fact that prior to America's entry into the war, facilities had been used in part for the making of munitions.

It was a fortunate fact that prior to this period the factory had been modernized by the introduction of the highest type of machine tools to take the place of hand work wherever this could be done without affecting the efficiency of the instruments. While there were necessary advances in prices, it may be safely asserted that the percentage of advance was extremely low in consideration of increased costs and general conditions.

The requirements of the United States Engineer Department, the Navy Department, the Ordnance Department, and other Government departments increased "hundred of per cent." Indeed, the requisitions that poured in upon the modest factory from every quarter were in some instances so great as to be viewed by the firm as being due to clerical errors in Washington.

It will be plain that the physical possibilities were inadequate to fill the enormous Government orders and those of private concerns. A serious problem was thus presented. Should the establishment be turned over to the making of a radically new product that could be turned out in larger quantities? It was realized that such an attempt under the critical conditions might cripple rather than increase production.

It was therefore determined not to lower the standard of production but to eliminate private orders and work for the Government. The establishment was worked to full capacity, days, nights, and Sundays, and so effectively that 90 per cent of the needs of the Government were filled.

In the designing of the many devices that made America so important a factor in the war—in the creation of new inventions that, had the war continued, would have vastly changed warfare—the product of the Altenederr plant bore a basic, fundamental part. It is gratifying to consider that the long and difficult career of this business, persisted in, despite great early hardships, and many years of foreign competition, was enabled to bear so important a part in the great war work. Indeed, in the minds of those who have borne the brunt of this long struggle, this of itself has justified the protracted effort.

So much for the past history. What of the future? At the end of the year 1920 this company had a modest surplus of earnings, but the gradual increase of imports of inferior quality instruments from Germany that are sold at a price that entirely eliminates the American product except with those who demand the best there is, has caused the American manufacturer to operate at a loss until this surplus has been wiped out and the capital investment shrunk. The question now before them is, if the United States Government refuses the protection and aid this lone American industry is entitled to in the manufacture of its natural product, whether it must of necessity and self-preservation, abandon that with which it has labored for 81 years to maintain high quality as American standard, and take up the manufacture of some other product, or retire from the field entirely, in favor of foreign made products of inferior quality, material, workmanship, and precision.

After reading the above sketch of this industry in America, it can hardly be supposed that there are any but who would see the necessity of immediate protection for an industry that plays such an important part in the requirements of the Government, and surely there are none but who will realize that the time has arrived that if something is not done immediately to alleviate the conditions existing due to foreign competition that this industry must cease its operations and devote its attention to the manufacture of other commodities, or retire to private life.

It is appreciated that this situation is very unusual, in fact, there are no records available to show that any other such pertinent industry is confined to one manufacturing plant within the whole United States. However, this does not relieve that condition nor does it relieve the Government from undertaking to protect this industry and thereby foster its growth.

This company's plant has been the center of considerbale thought and activity on the part of the War Department, Engineer procurement division, during the last two and a half years. The executive officer of the Philadelphia district of the procurement division, Maj. H. F. Cameron, has on several occasions referred to the matter of this particular industry and the very important part that its product plays in the proper functioning of the War Department's Engineer Corps. An extract from one of the letters passing forward under date of October 4, 1926, reads as follows:

"As pointed out in the above letter from the executive officer, Philadelphia Engineer procurement district, the situation regarding domestic production of high-grade drawing instruments, is becoming acute. During the war, the manu-

facturer of high-grade drawing instruments, such as Alteneder & Sons developed adequate manufacturing facilities. Subsequent to the war, however, the country was flooded with cheaper German products so that the manufacturers of high-grade instruments in this country have been gradually forced out of business. In order to protect this industry it is believed that legislative protection should be provided against the influx of cheap drafting instruments."

At the time this letter was forwarded, in 1926, paragraphs 2 and 3 of the returning letter read as follows:

"2. It is believed that tariff investigations in general should be initiated by the trade associations or industries concerned with the material in question. Any such association or industry is permitted to request investigations by the Tariff Commission under the provisions of section 315 of the tariff act. There is nothing in the basic letter to indicate that the manufacturing interests have invoked such investigation as is recommended.

"3. It is further believed that the assistance of the War Department in the matter of obtaining tariff legislation be reserved for the more vital questions such as nitrates, dyes, and raw materials."

Right here let us consider how impractical it would be to have this lone company undertake to form an association, and we will see that the suggestion of the War Department Engineer Corps is out of order. There is not, nor has there been, anyone to fight the battles for the life of this industry excepting the present lone manufacturer, and his business life has only been as long as it is because of the fact that he has devoted his whole time and energy to making something of which he was proud and which could not or would not be duplicated by foreign manufacturers because of the limited circle of distribution. However, the time has now arrived when a decision must be made either that America shall protect such American manufacturers, or that the American manufacturers must give up their life work and be crowded out by foreign-made products. If this American industry will be protected, it would be but a short time until America could and would supply America's demand. Without this protection, we are nothing more nor less than a dumping ground for foreign-made goods of poor quality, upon which the Government itself must rely for its supply, and which might not be available in time of a crisis.

Stop please, for a moment, and visualize in your mind's eye, the uses of this product. There is not an industry in the United States that is born and built without first appearing on the drafting board. The building of cities, their streets and parkways, and the country roads, transportation of every character and kind, shipping, the navy, aviation, the erection of Government buildings, etc., are all first drawn on the drafting boards and are now drawn mostly by foreign-made instruments of poor quality and of very much less precision.

In fact, this product is a part, and a very essential part of our present civilization, and unless some activity is shown by the Government immediately toward protection, this industry will surely be lost. After the Engineer Corps of the War Department made its industrial survey of this plant during 1926, and submitted to the chief engineer its recommendation toward the immediate betterment of the existing conditions, there was another survey made and investigation of matters, and again, on April 30, 1928, Major Cameron called the attention of the War Department to the critical condition, in which letter he says in part, "that Mr. Alteneder is the one and only one drawing-instrument manufacturing expert in the United States, and having the only manufacturing plant, and a small one at that, it is easily seen that there are no larger interests to present and keep the facts before the United States Congress, Department of Labor, or other possible corrective agencies where legislative protection could be successfully involved. Further, in his endeavor to impress the importance of this industry on the War Department's engineers, he says: "Drawing instruments may be stated as the prime basic item of industry, education, and the arts. No industry or school is complete without a set of drawing instruments and no effective action of Government has been taken to correct this situation and that Theo. Alteneder & Sons, is the only link left with an eighty years' manufacturing experience in back of it as a base upon which to build solidly to correct the present precarious situation." It seems that after presenting these facts, backed by history and the actions and endeavors of Government departments, that there should be nothing more said, nor that there could be anything more said, to endeavor to convince this committee of the justice and righteousness of its appeal.

We therefore suggest and propose both a specific and ad valorem rate and that paragraph 360 be amended to read:

"Drawing instruments and parts thereof, wholly or in chief value, of metal and not plated with gold, silver, or platinum, unfinished or finished, valued at not more

than $1 each, 17½ cents each and 75 per centum ad valorem; more than $1 and not more than $2 each, 40 cents and 75 per centum ad valorem; $2 and not more than $3 each, 70 cents each and 75 per centum ad valorem; $3 and not more than $4 each, $1.05 each and 75 per centum ad valorem; $4 and not more than $6 each, $1.50 each and 75 per centum ad valorem; $6 and not more than $8 each, $2 each and 75 per centum ad valorem; $8 to $10 each, $2.50 each and 75 per centum ad valorem; $10 each and upward, $3.50 each and 75 per centum ad valorem: *Provided*, That all articles specified in this paragraph, when imported, shall have the name of the maker or purchasers and beneath the same the name of the country of origin die sunk conspicuously and indelibly on the outside, or, if a jointed instrument, on the outside when closed."

STATEMENT OF THEODORE G. ALTENEDER, REPRESENTING ALTENEDER & SONS, PHILADELPHIA, PA.

(The witness was duly sworn by the chairman of the subcommittee.)

Senator REED. Mr. Alteneder, did you testify before the Ways and Means Committee?

Mr. ALTENEDER. No, sir.

Senator REED. Did you file a brief there?

Mr. ALTENEDER. Yes, we filed a brief.

Senator REED. That is the same brief Mr. Todd spoke about?

Mr. ALTENEDER. Yes, sir.

Senator REED. Tell us something about this industry of yours. How does it come that you can not get along on a 40 per cent tariff?

Mr. ALTENEDER. On account of the great disparity in wages between Europe and the United States, which is practically four times in this country——

Senator REED. Is not that compensated for by the 40 per cent tariff that you have to protect you now?

Mr. ALTENEDER. No, indeed. Their first costs are so little in Europe that we can not begin to overcome that. The only reason we survive is on account of the quality. We exceed anything that is produced in Europe.

Senator KING. What do you mean, "first cost"?

Mr. ALTENEDER. Both raw materials and labor, although raw materials enter into the matter only to a slight extent, because labor is about 85 per cent of the product.

Senator KING. What is it you make?

Mr. ALTENEDER. Drawing instruments.

Senator KING. Do you mean to tell me—and I ask for information—that all those exhibits this morning consisted of labor?

Senator REED. Mr. Todd, let us see that set.

Mr. ALTENEDER. I have it right here. 85 per cent of that product is labor.

Senator KING. Before you exhibit that, let me ask you this question I have here the Tariff statement, showing the comparative value, if I may use that expression, of American labor and German labor in all character of industries.

Mr. ALTENEDER. Yes, sir.

Senator KING. I find here that in connection with the electrical industry, tools, and such things as that, the output of the German wage earner, or the yield, or the value, is only from 32 to 39 per cent of that of the American laborer.

Senator REED. Is that in value, Senator, or in units?

Senator KING. In value.

Senator REED. Mr. Alteneder, take a particular article, Let us consider the set you have before you. How much do you sell that for at wholesale?

Mr. ALTENEDER. I am not so familiar with the prices. That is $37.50 wholesale.

Senator REED. $37.50 wholesale?

Mr. ALTENEDER. Yes.

Senator REED. Do your German competitors make a similar set?

Mr. ALTENEDER. Yes.

Senator REED. What do they sell it for wholesale in this country?

Mr. ALTENEDER. There are at least four different grades that come from Europe, and they would start anywhere from around $10, up to a maximum of approximately $29.

Senator REED. Are you able to sell this at $37.50, in competition with the highest German quality at $29?

Mr. ALTENEDER. No. We can not sell this in competition with any European grade. The only way we can sell our instrument at $10 more per set is because the engineer who buys that knows that he is buying the best on the market.

Senator REED. Exactly. You sell because your quality is better than their best?

Mr. ALTENEDER. Yes.

Senator REED. Tell us something about your business. Has it grown or declined in the last 10 years?

Mr. ALTENEDER. Our business up until 1921 was growing steadily, although from 1913 to 1916 there was a dull period. But 1921 and 1922 showed a healthy growth. But from 1923 on we have gradually declined, owing to the fact that Europe is coming back.

Senator REED. How many men do you employ?

Mr. ALTENEDER. At the present time about 30.

Senator REED. Are they all engaged in the manufacture of these drawing instruments?

Mr. ALTENEDER. Yes.

Senator REED. You do not make any other product?

Mr. ALTENEDER. No other product, except the drafting scales, which is an allied product.

Senator REED. What was the value of your total product last year? What were your gross sales?

Mr. ALTENEDER. Our gross sales were slightly over $60,000.

Senator REED. And you employ 30 men?

Mr. ALTENEDER. Yes, sir, at the present time.

Senator REED. With a gross income of $60,000.

Mr. ALTENEDER. Yes.

Senator REED. How much do those men average?

Mr. ALTENEDER. Those men average from $30 to $40 a week. That runs from 60 cents to a dollar an hour, according to their capacity.

Senator REED. That does not seem to leave very much for overhead, material, or profit.

Mr. ALTENEDER. It does not leave very much. We produce, I think, very economically for this country. We try to be economical in all ways.

Senator REED. Take an instrument such as the one I am holding here. What is that called?

Mr. ALTENEDER. That is a compass; a 6-inch compass.

Senator REED. It seems to be double jointed.

Mr. ALTENEDER. Yes. It has joints for specific purposes.

Senator REED. Are the branches of that compass machined?

Mr. ALTENEDER. Yes. Every part is machined. There is no hand-work, except when we come to assemble the parts. In the assembling and final adjusting and sharpening of instruments is where the real artistry comes in.

Senator KING. There is not much artistry required in assembling the two or three parts of this ruling pen that I have in may hand, is there?

Mr. ALTENEDER. The difficult part of that is the sharpening of that pen point. There is not a pen that comes in from Europe that is sharpened properly.

Senator KING. Just the sharpening of this little point?

Mr. ALTENEDER. Yes.

Senator KING. That is your labor cost? Is that what you mean?

Mr. ALTENEDER. In point of percentage, that would be the most expensive operation on that pen.

Senator REED. What quality of steel do you use in these articles?

Mr. ALTENEDER. We use the best grade we can buy. We have been using Sheffield steel.

Senator REED. You import your steel?

Mr. ALTENEDER. We are trying to get away from that. We have been testing out the Washington Jessop, which is made in Pennsylvania, but in some respects the steel does not come up to the Sheffield, and we are trying to get them to correct those defects.

Senator REED. It is a high carbon crucible steel, is it not?

Mr. ALTENEDER. Yes, sir; about 0.95 to 1 per cent carbon.

Senator REED. You have been trying to get that in this country?

Mr. ALTENEDER. Yes. We have been trying to get it for years. They have never gone into the production of small bar steel in this country as they have in England.

Senator REED. Do you manufacture the screws that go into these instruments?

Mr. ALTENEDER. We make everything that goes into them.

Senator REED. Could you get along on a 50 per cent tariff?

Mr. ALTENEDER. It would help. It would enable us to compete with the better grades of European instruments.

Senator REED. Have you no competitor in this country who makes this article?

Mr. ALTENEDER. We are the only manufacturer in this country. The last one discontinued in 1928.

Senator REED. Who was he?

Mr. ALTENEDER. Keuffel & Esser.

Senator REED. They gave up trying to make that, did they?

Mr. ALTENEDER. In this country. So I was told, from a very reliable source.

Senator KING. Where was their plant?

Mr. ALTENEDER. Hoboken.

Senator REED. They make other articles, do they not, such as rules, and things of that sort?

Mr. ALTENEDER. Yes. They make other articles at the present time.

Senator REED. Do you make rules?

Mr. ALTENEDER. Yes. They are also recognized as the highest grade.

Senator KING. Is it not a fact that various companies which will manufacture a considerable number of commodities or articles will oftentimes discontinue one and branch out into others?

Mr. ALTENEDER. I suppose so. Of course, we specialize on this one article and its allied commodity.

Senator KING. Your 30 men are engaged in making other things in addition to these, are they not?

Mr. ALTENEDER. Only drawing instruments and scales.

Senator REED. By "scales" you mean what I spoke of as rules?

Mr. ALTENEDER. Yes.

Senator REED. Those are all the more precise scales. You do not make the ordinary school type?

Mr. ALTENEDER. No. We make only the best grade.

Senator KING. You get the bar steel and then, using your machinery, make the various articles down to the point where you need the hand labor.

Mr. ALTENEDER. That is right. We employ the latest machinery and modern methods in producing parts.

Senator REED. Unless you have something else, I have nothing further to ask you.

Senator KING. When did your company go into business?

Mr. ALTENEDER. Eighteen hundred and forty-eight.

Senator KING. What products were you making then?

Mr. ALTENEDER. Only this. We have never made anything else, except that during the war we helped out a little on gun carriage springs and things of that kind which required precision work.

Senator KING. I was telling the Senator here a few moments ago that when I attended school in Utah I bought a set of drawing materials much like that. My recollection is that I paid $8 for it.

Mr. ALTENEDER. That is very likely.

Senator KING. For all the articles you have there?

Mr. ALTENEDER. You did not follow up the profession, though, did you, Senator?

Senator KING. No; I did not intend to follow the profession, but I wanted to study methematics, surveying, etc.

Mr. ALTENEDER. But, I mean you did not use the instruments for your livelihood, for your vocation, as so many men do.

Senator KING. No. I used them in school.

Senator REED. Before you leave the stand, what is there in the manufacture of these articles that differs, in essence, from the manufacture of surgical instruments? I understand that these are not nickel plated.

Mr. ALTENEDER. No.

Senator REED. Excepting for that finish——

Mr. ALTENEDER. The instrument work employed in those two lines of business is very similar. It would just be a case of details which might differ. For instance, heat treatment plays a very important part.

Senator REED. In both of them?

Mr. ALTENEDER. In both of them.

Senator REED. You use as good steel, do you, as the surgical instrument makers?

Mr. ALTENEDER. Absolutely as good steel as we can buy.

Senator REED. You get the same precision in the finish?

Mr. ALTENEDER. I think we get more.

Senator REED. I mean in accuracy.

Mr. ALTENEDER. In accuracy we get more, because in both dental and surgical instruments, there is a great deal of forging done. We do not do any of that. Everything is machined from bar stock in our product, so we get greater accuracy.

Senator REED. Is there as much labor, in proportion, in the manufacture of these as there is in surgical instruments?

Mr. ALTENEDER. I think there is more labor. They use a greater quantity of material in weight than we do, and they have fewer operations.

Senator KING. Your labor on the instrument which you exhibited to me is only in sharpening the point.

Mr. ALTENEDER. Yes, but, Senator, consider how many little operations there are on these pieces to produce the parts before they are assembled.

Senator KING. Let me ask you this question: We have had witnesses here in regard to scientific instruments used in the most delicate of scientific operations.

Mr. ALTENEDER. Yes, sir.

Senator KING. They have to be made with precision?

Mr. ALTENEDER. They do.

Senator KING. Is there any reason why you could not make your instruments as cheaply as they make theirs, so far as the labor is concerned?

Mr. ALTENEDER. Are their best quality instruments cheap? Are they not also four times the price of European products?

Senator KING. You heard the testimony here.

Mr. ALTENEDER. I believe you will find that to be true.

PRECISION BALANCES

[Par. 360]

STATEMENT OF EDWIN C. SMITH, JERSEY CITY, N. J., REPRESENTING THE BALANCE MAKERS OF THE SCIENTIFIC APPARATUS MAKERS OF AMERICA

(The witness was duly sworn by the chairman of the subcommittee.)

Senator KING. Mr. Smith, did you have two firms in Salt Lake City send me wires this morning?

Mr. SMITH. I did not.

Senator KING. Did your firm?

Mr. SMITH. I did not. I know nothing about it.

Senator KING. They wired me that you were coming here to testify. I know that these people are not manufacturers, but, in effect, they said that whatever you wanted you ought to have.

Mr. SMITH. I have never had any correspondence, verbal or written, with any manufacturers in Salt Lake City.

Senator KING. Has your company?

Mr. SMITH. Our company has not.

Senator KING. How did they know that you were appearing here this morning?

Mr. SMITH. I honestly can not tell you how they know it, unless it was through some association.

Senator REED. It has been printed on the list here for some time.

Senator KING. Bring me those two telegrams from my office.

Mr. SMITH. I asked for a hearing. They may have gotten it that way. I applied for a hearing.

Senator KING. All right.

Senator REED. Mr. Smith, did you appear before the Ways and Means Committee?

Mr. SMITH. I did not.

Senator REED. Did you file a brief there?

Mr. SMITH. I did not.

Senator KING. Does your product come under the head of philosophical, scientific, and laboratory instruments?

Mr. SMITH. At the present time it is under scientific instruments.

Senator KING. Would it be under the head of material testing machines?

Mr. SMITH. No.

Senator KING. Laboratory balances and weights?

Mr. SMITH. Yes.

Senator KING. I notice we exported $3,141,838 worth in 1928, of instruments under this section, and that we imported $1,275,000, so that we exported double what we imported.

Mr. SMITH. This is something I would like to bring up right now. That is under the Scientific Apparatus Makers of America. We are listed as scientific apparatus. I had it up with the Bureau of Import Statistics to try to find out the volume of precision balances and weights which were imported into the United States, and they told me that, as the present tariff did not have any separate classification for precision balances and weights, there were no data available on precision balances and weights, as to the amount brought into this country. That is the letter I got from the Bureau of Import Statistics at the Treasury.

Senator KING. The present tariff is 40 per cent ad valorem?

Mr. SMITH. Yes, sir.

Senator REED. Proceed, Mr. Smith.

Mr. SMITH. In accordance with the notices of general tariff hearings by your committee, I desire to submit on behalf of the Balance Makers of the Scientific Apparatus Makers of America a brief in regard to the rate of duty on paragraph 360, the present law as applied to balances.

Senator KING. May I interrupt you a moment? You are testifying now with reference to balances alone?

Mr. SMITH. Balances and weights of precision only; no other apparatus at all.

Senator REED. All right.

Mr. SMITH. This group of balance makers consist of the following. These are the people who are the actual manufacturers:

Voland & Sons, New Rochelle, N. Y.

Christian Becker (Inc.), 92 Reade St., New York City (office).

William Ainsworth & Sons, Denver, Colo.

Seederer-Kohlbusch (Inc.), Jersey City, N. J.
G. P. Keller Manufacturing Co., Salt Lake City.
Schaar & Co., 556 West Jackson Boulevard, Chicago.
Heusser Balance Co., Salt Lake City.
Henry Troemner, 911 Arch Street, Philadelphia.

There are eight manufacturers in this country, legitimate manufacturers of this class of balances—that is, fine balances—precision balances and weights.

Balances fall under paragraph No. 360, on account of the general nature of this paragraph. We feel that it is necessary to ask for greater protection for our commodities than that asked for by the scientific instrument makers in their hearings before the Ways and Means Committee, page 2256 of the hearings.

Because of the economic condition of our industry at the present time and since the imports are increasing each year, due to the low-wage scale abroad, we ask, first, to meet this economic condition, an increase in duty from 40 to 65 per cent; second, in order to prevent wrong classification, to carry out the intent of Congress, a better definition in the paragraph.

In order to justify our claim for an increase from 40 per cent in the present bill to 65 per cent in the bill now in process of formation, we desire to call your attention to the following data, so far as labor conditions are concerned.

In 1914 the hourly rate in the United States was from 30 to 40 cents an hour. In Europe the rate at that time was from 20 to 25 cents per hour. In 1921 we were paying in this country for labor 75 cents an hour. In 1929 the rate has advanced so that now the rate is from 85 cents to a dollar per hour, and in Europe I understand the rate is still about 20 or 25 cents.

Senator REED. Which is your principal competing country? Is it Germany?

Mr. SMITH. Germany. In 1921 the hourly rate was 75 cents, as I said, and now the average rate is 95 cents.

Since 1921 raw materials, in the shape of brass sheet and rod have increased 30 per cent. The increase in castings is 35 per cent, and the increase on the wood cases, the mahogany cases that we use for the analytical balances, has been from 75 per cent to 100 per cent.

Senator REED. So far as the cost of your raw materials is concerned, that has increased likewise in Germany. Of course, your brass is determined by a world price level.

Mr. SMITH. It has increased, no doubt, but, of the total cost of these balances, labor represents from 80 to 90 per cent in the case of these analytical balances.

Senator REED. And on that the Germans have an advantage of about three to one.

Mr. SMITH. About three to one, yes, sir.

In order to verify the above claims, we are submitting for your convenience the following comparative costs of typical balances. We have given detailed American costs as concerns labor, overhead and materials. Our foreign costs are from authentic invoices, the prices given c. i. f. New York, and also with the present duty and the requested rate included.

Senator REED. Your evidence of German cost is the invoice price at which they sell?

Mr. SMITH. The invoice prices.

I also have right here a quotation from Kern & Co., one of the largest German manufacturers.

Senator REED. That confirms what you state in your brief as to their cost?

Mr. SMITH. Yes.

Senator REED. Give us some typical costs.

Mr. SMITH. On the Ainsworth balance, what they call their Type Q, their labor is $45.58.

Senator REED. Whose labor?

Mr. SMITH. Ainsworth's. That is the manufacturer.

Senator REED. In this country?

Mr. SMITH. In this country; William Ainsworth.

Senator KING. Where did you get his figures?

Mr. SMITH. He sent the figures to us of his cost on this balance. The raw material used in the balance amounts to $12.50, and figuring factory overhead—practically every factory has to figure for overhead and in figuring costs, 100 per cent is added for overhead.

Senator REED. One hundred per cent?

Mr. SMITH. On labor; what you actually pay your men. That makes the total cost of that balance $103.65.

Senator KING. He figured 100 per cent overhead, did he?

Mr. SMITH. I have figured it out. That is the way I have figured it out. That is from his cost, I have figured them all on the same basis, because that is the way we have to figure. I have been in the manufacturing business a great many years.

Senator REED. Figuring that way, you would get $103.65 as the cost of the American instrument.

Mr. SMITH. $103.65. That balance is coming in to-day, without duty, at $66.93; with 40 per cent duty added the price is $90.21; and with a duty of 65 per cent, which we are requesting, it would make that price $104.86.

Our cost, $103.65, does not include any selling cost, any profit, or anything else. That is just the cost.

That one was easy. Taking another balance, here is a balance that is used by the colleges, what they call the Freshman model. It is used in colleges by the students. This is Voland & Sons Freshman model. The labor is $16 on that balance. The material is $7, which makes the total cost $39, with your overhead. That balance is being brought into this country from Germany, without duty, for $24.84. The duty figured——

Senator REED. Give me the American cost again.

Mr. SMITH. The American cost is $39. That balance is being brought into this country, without duty, for $24.84. With 40 per cent duty added, it is sold for $33.50 and with 65 per cent duty it would make the price $38.88. With that protection, I do not know how we would make any profit, because that does not include any profit whatsoever.

Senator KING. Did you allow, in the figures which you have just given, for the United States valuation or did you allow anything for the profits or the overhead of the importer?

Mr. SMITH. This is the price at which he sells to the dealer, with his profits and everything else included. He sells it for that price. He has added his overhead, and it includes duty and everything.

Senator KING. Is that one specific instance or a general condition?

Mr. SMITH. That is a general condition. That is only one manufacturer.

Senator REED. Are you adding the freight in that?

Mr. SMITH. Freight, insurance, and everything; that is just what it costs him to land it here. These prices are landed prices.

Senator KING. Who is the importer? Who is this one of whom you are speaking now?

Mr. SMITH. Those balances are being imported to-day by practically every scientific apparatus dealer in the country. You can not go around anywhere but what you find them selling them, more or less, because we can not touch the prices.

Here is our Seederer & Kohlbusch No. 2–A analytical balance. Our cost is $23.75. That is our labor cost. The raw material used in that balance cost us $10. With our overhead, our total cost is $57.50. That balance is being brought in, without duty, from Germany for $31.50. With 40 per cent duty added, the cost is $42.50 and with 65 per cent duty, for which we are asking, the price would then be $49.30. Even with that protection, I do not know how we are going to exist.

Senator REED. How about your own production of balances?

Mr. SMITH. This is our balance that I was speaking of, the Seederer-Kohlbusch balance.

Senator REED. In value, or in number, has your production increased in the last six or seven years?

Mr. SMITH. The labor employed——

Senator KING. Has it increased?

Mr. SMITH. It has decreased from 40 to 60 per cent.

Senator REED. What were you going to say about the labor employed?

Mr. SMITH. The labor employed by our industry in 1921, which I have checked from other manufacturers, has been reduced from 40 to 60 per cent. That is, there are from 40 to 60 per cent fewer men employed in the industry to-day than there were in 1913. Voland & Sons in 1921, I understand, had 38 men, and that has been cut down at least 60 per cent.

Senator REED. Mr. Voland is here, is he not?

Mr. SMITH. Yes.

Senator KING. How many manufacturers are there in the United States?

Mr. SMITH. There are eight.

Senator KING. How many were there in 1913?

Mr. SMITH. I do not know about the two out on the Pacific coast. Outside of that, I can say they were all in business in 1913. I am pretty sure they were. As to the two in Salt Lake City, I do not know whether they were manufacturing then or not.

Senator REED. You say the decrease has been from 40 to 60 per cent.

Mr. SMITH. The decrease in the number of men employed in the industry has been from 40 to 60 per cent, in skilled labor.

Senator REED. Since when?

Mr. SMITH. Since 1913.

Senator REED. What has the situation been since 1922?

Mr. SMITH. I am not prepared to answer that. I might say, with regard to our business since 1922, that we have probably shown a decrease of at least 30 per cent, in the Seederer-Kohlbusch factory.

Senator KING. Where is your factory?

Mr. SMITH. Jersey City.

Senator KING. How many men do you employ?

Mr. SMITH. To-day we have only 18 men left, and we are having a job to hold that many men. We have had as high as 40 men there.

Senator KING. Did you manufacture anything else except these balances and weights?

Mr. SMITH. They used to manufacture quite a few things in the line of balances. The price got prohibitive, and they could not make them, except at a loss. They are making to-day a lot of stuff——

Senator KING. When you had more men you were manufacturing a greater variety of commodities. Is that not true?

Mr. SMITH. No, I would not say that, because we have tried to increase the other lines, to push them ahead—the ones on which we could make money. We have tried to centralize on the items on which we could exist and make money.

Senator KING. Do you make as great a variety of commodities or articles now as you did a few years ago, in 1922 and 1923?

Mr. SMITH. I think so. I think we are making as many. Prior to that, there were some dropped out, but we had to add something else to take their place, in order to keep busy.

Senator KING. How many balances did you make last year?

Mr. SMITH. I can not answer that.

Senator KING. How many did you make the year before?

Mr. SMITH. I have not the figures with me.

Senator KING. The fact is that the number of balances which you have been making has not decreased, has it?

Mr. SMITH. The number of balances?

Senator KING. Yes.

Mr. SMITH. Oh, yes.

Senator KING. Has there been a decrease?

Mr. SMITH. There has been a decrease, yes.

Senator KING. What decrease?

Mr. SMITH. We have not been able to sell them. Offhand, I do not know just what the percentage of decrease is, but there has been a decrease in the labor we employ. We have had to let them go because we could not keep them.

Senator KING. Are you not making other articles rather than balances?

Mr. SMITH. No; not to any extent.

Senator KING. What is your company?

Mr. SMITH. Seederer & Kohlbusch Co. (Inc.).

Senator KING. What is your capital?

Mr. SMITH. I do not know what the capital is; not very much. I know we have never paid a dividend.

Senator KING. What is your relation to it?

Mr. SMITH. I am sales manager.

Senator KING. Are you the president?

Mr. SMITH. No; sales manager.

Senator KING. Have you any stock in the company?

Mr. SMITH. I have no stock in the company.

Senator KING. You are just the sales manager. How long have you been sales manager?

Mr. SMITH. I have been sales manager since June, 1928; a year ago last June I went over there to see if I could do something with the company.

Senator KING. You had nothing to do with the company before that?

Mr. SMITH. I was previously employed by John Chatlin & Sons.

Senator KING. I am speaking of this company.

Mr. SMITH. The vice president of the company is Mr. Arguellus. John Chatlin & Co. and Seederer & Kohlbusch are more or less interested—that is, they tried—I went over there to see if I could make anything of the company, or do anything with it.

Senator REED. How old is the company?

Mr. SMITH. The company is a consolidation of Seederer & Co., in New Rochelle, and Herman Kohlbusch Co., of Jersey City. Herman Kohlbusch Co., of Jersey City, has been in business since 1865, I think.

Senator REED. When was the consolidation?

Mr. SMITH. The consolidation was about seven or eight years ago.

Senator REED. All right, Mr. Smith. We are very much obliged to you. Is there anything else?

Mr. SMITH. Yes.

Senator REED. You are going to leave that brief?

Mr. SMITH. I would like to leave the brief, but there are some other items here.

Senator REED. We will read it. It will be printed in our record and we will study it.

Mr. SMITH. There is one thing I would like to call to your attention again, in connection with changing the wording of the paragraph.

Senator REED. What change do you suggest?

Mr. SMITH. We suggest defining it a little more definitely.

Senator REED. What change do you suggest?

Mr. SMITH. We would like to have the wording this way:

Devices for determining weight with an accuracy of 1 gram or better, including weights and accessories for use therewith, of metal or chief value of metal and not plated with gold, silver, or platinum——

You do not want me to read all this to you, do you?

Senator REED. No; but would you not get the same result if you inserted the words "precision balances and weights therefor"?

Mr. SMITH. I do not think so.

Senator REED. Why not?

Mr. SMITH. I do not think that would explain it. We are defining the accuracy "with an accuracy of 1 gram or better."

Senator REED. At the worst, we would include more than you want us to include. You have no objection to that, have you?

Mr. SMITH. No, we have no objection to that, but we would like to have it at least 1 gram, because there are a great many different scales made that are called balances. They call their product balances, but they are not precision balances.

Senator REED. If they are not precision balances, then they would not be touched by that language. However, you leave the brief and let us study that.

Mr. SMITH. The purpose of this clarification is that to our knowledge balances have been brought in under two paragraphs—paragraph 360 and also paragraph 399. That is the reason we would like to clarify it.

There is another thing I would like to bring out, and that is the duty free proposition. Some educational institutions have been endeavoring to have incorporated in the tariff bill a duty free clause. We maintain that the training of students in the use of foreign made equipment is a form of propaganda to inculcate in the minds of students the idea that American makers can not produce the apparatus required, which must of necessity be procured from abroad. The student takes this impression into his professional and commercial activities and calls for the foreign made apparatus that he became familiar with in the college he attended, much to the detriment of American manufacturers.

Another thing is that the cost of scientific apparatus used in educational institutions is a comparatively small item, not more than 25 per cent of the students being engaged in scientific studies, and the cost of scientific apparatus is probably not over 10 per cent of the cost of the buildings and other equipment devoted to science.

Senator KING. Prior to 1922, when they were on the free list, you had more men employed than you have now, you have stated.

Mr. SMITH. That was on the free list where the colleges imported directly. These articles were not on the free list for dealers. That was where the colleges bought them directly, as I understand it.

Senator KING. If they were for educational purposes they were on the free list.

Mr. SMITH. I do not know about that.

Senator KING. And when they were on the free list——

Mr. SMITH. But I do know, Senator, that at that time, according to all our records, as I have stated, our industry was in a much healthier condition than it is to-day. I have gone into this pretty thoroughly. As I say, I have been in it only a little over a year, but I went into it for the purpose of finding out what was the matter with the industry, what was the matter with the company, and why they were on the rocks all the time, why they were in the red all the time.

Senator REED. I think we have your point. The statements made in your brief are true, are they?

Mr. SMITH. They are all true.

Senator REED. Then it is unnecessary for you to sign it or to swear to it. It is covered by your statement here under oath that all the statements of fact in the brief are true.

Mr. SMITH. They are true.

Senator REED. That is enough.

(Mr. Smith submitted the following brief:)

BRIEF OF THE BALANCE MAKERS OF THE SCIENTIFIC APPARATUS MAKERS OF AMERICA

FINANCE COMMITTEE OF THE SENATE,
Washington, D. C.

HONORED SIRS: In accordance with the notice of general tariff hearings by your committee, I desire to submit on behalf of the balance makers of the Scientific Apparatus Makers of America a brief in regard to the rate of duty on paragraph 360, the present law as applied to balances, and also to make certain suggestions

for the law now in process of formation. This group of balance makers consists of the following firms:

Voland & Sons, New Rochelle, New York.
Christian Becker (Inc.), 92 Reade Street, New York City (office); Jersey City, N. J. (factory).
William Ainsworth & Sons, Denver, Colo.
Seederer-Kohlbusch (Inc.), Jersey City, N. J.
G. P. Keller Manufacturing Co., Salt Lake City.
Schaar & Co., 556 West Jackson Boulevard, Chicago.
Heusser Balance Co., Salt Lake City.
Henry Troemner, 911 Arch Street, Philadelphia.

Balances fall under paragraph 360 on account of the general nature of this paragraph. We feel that it is necessary for us to ask greater protection for our commodities than that asked for by the scientific-instrument makers in their hearings before the Ways and Means Committee, page 2256 of the hearings.

Because of the economic condition of our industry at the present time and since the imports are increasing each year due to the low wage scale abroad, we ask—

(1) To meet this economic condition, an increase in duty from 40 per cent to 65 per cent.

(2) In order to prevent wrong classifications to carry out the intent of Congress, a better definition in the paragraph.

In order to justify our claim for an increase from 40 per cent in the present bill to 65 per cent in the bill now in process of formation, we desire to call your attention to the following data so far as labor conditions are concerned:

	1914	1921	1929
United States	30 to 40 cents hourly	75 cents hourly	85 cents to $1 hourly.
Europe	20 to 25 cents hourly		20 to 25 cents hourly.

In 1921 the average hourly rate was 75 cents; in 1929 the average hourly rate is 95 cents, which makes a net increase in percentage in labor costs of 26 per cent.

Since 1921, raw material in the shape of brass sheet and rod has increased 30 per cent. Iron castings have increased 35 per cent. Typical balance cases of wood have increased from 75 to 100 per cent.

In order to verify the above claims, we are submitting for your convenience the following comparative costs of typical balances. We have given detailed American costs as concerns labor, overhead, and materials. Our foreign costs are from authentic invoices, the prices given c. i. f. New York, and also with the present duty and the requested rate included.

Items	American factory cost (not including administration and selling costs)				Foreign cost c. i. f. New York (including manufacturer's administration and selling costs and profits)			Hour rate, American mechanics	Hour rate, foreign mechanics	Present duty
	Labor	Raw material	Factory overhead	Total	No duty	40 per cent duty	65 per cent duty			
Ainsworth balance, type T. C., with fractional weight carrier	$71.25	$12.50	$71.25	$155.00	$115.00	$155.00	$180.00	$0.85-$1.00	$0.20-$0.25	P. c. 40
Ainsworth analytical balance, type Q	45.58	12.50	45.57	103.65	66.93	90.21	104.86	.85- 1.00	.20- .25	40
Seederer & Kohlbusch balance, No. 2A	23.75	10.00	23.75	57.50	31.50	42.50	49.30	.85- 1.00	.20- .25	40
Voland & Sons, Freshman balance	16.00	7.00	16.00	39.00	24.84	33.50	38.88	.85- 1.00	.20- .25	40
Set weights, 50 grams to 1 milligram, with platinum fractions, average American cost	7.38	.75	7.37	15.50	8.00	10.80	12.60	.60- .75	.15- .20	40

NOTE.—To American factory costs in the above comparisons must be added not less than 25 per cent to cover administration and selling expense and the manufacturer's profit of at least 10 or 15 per cent.

CHANGE OF WORDING IN PARAGRAPH 360

For the purpose of clarifying this paragraph and aiding in administration of the same, we would recommend that balances and weights be put in a separate section of this paragraph. We would suggest the following wording:

"Devices for determining weight with an accuracy of 1/100 gram or better, including weights and accessories for use therewith, of metal or chief value of metal and not plated with gold, silver, or platinum, finished or unfinished, not specifically provided for, whether used for experimental purposes in hospital laboratories, schools, colleges, or universities and otherwise, 65 per cent ad valorem: *Provided*, That all articles specified in this paragraph when imported shall have the name of the maker or purchaser and beneath the same the name of the country of origin die sunk conspicuously and indelibly on the outside, or if a jointed instrument, on the outside when closed."

The purpose of this clarification is due to the fact that to our certain knowledge balances have been brought in under two paragraphs—paragraph 360 and also paragraph 399.

In view of the situation with respect to European competition, we do not think that we are unreasonable in asking that the tariff on balances and weights be increased from 40 per cent as at present to 65 per cent as this advance, being based upon the European manufacturers' factory cost will only partially offset the difference between American and European costs owing to the considerable advance in the rate of wages paid American instrument makers since 1914, whereas there has been little or no advance in the cost of similar labor in Europe.

Owing to the limited production of single items and to the wide variety of balances required to meet the demands of educational institutions, scientists, and the various industries, manufacturers can not institute mass production as in other lines and thereby in a measure offset the difference in labor costs.

DUTY FREE IMPORTATION

European manufacturers, American importers, and some educational institutions are endeavoring to have incorporated in the tariff bill now under consideration a clause providing for the duty-free importation of balances, weights, and scientific instruments for educational purposes and for research.

We maintain that the training of students in the use of foreign-made equipment is a form of propaganda to inculcate in the minds of students the idea that American makers can not produce the apparatus required which must of necessity be procured from abroad. The student takes this impression into his professional and commercial activities and calls for the foriegn-made apparatus that he became familiar with the use of in the college he attended, much to the detriment of American manufacturers.

The loss to American manufacturers of this considerable volume (40 to 50 per cent) of business will unquestionably result in the curtailment of experimental work and research necessary to maintain the present high standing of this industry and to a certain extent the position of American industry as a whole, and even, in the event of war, the national defense, when we may again find ourselves at the mercy of European apparatus makers and marking time when an inefficient and undermanned industry is put on a war basis.

The cost of scientific apparatus used in educational institutions is a comparatively small item, as not more than 25 per cent of the students are engaged in scientific studies, and the cost of scientific apparatus is probably not over 10 per cent of the cost of buildings and other equipment devoted to science.

We would also call attention to the fact that whareas tuition has doubled since 1913 the cost of scientific apparatus has not as a whole increased more than from 60 to 75 per cent.

We respectfully ask, therefore, that the brief outlined of our situation with respect to the tariff be given your most careful consideration, with a view to providing at least a measure of the protection to which we believe we are entitled.

Respectfully submitted.

Voland & Sons, New Rochelle, N. Y.; Christian Becker, New York City; William Ainsworth & Sons, Denver, Colo.; Seederer-Kohlbusch (Inc.), Jersey City, N. J.; G. P. Keller Mfg. Co., Salt Lake City; Schaar & Co., Chicago, Ill.; Heusser Balance Co., Salt Lake City; Henry Troemner, Philadelphia, Pa.

STATEMENT OF E. L. VOLAND, REPRESENTING VOLAND & SONS, NEW ROCHELLE, N. Y.

(The witness was duly sworn by the chairman of the subcommittee.)

Senator REED. Did you testify before the Ways and Means Committee?

Mr. VOLAND. No; I did not.

Senator REED. Or did you file a brief with that committee?

Mr. VOLAND. No, sir.

Senator REED. You want to speak to us about this matter of precision balances?

Mr. VOLAND. Yes; I want to, sir.

Senator KING. Do you want to speak about any other scientific instrument?

Mr. VOLAND. No, sir; we manufacture balances and weights exclusively.

Senator REED. Your factory is in New Rochelle, N. Y.?

Mr. VOLAND. Yes, sir.

Senator REED. How long have you been engaged in this manufacturing business?

Mr. VOLAND. Our business was organized in 1888.

Senator REED. So you have had about 40 years' experience in that business?

Mr. VOLAND. Absolutely.

Senator REED. You make nothing but precision balances?

Mr. VOLAND. Balances and weights.

Senator REED. How does the volume of production to-day compare with the production of five or six years ago?

Mr. VOLAND. It has decreased.

Senator REED. How much has it decreased?

Mr. VOLAND. Anywhere from 40 per cent to 60 per cent.

Senator REED. Why?

Mr. VOLAND. Due principally, as we can figure out, from importations.

Senator REED. There are just as many precision balances being bought to-day as there were five years ago.

Mr. VOLAND. Not from manufacturers, I do not think.

Senator REED. But by the American consumers.

Mr. VOLAND. I assume there are.

Senator KING. Do you know?

Mr. VOLAND. I haven't any absolute proof, but I believe there are.

Senator REED. Where do these imports come from mostly?

Mr. VOLAND. Principally from Germany, also some from Holland.

Senator REED. On identical instruments how much lower is their labor cost than yours?

Mr. VOLAND. We have figured 3 to 1.

Senator REED. There is a pretty heavy freight on these articles, is there not?

Mr. VOLAND. No, sir; the freight does not amount to much.

Senator REED. It does not amount to much?

Mr. VOLAND. No, sir. On a $50 balance the freight and insurance cost will maybe run to about $2—from $1.50 to $2.

Senator REED. It would run less than 4 per cent.

Mr. VOLAND. Yes, sir.

Senator REED. Are they brought in knocked down?
Mr. VOLAND. No, sir.
Senator REED. They are brought in all set up?
Mr. VOLAND. Yes, sir; to the best of my knowledge. I can not say absolutely. I have never seen any come in knocked down.
Senator REED. Do you manufacture the weights as well as the balances?
Mr. VOLAND. Yes, sir.
Senator REED. Do you find similar competition on the weights?
Mr. VOLAND. On the weights, I should say it was really more extreme, that is to say the weights can come in so cheap that we can hardly compete against them.
Senator REED. You are speaking now of the cast weights or the clipped weights?
Mr. VOLAND. No, sir; machine-made weights, made of turned brass—that is, the larger weights; and the smaller weights of platinum and aluminum.
Senator REED. Are they stamped out by machinery?
Mr. VOLAND. They are stamped out; yes, sir.
Senator REED. Is there a good deal of labor in that?
Mr. VOLAND. Yes, sir.
Senator REED. Do you think a 65 per cent duty is justified by the conditions?
Mr. VOLAND. I certainly do, sir.
Senator REED. Is your company a stock corporation?
Mr. VOLAND. Yes, sir.
Senator REED. What dividends are you paying?
Mr. VOLAND. We have not paid any.
Senator REED. You have not paid any?
Mr. VOLAND. No, sir.
Senator REED. When did you pay your last one?
Mr. VOLAND. Probably not since the war.
Senator REED. Probably not?
Mr. VOLAND. No.
Senator REED. Are you president of it?
Mr. VOLAND. Yes, sir.
Senator REED. Well, you must know when you paid your last dividend.
Mr. VOLAND. We have not paid a dividend since the war.
Senator REED. Did you pay a dividend before the war?
Mr. VOLAND. No, sir.
Senator REED. I beg your pardon.
Mr. VOLAND. No, sir.
Senator REED. Has the company never paid any dividends?
Mr. VOLAND. During the war.
Senator REED. During the war it did?
Mr. VOLAND. Yes, sir.
Senator KING. And it was bad before the war, was it?
Mr. VOLAND. Yes, sir.
Senator KING. Practically to the date of organization, 1888?
Mr. VOLAND. Simply because the same conditions existed then as do now.
Senator REED. Are all of the stockholders of the company also officers of the company?

Mr. VOLAND. No, sir.
Senator REED. You do not distribute your profits, then, by way of salaries?
Mr. VOLAND. No, sir.
Senator KING. What is your gross income?
Mr. VOLAND. It fluctuates very much.
Senator KING. What was it before the war, say in 1913?
Mr. VOLAND. I have not the figures for that year available, sir—before the war?
Senator KING. Yes.
Mr. VOLAND. Before the war we probably did a business of something like $30,000.
Senator KING. $30,000 a year?
Mr. VOLAND. Yes, sir.
Senator KING. What was your gross business in 1926?
Mr. VOLAND. In 1926 it was probably less than that.
Senator KING. Probably! Was it?
Mr. VOLAND. I am not sure; I have not those figures.
Senator KING. What was it in 1925?
Mr. VOLAND. About the same.
Senator KING. Then you have been doing substantially the same business as far as gross business is concerned in 1924 and 1925, and now, as before the war.
Mr. VOLAND. Probably the same.
Senator KING. Do you mean to say that starting way back 40 years ago this company has run along without paying any dividend all these years?
Mr. VOLAND. It was not a stock company all these years.
Senator KING. What was it?
Mr. VOLAND. A partnership.
Senator REED. When did it become a stock company?
Mr. VOLAND. In 1916.
Senator REED. And the stock company paid dividends during all that period since its organization?
Mr. VOLAND. No, sir.
Senator BARKLEY. How much stock have you?
Mr. VOLAND. A hundred shares.
Senator BARKLEY. One hundred shares?
Mr. VOLAND. Yes, sir.
Senator BARKLEY. What is the par value of it?
Mr. VOLAND. The par value—I have not the exact figures.
Senator KING. You are president of the company and do not know?
Senator BARKLEY. Do you not know what the par value of your own stock is?
Mr. VOLAND. $100.
Senator BARKLEY. So you have 100 shares of stock of a par value of $100 each?
Mr. VOLAND. Yes, sir.
Senator BARKLEY. How many stockholders are there?
Mr. VOLAND. There are seven.
Senator BARKLEY. Seven?
Mr. VOLAND. Yes, sir.
Senator BARKLEY. Do they all work for the company?
Mr. VOLAND. Yes, sir.

Senator BARKLEY. In what capacity?
Mr. VOLAND. All of them are employees. They have stock in the company—except myself and my brother's widow is the same.
Senator KING. Have you any stock?
Mr. VOLAND. I?
Senator KING. Yes, sir.
Mr. VOLAND. Yes.
Senator KING. Do you own the majority?
Mr. VOLAND. No, sir. Mrs. Voland, my brother's wife, and myself own a majority of the stock.
Senator KING. So it is a family affair, is it?
Mr. VOLAND. Yes. It always was.
Senator KING. And instead of paying dividends you paid it out in salaries?
Mr. VOLAND. In salaries to the employees.
Senator KING. Which are the family; and they have been doing the same ever since it was changed to a corporation?
Mr. VOLAND. Yes, sir.
Senator BARKLEY. You have been making money.
Mr. VOLAND. No, sir.
Senator BARKLEY. Then how did you pay these salaries?
Mr. VOLAND. They were just wages.
Senator BARKLEY. You could not pay salaries very long out of a capital represented by 100 shares of stock at a par value of $100; did you pay the salaries out of profit? You had to make profits to distribute salaries.
Mr. VOLAND. Enough to pay the wages.
Senator KING. Was your salary as much last year as it was the year before?
Mr. VOLAND. Yes, sir.
Senator KING. And as much as it was in 1913?
Mr. VOLAND. No, sir.
Senator KING. You reduced your salary, did you?
Mr. VOLAND. Yes, sir.
Senator REED. What is your salary, Mr. Voland?
Mr. VOLAND. $100 a week.
Senator BARKLEY. $100 a week?
Mr. VOLAND. Yes, sir.
Senator REED. Do you give all your time to the company?
Mr. VOLAND. Absolutely.
Senator KING. Did you ever have a business exceeding $30,000?
Mr. VOLAND. Yes, sir.
Senator KING. Your gross business?
Mr. VOLAND. Yes, sir.
Senator KING. When was that?
Mr. VOLAND. Probably during the war.
Senator KING. Before the war?
Mr. VOLAND. No, sir.
Senator KING. It never exceeded $30,000 a year?
Mr. VOLAND. No, sir.
Senator BARKLEY. What is the total United States production of these balances?
Mr. VOLAND. According to the best figures we can get it is something like $500,000.

Senator BARKLEY. What is the total amount imported?
Senator REED. Nobody knows, Senator.
Mr. VOLAND. Nobody knows. There are no available figures on that at all.
Senator BARKLEY. Have you any way of estimating, or approximating what proportion of the total consumption in this country is imported?
Mr. VOLAND. No, sir; there are no available figures on that at all. We tried to get them but we could not. There are no Government figures.
Senator KING. The tariff report here shows $800,000 in 1924.
Senator REED. That is domestic production.
Senator KING. I was coming to that—domestic production.
Mr. VOLAND. Yes, but I do not believe that that is confined exclusively to precision balances.
Senator KING. That is it, laboratory balances and weights.
Mr. VOLAND. That may mean spring balances. You see there are a great quantity of those, and spring balances are not precision balances.
Senator KING. How would you classify the exports which amount to $3,541,838 in 1928?
Mr. VOLAND. That certainly is not confined to precision balances.
Senator KING. No, I did not say that. Would you know how to classify that? Have you made any investigation to determine what part of the $3,541,838 could be allocated to precision balances?
Mr. VOLAND. There are no available figures. We tried to get them but we could not.
Senator REED. Do you export any, Mr. Voland?
Mr. VOLAND. We do, to a certain extent.
Senator REED. Where do you export to?
Mr. VOLAND. Some to Australia and South America.
Senator KING. What were your exports last year?
Mr. VOLAND. Not much.
Senator KING. How much?
Mr. VOLAND. Half a dozen balances.
Senator KING. What is the largest number, or greatest amount in dollars and cents, of your exports in any one year?
Mr. VOLAND. In any one year I should say it did not amount to $500.
Senator KING. What year was that?
Mr. VOLAND. I do not know.
Senator KING. Last year?
Mr. VOLAND. No, sir.
Senator KING. Have you exported any this year?
Mr. VOLAND. We have exported just two this year, one to France——
Senator REED. One to France, did you say?
Mr. VOLAND. Yes.
Senator BARKLEY. How big are they?
Mr. VOLAND. The same as we have been speaking about.
Senator BARKLEY. I know, but I do not know how big they are. What is the size of one of these balances?
Mr. VOLAND. They are 9½ wide by——
Senator BARKLEY. Inches or feet?

Mr. VOLAND. Inches, sir; yes, sir.
Senator BARKLEY. You sent one of those to France?
Mr. VOLAND. Yes, sir.
Senator BARKLEY. I would not call that very large exportation.
Senator KING. Where else did you export to?
Mr. VOLAND. None at all last year.
Senator KING. I am speaking about this year.
Mr. VOLAND. This year?
Senator KING. Yes, where else?
Mr. VOLAND. India.
Senator KING. India?
Mr. VOLAND. Yes.
Senator KING. Where else?
Senator REED. How many did you send to India?
Mr. VOLAND. Half a dozen, all about the same size.
Senator KING. What did you sell them for?
Mr. VOLAND. To a dealer.
Senator KING. For how much?
Mr. VOLAND. How much?
Senator KING. Yes; how much apiece.
Mr. VOLAND. They average about $40.
Senator KING. $40. Do you allocate 100 per cent overhead?
Mr. VOLAND. Yes, sir.
Senator KING. In estimating your——
Mr. VOLAND. We try to, but we can not do it.
Senator KING. You include salary in the overhead, as part of it?
Mr. VOLAND. Yes, sir.
Senator REED. You try to but you can not do it?
Mr. VOLAND. No, sir.
Senator REED. I think that is all, Mr. Voland, unless there is something else you want to bring to the committee's attention.
Mr. VOLAND. There is just that clause that we find that they are trying to import these balances duty free. This means that the balance making industry in this country would be wiped out.
Senator REED. But there is a 40 per cent ad valorem duty now. How do they get them in duty free?
Mr. VOLAND. How do they?
Senator REED. Yes.
Mr. VOLAND. They are trying to.
Senator REED. How are they trying to? Do you mean they are trying to get us to change this tariff?
Mr. VOLAND. Yes, sir.
Senator REED. Under the present law they can not import them duty free.
Mr. VOLAND. No, sir.
Senator KING. You refer now to a statement made by a witness for scientific instruments?
Mr. VOLAND. Yes, sir. I do not think balances come under that same schedule.
Senator REED. Thank you, Mr. Voland.

PLIERS, PINCERS, NIPPERS, ETC.

[Par. 361]

STATEMENT OF C. L. GAIROARD, NEWARK, N. J., REPRESENTING MANUFACTURERS OF PLIERS AND NIPPERS

Senator REED. What do you want to tell us about paragraph 361, Mr. Gairoard?

Mr. GAIROARD. Merely that under the last tariff bill paragraph 361 was not properly taken care of, and in consequence the imports of pliers have been increasing.

Senator KING. You are speaking of paragraph 361?

Mr. GAIROARD. Paragraph 361.

Senator REED. The HOUSE this time has added a specific duty of 10 cents apiece on all pliers and nippers other than slip-joint pliers.

Mr. GAIROARD. Even at 10 cents apiece, Mr. Senator, we are not able to compete; and I am filing with this brief a comparison of American wages and foreign wages.

Senator REED. And valued at more than $2 per dozen, 20 cents each.

Mr. GAIROARD. It should be 20 cents apiece in the first bracket and 30 cents apiece in the second bracket—increase the specific duty 10 cents apiece.

Senator KING. What is the increase in ad valorem given by the House in paragraph 361?

Mr. GAIROARD. About 100 per cent.

Senator KING. One hundred per cent?

Mr. GAIROARD. Yes, sir.

Senator KING. And you want still more?

Mr. GIAROARD. Yes, sir.

Senator REED. Mr. Gairoard, is it correct that no finger-nail nippers are being made in the United States

Mr. GAIROARD. Finger-nail nippers were made in the United States up to about 1924 or 1925; and, due to the lack of protection in paragraph 361, the manufacturers who made them had to go out of business. I will file with you answers from manufacturers of goods in paragraph 361 in which they state that with the proper protection they can make these nippers and produce sarisfactory merchandise, and they would like to have nippers left in that paragraph.

Senator REED What you would like to do on paragraph 361, then, is to double the specific duty?

Mr. GAIROARD. No; add 10 cents. In the case of what is now 10 cents, make it 20; and in the case of what is now 20, make it 30—add 10 cents each.

Senator KING. Why do not slip-joint pliers require the same specific duty? They are made in large quantities here.

Mr. GAIROARD. Yes; they are made in very large quantities. It is for the reason that the slip-joint plier is purely an American product, an American invention; and when one country is the first one to make a certain thing, as a general rule they commence to make such a tremendous quantity that the competition is not so great. Furthermore, Senator, slip-joint pliers are being made to-day to go into automobiles —for instance, if you buy an automobile you get a slip-joint plier as

low as 7 cents each, practically the cost of forging. In other words, on slip-joint pliers there is not enough labor to us to say we need protection; but if we make a very highly finished article, then we have got to have protection for labor.

Senator REED. Now we have your specific suggestions. I should like to ask you this question:

In 1921 and 1922, when the present law was enacted, the cutlery manufacturers represented to us that the wages in Germany were about a fifth of the wages paid here. In part that was due to the progressive depreciation of the mark. Now that process has been stopped. The has been stabilized, and wages in purchasing power in Germany have risen very much since 1921.

Mr. GAIROARD. Yes, sir.

Senator REED. I am wondering whether you still need so much protection on all these cutlery items as you needed in 1922?

Mr. GAIROARD. We do. I have figures from the United States Department of Labor, gathered by Mr. Steuart, their Commissioner of Labor Statistics, of March 11, 1929; and we find that the wages in Germany, according to this report, are still on the ratio of 4 to 1.

If you take my formula, I have a little formula that I use. I say that if an article in Germany, for instance, is sold for $2 a dozen for export, I allow the manufacturer in Germany 25 per cent for profit, making $1.50. From that I deduct 20 per cent for material and supplies. That is $1.20, and that is the cost—the labor cost. If the labor cost in Germany is $1.20 and the labor cost in the United States is $4.80, we have got to have $3.60 protection to equal the German cost; don't you see?

Another of the things that I want to call your attention to is this: This cutlery business in Germany is not a business under a roof. It is a brokerage business. A man comes to a broker and gets a hundred dozen scissors to grind, to polish, to finish, or to do what not, takes them home, and it is home labor—so much so that in making this report from the Rhemscheid district, where pliers are made, the Department of Labor states that here is a man making $12 a week in American money, but you have to deduct 20 per cent of that for the material that he uses.

So, in reality, he makes $12, less 20 per cent. The same man in the United States would make in the neighborhood of $35 a week. Have I answered the question?

Senator REED. Yes.

Senator KING. Is it not a fact that one American workman in the machine shops and the manufacturing plants of the United States, will produce as much, in value, as four Germans?

Mr. GAIROARD. Oh, no. Not at this hand work, Senator. They are the most expert workmen in the world in this hand work.

Senator KING. I have the statement here, which I will put in the record. My recollection is that the ratio is 27.9 for the German, as compared to the standard of 100, which the American workman approximates. A German would only reach the standard of 27.9.

Mr. GAIROARD. Is that in dollars and cents or in quantity?

Senator KING. In the value of the product.

Mr. GAIROARD. In the selling value or in the cost value?

Senator KING. Both.

Mr. GAIROARD. I can not tell you anything about that, but I can tell you this. I will take, in our factories, all the German workmen you will give me, and I will produce as much with them, if not more, than I can to-day with American workmen.

Senator REED. Have you a brief to leave with us?

Mr. GAIROARD. I have; on paragraph 316, as well as these telegrams.

Senator REED. Leave your brief with the stenographer and the telegrams with the clerk. They will appear immediately after Mr. Gairoard's testimony.

(Mr. Gairoard submitted the following brief:)

BRIEF OF AMERICAN MANUFACTURERS OF PLIERS, PINCERS, AND NIPPERS

The SENATE FINANCE COMMITTEE,
United States Senate, Washington, D. C.:

The following American manufacturers of pliers, pincers, and nippers contend that the American industry needs a higher specific duty than provided for under the H. R. bill 2667.

Mathias Klein & Sons, Chicago, Ill.
Peck, Stow & Wilcox Co., Southington, Conn.
Crescent Tool Co., Jamestown, N. Y.
Utica Drop Forge & Tool Co., Utica, N. Y.
Bridgeport Hardware Manufacturing Corporation, Bridgeport, Conn.
Kraeuter & Co. (Inc.), Newark, N. J.

Pliers, pincers, nippers of all kinds, finished or unfinished, and other hinged hand tools for cutting or splicing wire, valued at not more than $2 a dozen should have a specific duty of 20 cents each and 60 per cent ad valorem; valued at more than $2 a dozen, specific duty 30 cents each and 60 per cent ad valorem, for the following reasons:

Most of the articles imported into this country under paragraph 361 are manufactured in the Solingen district in Germany, where wages are about one-quarter of the wages paid in America to the same class of workmen.

Since 1923 the amount of importations has steadily increased.

The average price of goods imported under this paragraph is 13½ cents each. No American manufacturer can compete due to the high American wage cost.

The American industry, therefore, absolutely needs the protection asked above.

In the manufacture of the goods in paragraph 357, labor constitutes 80 per cent and material not more than 20 per cent of the toal cost of manufacturing.

After an exhaustive study of importations we find that the average or medium price 6-inch pliers are sold in Germany to-day for export, at about $2 a dozen. Taking as a basis the 4 to 1 ratio of labor cost, we herewith show the minimum amount of protection necessary for the United States manufacturers. In figuring this we are allowing to the German manufacturer a gross profit of 25 per cent on his selling price; we are figuring the cost of material on a basis of 20 per cent of the entire cost:

	Per dozen
Entry price of a 6-inch pliers	$2.00
Allowance of 25 per cent gross profit to German manufacturers	.50
Manufacturers' cost	1.50
Cost of material, at 20 per cent	.30
German labor and overhead	1.20
American labor, four times $1.20	4.80
Less German cost for same	1.20
Necessary to equalize American labor cost	3.60
Under proposed rate of duty in H. R. 2667, $1.20 ad valorem and $1.20 specific	2.40
Additional protection necessary	1.20

Which would be secured to American manufacturers if the specific duty in H. R. 2667 were increased to 20 cents each on importations at $2 a dozen and under, and 30 cents each on importations valued at over $2 a dozen.

Respectfully submitted.

CAMILLE L. GAIROARD.

Suggestion showing how paragraph 361, H. R. 2667, would read with above proposed changes:

"PAR. 361. Slip-joint pliers, 60 per centum ad valorem; other pliers, pincers, and nippers, of all kinds, and hinged hand tools for holding and splicing wire, finished or unfinished, valued at not more than $2 per dozen, 20 cents each and 60 per centum ad valorem; valued at more than $2 per dozen, 30 cents each and 60 per centum ad valorem: *Provided*, That all articles specified in this paragraph, when imported, shall have the name of the maker or purchaser and beneath the same the name of the country of origin die sunk conspicuously and indelibly on the outside of the joint."

Subscribed and sworn to before me this 28th day of June, A. D. 1929.

[SEAL.] C. RAYMOND KIERSTEAD.
Notary Public of New Jersey.

STATEMENT OF JOHN J. CASEY, REPRESENTING SCHNEFEL BROS. (INC.), NEWARK, N. J.

(The witness was duly sworn by the chairman of the subcommittee.)

Senator REED. Did you testify before the Ways and Means Committee?

Mr. CASEY. No, sir; I did not.

Senator REED. Did you file a brief there?

Mr. CASEY. No, sir.

Senator REED. You want to speak to us about the plier paragraph?

Mr. CASEY. Yes, sir.

Senator REED. What type plier do you make?

Mr. CASEY. We are manufacturers and importers. This [indicating] is a nail nipper, of which you have seen an example yesterday. We import this, for the reason that we can not make it in our factory.

Senator KING. Do you make anything besides pliers and nippers?

Mr. CASEY. Yes, sir; We make manicure implements. We are the largest manufacturers of manicure implements in the United States.

Senator Reed. Why can you not make that article in your own factory?

Mr. CASEY. Because we have not the necessary skill.

Senator REED. What skill do you lack? What part of the process requires such skill?

Mr. CASEY. The finishing principally; but it goes back to the forging. The forging has to be extremely accurate, more accurate than any work that is done. From the forging on the grinding, polishing, and finishing are done by expert workmen, so highly skilled that we have not been able to find any in this country. There is only one manufacturer in the United States at the present time who makes a nail nipper, and he makes a very cheap one. I have a sample here. You can see the difference [indicating]. This is the nail nipper made in the United States [indicating.] It is made of cast iron, or malleable iron, and it sells at $3 a dozen. In fact, we formerly bought them at $3 a dozen. The results were so unsatisfactory, on account of them breaking at the joint, being so brittle, and not holding an edge, that we had to give them up. In their place we import this nipper [indicating], which costs us, not $3, but $4.07, landed.

Senator REED. How much did these American nippers cost?

Mr. CASEY. $3 a dozen, and that one [indicating] costs $4.07 a dozen landed. That [indicating] is a drop-forged steel nipper. The other is cast iron.

Senator REED. We can make drop forgings in this country, can we not?

Mr. CASEY. Yes, we can make drop forgings, but we can not finish them from then on. We ourselves have tried to make nippers. We have made nippers.

Senator KING. You are a manufacturer of many things, are you not?

Mr. CASEY. Yes. We manufacture everything you see on this board [indicating].

Senator REED. Are these nickel plated after being made?

Mr. CASEY. Yes. We are manufacturers of everything on this board except the upper row of tweezers and nippers; and the principal reason we import these is that we can not get any substitutes in this country, or we ourselves can not make them. Our desire and our ambition is to make everything we sell.

Senator KING. You make razors?

Mr. CASEY. Yes, sir.

Senator KING. And nail clippers?

Mr. CASEY. Yes, sir.

Senator KING. Tweezers, nail files, and all sorts of cuticle instruments?

Mr. CASEY. All sorts of manicure implements; yes, sir.

Senator KING. You make all those, but you import tweezers and certain scissors. What are these others?

Mr. CASEY. That [indicating] is the nail nipper; and this [indicating] is the cuticle nipper.

Senator KING. Because you contend that those which you import are very much superior, and you can not secure that quality in the United States?

Mr. CASEY. Correct.

Senator REED. Then if we double the duty on nail nippers, it would not do any good.

Mr. CASEY. It would not do any good at all, because the only one who makes them is this one manufacturer, and he has, I think, five workmen. He has a factory not as large as this room. He is the only one who would be benefited, and the one he makes is so cheap that the imported nipper does not even touch it. So, what we are interested in is these better grade nippers that are used by professionals, manicurists, and chiropodists.

Senator REED. You would like to have the tariff reduced on them, would you?

Mr. CASEY. We would like to have paragraph 361 changed, so that manicure and pedicure nippers will follow slip-joint pliers and take 60 per cent, as they do now, instead of adding on a specific duty that does no one any good and just adds an increased burden on us and our consumers.

Senator KING. Why have such a high rate as 60 per cent if there is no competition?

Mr. CASEY. There really is not any need of that. It is just something that has grown up and has never been corrected.

Senator KING. Slip-joint pliers would not come within that category.

Mr. CASEY. No. That is a different kind of article. You saw some of those yesterday. Here is the type of nippers that are made by the so-called American plier manufacturers [indicating]. They

have filed a brief in the House, and we are in this paragraph, apparently, by error or oversight. I do not think either one of those manufacturers realized that the general phrase there "and other pliers" would include nail and cuticle nippers; but now that they are in there, they do not want to take them out. To keep them in, they say that they can make nail and cuticle nippers, which is going quite far afield.

Senator KING. "Other pliers" are the words that you think ought to go out, or at least take a different duty, is that it?

Mr. CASEY. The first part of 361 reads "slip-joint pliers," and immediately after slip-joint pliers are the words "manicure or pedicure nippers," and then follow the words "60 per centum ad valorem."

Senator KING. I do not see "pedicure nippers."

Mr. CASEY. They are not there. They are now included under the phrase down below there, "and all other nippers."

Senator KING. I do not see the phrase "and all other nippers." I see "other pliers."

Senator REED. "And nippers of all kinds" in the second line.

Senator KING. Oh, yes.

Mr. CASEY. We are in there under that general phrase. We are not specifically mentioned.

What we are particularly interested in is not to have this specific duty apply to us, which I do not think anybody intended it to do, and which apparently is going to do no good to anyone.

Senator REED. Except the man who employs five men.

Mr. CASEY. Yes. It will not do him any good, because he can not make those things anyway. He is selling all he can make of the cheaper grade of nipper.

Senator REED. All right, sir. I think we have your point.

Mr. CASEY. There is just one other point I want to mention, and that is the plier manufacturers that were mentioned by the previous speaker saying that they could make nail and cuticle nippers. When this first came to our attention two or three weeks ago, I wrote to all the manufacturers, including the one who just testified, and I got replies from all of them except one. Here is what one of them said. I will file all the telegrams with you.

Re your letter 21st, wire 24th, we do not make manicure nippers and would have no objection to these being imported at same ad valorem duty as slip joint pliers.

Since these telegrams have been received they have changed their minds and decided that maybe they could make nail and cuticle nippers, which I am here to tell you they can not make.

Senator KING. Did Mr. Gairoard answer that telegram?

Mr. CASEY. He answered it in person, and said "Yes; we are in favor of that. We do not mind your having it changed." But yesterday he changed his stand on that and said that "we have to oppose you because we think we can make them ourselves."

Senator KING. Now he wants a 100 per cent increase.

Mr. CASEY. He wants to increase the duty on these mechanics' pliers. We are not interested in that, but we certainly do not want to have an exorbitant duty put on nail and cuticle nippers merely because we are accidentally in that paragraph with the manufacturer of these products.

Senator KING. Take these articles which you manufacture. Do you think the tariff is too high on those?

Mr. CASEY. I did not get your question.

Senator KING. Do you think the tariff should be reduced upon these articles which you manufacture?

Mr. CASEY. On one item only. On nail files we have no competition. The situation is this. On manicure implements America can beat Germany on nail files and tweezers, and on scissors; and on nippers we can not. We have no competition on nail files to speak of. We do have on scissors. We ask for a reduction of the duty on scissors. In the House we merely filed a brief. We did not appear for it, because it has not grown to a point where it seriously affects us. Each year it is getting a little worse, but perhaps we can stand it for a while longer.

Senator KING. I notice that the Tariff Commission reports, under paragraph 361, that the production in the United States at one time was $8,000,000 to $10,000,000. It is not available for very late years.

Mr. CASEY. Of what?

Senator KING. Of pliers, pincers, and nippers, those coming under paragraph 361. Also that the value of imports in 1928 was $265,000; in 1927, $271,000; in 1926, $279,000; the three preceding years, from $230,000 to $242,000. Back in 1921 it was $266,000; in 1922 it dropped down to $45,000. It would seem that in these last two years there was a diminution in the imports.

Mr. CASEY. That applies principally to these mechanics' nippers. That is the big item in that paragraph 361; this type [indicating] of nipper.

Senator KING. Has there not been a decrease generally in all the articles that would come within paragraph 361?

Mr. CASEY. So far as these items are concerned, we are increasing our imports every year.

Senator KING. You say "these." You are referring now to what?

Mr. CASEY. Manicure and pedicure nippers.

Senator KING. Those are the ones with which you have no competition, except that cheap product, is that correct?

Mr. CASEY. Correct; and we would like to make it here if we could.

Senator KING. But, with respect to the other items, is there any increase in the importation?

Mr. CASEY. You mean of these [indicating]?

Senator KING. Those that would come under paragraph 361.

Mr. CASEY. Anything that comes under 361 I have no knowledge of, except manicure and pedicure nippers.

Senator KING. All right.

Senator REED. Do manicure files of this type [indicating] come under the general file paragraph?

Mr. CASEY. No; under 354. Paragraph 362, as I remember it, is mechanics' files. Paragraph 362 is mechanics' files, and machinists' files. Paragraph 354 is manicure files.

Senator REED. Nail files, 60 per cent.

Mr. CASEY. There was mention made yesterday that these could be changed to 354. We are not particularly interested in which paragraph they come under, whether 354 or 361. That is a matter beyond us. But the thing we are interested in is that they shall not take more than 60 per cent ad valorem, which is what they now take.

Senator KING. Why should cuticle knives, corn knives, nail files, tweezers, hand forceps, and parts thereof, come under paragraph 354? Why should they not be allocated to paragraph 362, where they have files, rasps, and floats?

Mr. CASEY. Well, that is a little difficult to say.

Senator KING. And 361, where they have tweezers, pliers, and so forth?

Mr. CASEY. For some unaccountable reason to me, a nail file and a tweezer, two objects used for two different purposes, have always been made by the same manufacturer. That is a situation that I do not know how to account for, but I do know that most nail-file manufacturers make tweezers. They are two different articles. That is why nail files and tweezers are put in the same paragraph. If you take nail files and put them in 361, you would have them in an entirely different category. A nail file is not used by a mechanic, whereas the files in 362 are used in machine shops, and by mechanics, and for various mechanical purposes.

Senator REED. The high-priced precision files that come in under 362 are very different metal from these nail files, are they not?

Mr. CASEY. The metal itself I do not think is very much different. They are both made of very high-grade steel.

Senator REED. Do you use tool steel for them—crucible tool steel?

Mr. CASEY. We use crucible steel, and they are hardened and tempered.

Senator KING. Are you increasing your output?

Mr. CASEY. Yes, sir.

Senator KING. And are other manufacturers of these articles increasing their output in the United States?

Mr. CASEY. When you say "these articles," do you mean nail files and tweezers, or nippers?

Senator KING. Generally, those articles that were testified to by the preceding witness, Mr. Gairoard—tweezers, knives, cutlery, and so forth.

Mr. CASEY. That is a little out of our field. We do not touch that. We are only in the manicure-implement field. I have no means of knowing any more about that than what I hear. We ourselves have no definite records on that subject.

Senator KING. The statement was made by the preceding witness about some of these manicure instruments—or at least scissors—being brought in in little leather jackets. Do you know anything about that?

Mr. CASEY. Yes, sir.

Senator KING. In violation of the law, as I conceive it to be.

Mr. CASEY. Yes, sir; and I think that that has been stopped by a Treasury decision. I am not certain about it, but the manufacturer who brought in a traveling set with five or six scissors in it, and called it leather goods, I think has been stopped. They can still bring in a set with perhaps two or three scissors. That gets by, but when they get to an exhorbitant number, I think the Treasury Department has stopped that, although I am not certain.

Mr. H. P. KOCH. There was a Treasury Department decision?

Senator KING. Have you testified?

Mr. KOCH. No, sir; I have not.

Senator KING. Do you know that there has been a Treasury Department decision?

Mr. H. P. KOCH. Yes; there has been a Treasury Department decision. I do not know just when.

Senator KING. Are you going to testify?

Mr. H. P. KOCH. No.

Senator KING. You ought to give your name for the record.

Mr. H. P. KOCH. My name is H. P. Koch.

(Mr. Casey submitted the following brief:)

BRIEF OF SCHNEFEL BROTHERS (INC.), NEWARK, N. J.

SENATE FINANCE COMMITTEE,
U. S. Senate, Washington, D. C.

GENTLEMEN: Under the present tariff law fingernail nippers, toenail nippers, and cuticle nippers, commonly known as manicure and pedicure nippers, come under paragraph 361 and take a duty of 60 per cent ad valorem.

Under H. R. 2667, paragraph 361, it is proposed to add a specific duty of 10 cents each on nippers valued at not more than $2 a dozen and 20 cents each on nippers valued at more than $2 a dozen; this specific duty being, of course in addition to the present 60 per cent ad valorem.

Our contention is that the addition of any specific duty on manicure and pedicure nippers is unwarranted and uncalled for, and a diligent search fails to discover any American manufacturer, exporter, or importer who is interested in having this duty imposed.

It is our conclusion, therefore, that this proposed specific duty on manicure and pedicure nippers is due to an oversight or error in the wording of paragraph 361.

We filed no brief with the House Ways and Means Committee on this subject as it came to our attention only recently and after the House hearings had closed.

In reading the hearings before the House Committee we find a brief filed by the following American manufacturers of pliers, pincers, and nippers, on paragraph 361:

Mathias Klein & Sons, Chicago, Ill.; Peck, Stow & Wilcox Co., Southington Conn.; Crescent Tool Co., Jamestown, N. Y.; Utica Drop Forge & Tool Co., Utica, N. Y.; Bridgeport Hardware Manufacturing Corporation, Bridgeport, Conn.; Kraeuter & Co. (Inc.), Newark, N. J.

Manicure and pedicure nippers are not specifically mentioned in the paragraph, but come under the general heading of "and nippers of all kinds." I do not believe any of the manufacturers interested in this paragraph realized or gave it a thought that the general phrase, "nippers of all kinds," would take in manicure and pedicure nippers.

To make certain on this point I got in touch with each of them as per copy of letter below and have their wire replies of 5 out of 6 which are also printed below, the originals being attached to this brief, stating that none of them makes or sells manicure or pedicure nippers.

JUNE 21, 1929.

MATHIAS KLEIN & SONS,
Chicago, Ill.

GENTLEMEN: Paragraph 361 on page 80 of H. R. 2667 covers slip-joint pliers at 60 per cent ad valorem, and all other pliers, pincers, and nippers of all kinds take a specific duty in addition to the ad valorem.

We are particularly interested in nippers for cutting finger nails, toenails, and cuticles, and this letter is for the purpose of asking whether you manufacture any nippers of this class, and if so, what grade are they in, namely, at what price per dozen do you sell them to the wholesale trade?

Inclosed is a sheet illustrating our nail file cabinet, in the top row of which you will note three nippers.

The one at the extreme left, No. 1066, sells to a dealer at $8 a dozen, and the one on the extreme right, our No. 1054½, sells to a dealer at $12 a dozen. These two nippers are for finger nails and toenails.

The nipper in the center is a cuticle nipper, our No. 1072, and sells to the dealer at $15 a dozen.

The jobber gets 25 per cent discount from these prices.

The present rate of duty is 60 per cent ad valorem, and it is our desire to have the nippers that we import remain at the present rate of duty, which would mean that paragraph 361 would be amended to have the following words: "Nippers for cutting finger nails, toenails, and cuticles to be in the same classification with slip-joint pliers to take only the 60 per cent ad valorem duty and not the specific duty of 10 or 20 cents each, according to value."

It is our impression that the American manufacturers of pliers, pincers, and nippers do not make the nippers above described, or if they do, they make only the lower grade number which would take the specific rate of 10 cents each.

We feel, therefore, that the addition of a specific duty on the nippers that we import would be of no benefit to any American manufacturer and would merely mean an additional hardship upon us and American consumers.

Won't you, therefore, tell us whether you manufacture any finger nail, toe nail, or cuticle nippers, and whether you would have any objection to having paragraph 361 amended as above suggested.

It is our feeling that the nippers we import are included inadvertently in this paragraph and not intentionally, and it is our desire, therefore, to have this apparent mistake corrected, and, of course, it will be of considerable help to us to have a letter from you stating whether or not you manufacture any of these nippers and whether the amendment would be agreeable to you.

I have talked to Mr. Gairoard about this, and he is agreeable to this suggestion. The only thing is that he points out the difficulty of having anything changed at this time.

We will much appreciate if you can reply to this letter at once, as the hearings start next Monday, and we would be glad to have the data available as soon as we can.

Thanking you in advance for your kind cooperation, we are—

Below is copy of telegram sent June 24, 1929, by Schnefel Bros. (Inc.), to the six above-mentioned manufactures of pliers, etc., as a follow-up to Schnefel Bros. (Inc.), letter of June 21, 1929:

Would much appreciate a collect wire answer to our letter 21st, telling us whether you manufacture finger toe nail or cuticle nippers, if so what price dozen to wholesaler Stop A confirming letter from you will also be appreciated.

SCHNEFEL BROS. (INC.)

Replies of plier manufacturers.

CHICAGO, ILL., *June 24, 1929.*

Re your letter 21st and wire 24th we do not make manicure nippers and would have no objection to these being imported at same ad valorem duty as slip joint pliers.

M. KLEIN & SONS.

JAMESTOWN, N. Y., *June 24, 1929.*

Retel can not furnish items requested on June 21st.

CRESCENT TOOL CO.

SOUTHINGTON, CONN., *June 24, 1929.*

Your letter 21st do not make tools you mention.

PECK STOW AND WILCOX CO.

BRIDGEPORT, CONN., *June 24, 1929.*

We do not manufacture cuticle or toenail nippers.

BRIDGEPORT HARDWARE MFG. CO.

UTICA, N. Y., *June 24, 1929.*

We do not manufacture toenail or cuticle cutting nippers.

UTICA DROP FORGE AND TOOL CO.

The only manufacturer of the six above-mentioned, from whom we do not have a written reply, is Krauter & Co., of Newark, N. J. Their factory is only a block from ours in Newark, and I talked to their treasurer on the phone and later saw him and both times he said he or his company had no objection to our proposition to take off the specific duty on manicure or pedicure nippers, as he said they did not make or sell these nippers.

He late, however, changed his mind on this point, which will be referred to further on in this brief.

To my knowledge there is only one manufacturer of manicure and pedicure nippers in this country, and that is the Stumpel Cutlery Works, of Irvington,

N. J., successor to the Irvington Tool Works, a very small concern, of less than a dozen employees.

A sample of the nipper made by this firm is exhibited herewith. We formerly purchased this nipper from the Irvington Tool Works and paid $3 a dozen for them. It is made of cast iron and is the principal grade they make. We had so much trouble and dissatisfaction with cast-iron nippers that we changed to drop-forged steel nippers, and the cheapest frade we carry is our No. 1066 which costs us $2.40 a dozen in Germany, or $4.07 a dozen landed. The proposed bill would bring the cost to $6.47 landed, an increase of over 50 per cent. This nipper does not compete with the Irvington nipper at $3 a dozen, and no American manufacturer, importer, or exporter would receive any apparent benefit from the increased duty.

To ascertain if there were any other manufacturers of manicure and pedicure nippers in this country that we did not know of, we asked several of our leading competitors and they knew of none.

I have just received telegram from Mr. H. A. Silbert, of the Premier Cutlery Works, New York City, a large user of manicure and pedicure nippers, reading as follows:

"After careful inquiry I can find no other manufacturer than the one you mention."

The one I mentioned to Mr. Silbert was the Irvington Tool Works above referred to.

The other nippers we sell are higher in grade and higher in price than our No. 1066 previously mentioned, and in order to show the comparison in quality we are attaching samples of our No. 1066, No. 1072, and No. 1054½. No American manufacturer makes a nipper anywhere near these nippers in quality and price.

I do not know exactly what our relative position is in size in the manicure implement industry, but roughly I should judge that we sell perhaps 50 per cent of the manicure and pedicure nippers sold in this country.

On the nippers we import and sell, the consuming public would pay approximately $75,000 more under the proposed bill than at present. Doubling this figure to take in what is sold by the other firms in the industry would make a round figure of $150,000 which the consuming public would be asked to pay yearly if this paragraph remains unchanged, and this toll would bring no ascertainable benefit or protection to any American manufacturer, importer, or exporter.

An increase in cost of this kind would have to be passed on by us and our competitors who import a similar quality of nippers to our jobbers and dealers and they in turn would pass it on to the consuming public; and there being no American source of supply of these nippers, the consumer would be in the position of having to pay the increased price or getting along without these implements. The hardship would fall most heavily upon the professional manicurist who needs these nippers in her daily work and upon that vast army of working girls who do their own manicuring at home and also upon chiropodists.

As this would create an unsatisfactory situation all around, it is recommended that the first part of paragraph 361 be amended to read as follows:

"PAR. 361. Slip-joint pliers, manicure or pedicure nippers, 60 per centum ad valorem; other pliers, pincers, and nippers of all kinds not otherwise specially provided for, and hinged hand tools, etc."

This would make the duty on manicure and pedicure nippers 60 per cent ad valorem as exists under the present law and would exempt such nippers from the proposed specific duty which apparently no American manufacturer, importer, or exporter is advocating.

Respectfully submitted.

SCHNEFEL BROS. (INC.),
Newark, N. J.
By J. J. CASEY, *Secretary.*

CHICAGO, ILL., *June 24, 1929.*

SCHNEFEL BROS. (INC.),
Newark, N. J.:

Re your letter 21st and wire 24th. We do not make manicure nippers and would have no objection to these being imported at same ad valorem duty as slip-joint pliers.

M. KLEIN & SONS.

JAMESTOWN, N. Y., *June 24, 1929.*

SCHNEFEL BROS. (INC.),
Newark, N. J.:

Re tel. can not furnish items requested on June 21st.

CRESCENT TOOL CO.

SOUTHINGTON, CONN., *June 24, 1929.*

SCHNEFEL BROS. (INC.),
Newark, N. J.:

Your letter 21st. Do not make tools you mention.

PECK STOW & WILCOX CO.

BRIDGEPORT, CONN., *June 24, 1929.*

SCHNEFEL BROS. (INC.),
Newark, N. J.:

We do not manufacture cuticle or toenail nippers.

BRIDGEPORT HARDWARE MFG. CO.

UTICA, N. Y., *June 24, 1929.*

SCHNEFEL BROS. (INC.):
Newark, N. J.:

We do not manufacture toenail or cuticle cutting nippers.

UTICA DROP FORGE & TOOL CO.

SUPPLEMENTAL MEMORANDUM BY MR. CASEY

When I first called up, the spokesman for the American plier manufacturers, and asked if he made or sold manicure or pedicure nippers he said "no," and added that he wasn't interested in them, and that he understood what we wanted and would be glad to cooperate with us. The only drawback he said, is that no one will want to change the paragraph in any way.

I have read to you what the other five manufacturers have said; and their spokesman having given me his word that he wasn't opposed to having the proposed specific duty taken off manicure and pedicure nippers, I asked him to sign a letter to that effect last Thursday. He said he would after the proposed change in paragraph 361 had been put in "legal language" as he termed it.

The conference with a gentleman in the legal division of the Tariff Commission brought forth the information that the following would be all right to avoid confusion or conflict with any other items:

"PAR. 361. Slip-joint pliers, manicure or pedicure nippers, 60 per centum ad valorem," etc.

Yesterday morning the spokesman for the plier manufacturers told me that he would have to oppose our proposition.

"On what grounds," I asked, and he replied: "On the ground that we can make those nippers ourselves."

"But," I said, "you're not making them now, and what's more I don't think you can make them."

"Oh, yes," he replied, "it's possible that we can make them; everything is possible." "Yes," I said, "it's possible but not probable, and you know as a practical man, and I know, and everyone else in the industry knows you can't make them."

If any American manufacturer can make them, Schmefel Bros. are in a better position to do it than any one else. We have the dies and the tools, and the experience and have previously made them and gave it up, the reason being lack of skilled workmen. These nippers require a kind of skill not available in this country. We tried it long and earnestly but it wouldn't go. It isn't a question of wages or costs so much—it's largely the question of skill and American workmen simply haven't got it. We would start making nippers to-morrow morning if we could get skilled nipper makers.

It takes a number of years to teach and develop a nipper maker—it is largely handwork of a highly skilled and precise nature, and there is no one in this country to teach and develop nipper makers.

The American plier manufacturers do not know what they are up against when they try to make manicure and pedicure nippers, and they are going considerably out of their way when they put forth that proposition.

They made no objection at first but later got their heads together and decided to oppose our proposition on the ground that maybe they can make these nippers themselves.

As a representative of the largest manufacturer of manicure implements in this country, I tell you, genetlemen, that the plier manufacturers are going far afield when they say that, for any practical man in the business knows that it takes an entirely different type of workman to make manicure and pedicure nippers than it does to make the mechanics' nippers they make.

They might just as well go one step further and say they can make dental and surgical forceps and surgical instruments in general.

If our proposition is to be rejected let it be done on some other ground than the theoretical, will-o'-the-wisp idea of these manufacturers that they can make manicure or pedicure nippers.

If their proposal is to have serious consideration, let them present figures of their manufacturing costs compared with foreign costs for the same quality and base the duty on the difference in wages, and not have the duty at an arbitrary figure merely because these manicure and pedicure nippers are improperly classified with mechanics nippers.

The cutlery importers want these nippers in paragraph 354; the plier manufacturers want it in 361. We have no special preference. It can be left in 361 and put in the first part with slip-joint pliers. The main thing is that the duty shall be 60 per cent ad valorem as it is under the present law, which is what it will be if these nippers are put in 354 or the first part of 361.

SCHNEFEL BROS. (INC.),
By J. J. CASEY, *Secretary.*

BRIEF OF ENDLEIN & SCHMIDT, (INC.), NEW YORK CITY

SENATE FINANCE COMMITTEE,
Washington, D. C.

GENTLEMEN: Reference to paragraph 361 of proposed tariff act of 1929 (H. R. 2667), pliers, pincers, nippers, etc.: 1922 tariff rate of duty, 60 per cent ad valorem; 1929 proposed new tariff rates—Slip-joint pliers, 60 per cent ad valorem; all other pliers, nippers, pincers, splicing tools, etc., valued at less than $2 per dozen, $1.20 per dozen; valued over $2 per dozen, $2.40 per dozen; and in addition an ad valorem rate of 60 per cent. This is equal to 180 per cent ad valorem rate on the price of a plier of which the foreign cost is either $1 or $2 per dozen. The proposed rate is 200 per cent higher than the 1922 tariff rate.

On pages 2269, 2270, and 2271 in the green cover congressional hearings record book we have explained the import situation of pliers.

We have proved on page 2271 that slip-joint pliers are sold by the United States factories at practically the same prices which the German manufacturers charge in Germany, and that therefore importation of this commodity is impossible at present.

We have explained on pages 2269 and 2270 that there exists a difference in the quality between the United States product and German product, that German drop-forged pliers are tempered by a cheaper process, etc., that the German production costs therefor are a little lower than United States production costs.

There are only six or seven exclusive cutting plier manufacturers in the United States, except Klein, Chicago, whose prices are averaging 100 per cent and more higher than those of the other makers, all sell their product at about the same prices. If there were as many factories making side-cutting pliers as there are making slip-joint pliers, prices of side-cutting pliers would not stay on the present high level.

On page 2271 of congressional hearings record book is an interesting true price comparison statement of slip-joint pliers meeting the same specifications:

Danielson Co. figure	1,476.02
Kraeuther Co. figure	6,170.17

Danielson Co. do not make side-cutting pliers now. It has to be presumed that he could undersell Kraeuther Co. in side-cutting pliers in the same proportion, if they made them.

Petitioners have spent much time in giving the Ways and Means Committee price and general informations, first in their original brief (printed on pp. 2268 to

2281) and second in a supplemental brief (printed on pp. 1751 to 1758 of the congressional hearings record book).

Most claims made by the many hardware manufacturers, who applied for a similar high protection as the plier manufacturers did, were disproven by us in our above mentioned supplemental brief. Unfortunately we could not obtain a copy of the plier manufacturers' brief, although we asked the Secretary of the Ways and Means Committee for it twice. We intended to include in our supplemental brief an answer to it. The plier manufacturers' brief, however, was not filed until the last minute it seems, as it was not published before the green cover complete hearings record book was printed. Therefore it was made impossible to us to file an answer to the same for publication.

The plier manufacturers' statement given the Ways and Means Committee being just as misleading (even more so) as were those of the different hardware manufacturers, we gave the chairman of the committee, Hon. W. C. Hawley, a reply to it, receipt of which was confirmed with the assurance that it would be given the subcommittee. We are not sure whether or not the subcommittee has subjected this answer to a thorough investigation, because we believe, that if they had, the plier manufacturers' petition for a 200 per cent duty increase over the present rate (new rate averaging 180 per cent ad valorem) would not have been granted.

Recently we mailed a copy of our answer to the plier manufacturers brief (the same as originally given to Mr. Hawley) to Hon. Senator Royal S. Copeland, from whom it may be obtained for publication.

We claimed and proved that it is grossly misleading to put German plier prices alongside those of the dearest United States product, those of Klein, Chicago, without mentioning the fact that the prices of all the other United States manufacturers for similar pliers are only approximately one third to one-half of Kleins prices. Kleins pliers have been nationally advertized for several decades and linemen and the electrical trade principally pay twice as much for the Klein's trade-mark than they would do for any other brand. Therefore the plier manufacturers' price comparison printed on page 2267 of congressional hearing record book needs a revision.

We claim that the United States makers of side-cutting pliers keep the side-cutting plier prices too high, that they could reduce them substantially and come near the import prices Why should it be necessary to tax a plier with a riveted joint 180 per cent if a 60 per cent duty is acknowledged to be more than sufficient protection for pliers with adjustable, so called slip joint?

May we respectfully request the Senate Finance committee to leave the plier import duty as it was in the 1922 tariff, that is 60 per cent ad valorem, if a downward revision of this rate does not seem to be advisable at this time. This rate gives more than sufficient protection to the domestic manufacturers.

Furthermore, we wish to protest against the proposed 25 per cent duty rate increase on hardware, articles which fall under the new created paragraph 397 (or par. 399 in 1922 tariff).

In our brief which is printed on pages 1751 to 1758 of the congressional hearings record book, we have proved that the present 1922 tariff rate of 40 per cent is more than sufficient protection for the domestic industries. In fact, on most articles falling under this paragraph (including such goods as breast drills, planes, pipe tools, wrenches, spanners, hammers, braces, etc.) a 40 per cent rate of duty is prohibitive.

Valuable price information has also been given by the United Hardware & Tool Corporation in their brief which is printed on pages 2281 to 2286 of the congressional hearing record book.

We trust that the foregoing statements will find due consideration in fixing the final duty rates for paragraphs 361 and 397 (399 resp.).

Respectfully submitted.

ENDLEIN & SCHMIDT (INC.),
C. ENDLEIN, *President.*

FILES

[Par. 362]

STATEMENT OF W. D. THOMAS, REPRESENTING THE SANDVIK STEEL & IMPORTING CO., CHICAGO, ILL.

(The witness was duly sworn by the chairman of the subcommittee.)

Senator REED. Mr. Thomas has already been sworn before the committee, and that oath applies as well to this testimony.

Mr. THOMAS. I shall take up only a few minutes to-day on this question of files. I think the committee prefers not to have stated over again that which has already been stated before.

I did not appear before the Ways and Means Committee on this subject, but there have been other briefs asking for lower tariffs, and they contain a great deal of statistics, which you gentlemen have. I shall simply touch on one or two points that were not brought up at that time.

Senator REED. You represent the Sandvik Steel & Importing Co.?

Mr. THOMAS. Of Chicago.

Senator REED. Is that a corporation?

Mr. THOMAS. Yes.

Senator REED. Has that declared a stock dividend?

Mr. THOMAS. No; it has not, I am sorry to say.

Senator KING. Or any other dividends?

Mr. THOMAS. No.

Senator REED. Go ahead.

Mr. THOMAS. Therefore, I will leave the statistics which were brought before the Ways and Means Committee before you gentlemen as the real facts in the case. These were brought out both by what you may term the opposition brief, and in the briefs by one or two of the importers.

We did not file any brief. This individual company, so far as it is concerned, did not file any brief with the Ways and Means Committee, as the present duty levied on files seemed to us to be more than adequate, from a protection standpoint, and we were actually looking for a downward readjustment on this commodity.

In making deliberations on this paragraph we wish to emphasize the fact that the import of files is about 1 per cent of the domestic production and the domestic manufacturers export all over the world twenty times the amount that is imported here. Part of these exports actually go into the very countries from which files are exported. That is a point I would like specifically to bring out at this time because it was stated that they were sold only in the countries outside——

Senator KING. In the neutral countries?

Mr. THOMAS. In the neutral countries.

Senator REED. The Tariff Commission had already advised us that England was one of the chief importing countries, and it was also one of the chief markets for American files.

Mr. THOMAS. Yes; so it is not only in the neutral countries.

We hear a great deal of talk about labor costs, but we must necessarily consider the product in question. We import the very highest quality files and we import them from Sweden. On top of this, we hear of no one bringing out the fact that foreign manufacturers are

taxed considerably. One Swedish company that manufactures files is paying from 30 to 32 per cent of its income in taxation and that same company has to pay from two to three times more for coal and coke than we do in the United States. All of that, gentlemen, has to be, added in the price of the files.

Senator REED. But that is all reflected in the invoice prices.

Mr. THOMAS. It is all reflected in the invoice prices, which are higher than the American prices, so far as those we bring in from Sweden are concerned.

They say the labor costs are lower there, and therefore we should have a protective tariff, but there are other things to be taken into consideration. In many of these foreign countries they have a lot of money to pay back. They have to pay it back to us, and——

Senator REED. If all we had to do was to compare the labor costs, this task would be simple.

Mr. THOMAS. Very simple.

Senator REED. Because, in the case of Sweden and Germany, our wages are about three times theirs, and we could fix the tariff accordingly, and then we would be done with it. But we have to take into consideration the other elements of cost, where they are handicapped. We are not forgetting that.

Mr. THOMAS. This is particularly true of quality products. From Sweden we import no seconds and no culls—none whatever. We import only the highest quality, the first quality, and that makes our costs quite high.

Senator KING. Are you speaking for the entire importations?

Mr. THOMAS. Just the ones from Sweden, that we import.

Senator KING. What proportion of the imports comes from Sweden?

Mr. THOMAS. I imagine it is close to 1 per cent of what is imported.

Senator KING. You do not mean that?

Mr. THOMAS. No; it is not that much; quite a bit less than that. The importations from Sweden last year were about 15,000 dozen files, total.

Senator REED. It represents about 20 per cent of the imports.

Mr. THOMAS. About 20 per cent of the total imports. When I am speaking about quality, it may interest you gentlemen to see this [producing sample]. As I say, we send no seconds or culls to this country, and import only the highest grade. Here is a piece of steel. If we take an American file and file that piece of steel it looks like that [indicating]. There [indicating] is the same thing done with a Swedish file. Those are some of the reasons we are able to sell on quality, even though our prices are much higher. That same thing reflects itself when they saw on the tooth of a band saw, for instance. You can see how smooth that is [indicating]. It is done with the same file.

Senator REED. It is the surface that is filed.

Mr. THOMAS. The surface. To a man who uses a file, that means a lot.

Senator REED. A great deal of it depends on the question whether those are comparable files.

Mr. THOMAS. It is the file bought from an American company, with the same number, sold in competition with the Swedish file. That is the way we sell these things. We show a man what it will do. Then he takes the file himself and he sees what it will do. That is the only reason we sell the few thousand dozen we do, at a higher price.

Senator KING. How much higher is your price than the American price?

Mr. THOMAS. In some cases it runs to 100 per cent.

It was stated by one American company that American steel was used exclusively in the making of files. We are in a position to know that some Swedish steel—that is, the raw, or semifinished steel—is sold in the United States, for the making of some of the good files here.

Again, it was stated that very extensive file manufacturing establishments have, in recent years, been developed in Sweden. This is far from being a fact. There is one company in Sweden that handles within 2 per cent of all the export of files to the United States, and it was founded in 1850. The extensive establishments spoken of, therefore, export very little, if any, files to this country.

It was also stated that great assistance was given from governmental agencies. This assistance is not known in Sweden, and the Swedish Government does not give any reward for exports.

In making a comparison of the prices charged by the American manufacturers we find that these American factories are selling much cheaper in foreign countries than they do on the domestic market. In this way they have not only spoiled the European market for the foreign manufacturer but they wish also to exclude him absolutely from their home market. Certainly, gentlemen, you can not conscientiously give reason to pleas from manufacturing concerns that have adopted such policies and tactics.

So far as prices go, they speak for themselves from statistics which you gentlemen have in hand and we need not dwell on this subject with you. But we can state to you authoritatively that a representative of an American house is now traveling in Sweden selling files from 30 to 60 per cent cheaper than the Swedish export prices for the United States?

Senator REED. What company does he represent?

Mr. THOMAS. I believe Nicholson. It was their Finnish agent.

Senator BARKLEY. How do those prices compare with the prices they charge in the United States for the same product?

Mr. THOMAS. I am just coming to that. This American selling price in Sweden is 50 per cent lower than the American company's selling price in the United States.

We have these actual quotations on the water to-day.

A gentleman stated that when business is poor they sell abroad to keep the labor busy over here, and that it was a good way of doing business. That is perfectly true, but we have to look at it from another angle, too. We have to keep our business going, too. I do not know what Sweden is going to use for money to pay the United States for the imports that they bring in from the United States, if they are going to take a lot of these things away from us. Sweden, as an average, I believe, is one of the best customers America has. For instance, take automobiles. I imagine that 99.99 per cent of the automobiles in Sweden to-day are of American make. They are wonderful customers of ours.

Gentlemen, we ask you to consider very carefully all these facts in this case in your deliberation, and we beg relief in this respect by asking for at least a 10 per cent lower duty than is at present imposed. I have that direct cable here, and the facts are on the water.

Senator REED. I will see that they are put in the record if you will send them to us.

STATEMENT OF WALLACE L. POND, PROVIDENCE, R. I., REPRESENTING FILE MANUFACTURERS

(The witness was duly sworn by the chairman of the subcommittee.)

Senator REED. Did you testify before the Ways and Means Committee, Mr. Pond?

Mr. POND. I did.

Senator REED. Did you file a brief?

Mr. POND. Yes, sir.

Senator REED. They do not seem to have made any change in the present law in paragraph 362.

Mr. POND. No change in the House.

Senator REED. Are you asking a change?

Mr. POND. I am asking a change.

Senator KING. You are asking to lower the rates, are you?

Mr. POND. I am asking an increase in the rates, Senator. I shall be very brief. I am speaking in behalf of 12 file makers: The Nicholson File Co., of Providence, R. I.; Henry Disston & Sons (Inc.), of Philadelphia, Pa.; the Delta File Works, of Philadelphia, Pa.; the McCaffrey File Corporation, of Philadelphia, Pa.; Heller Bros. Co., of Newark, N. J.; Carson-Newton Co., of Newark, N. J.; the American Swiss File & Tool Co., of Elizabeth, N. J.; the Simonds File Co., of Fitchburg, Mass.; Murcutt & Campbell, of Brooklyn, N. Y.; the Madden File Co. (Inc.), Middletown, N. Y.; Stokes Bros. Manufacturing Co., Freehold, N. J.; and the Cleveland File Co., of Cleveland, Ohio.

Senator KING. Before proceeding, do you assent to these figures, given by the Tariff Commission? The production for 1927 -and it has been increased in 1928—was $12,346,529. That is the domestic production in the United States. The imports were less than 1 per cent of the domestic production, the value being only $157,711.

Senator REED. That is more than 1 per cent, Senator.

Senator KING. $157,000 as against $12,000,000?

Senator REED. Yes.

Mr. POND. Those are the census figures, I understand.

Senator KING. And the exports in 1928 were $3,099,820. Do you accept those figures?

Mr. POND. Pardon me. The exports, again, please?

Senator KING. $3,099,820.

Mr. POND. $3,164,000 is the figure I have.

Senator KING. More than I have stated.

Senator REED. All right, Mr. Pond.

Mr. POND. Senator, I am filing a brief with the committee, and I am speaking to two or three questions on it that are not included in my brief.

First, in relation to the comparative imports and exports of files, while the importation of files is less than 100,000 dozen—and I am using dozen rather than dollars—and the exportation is upwards of 2,000,000 dozen, this fact alone has been said to make an increase in the rates unjustifiable. May I remind the committee that out of the 12 file makers whom I represent, only 3 do any export business

at all, and those who are successful in exporting their product have succeeded only through a persistent and constant canvass of neutral export markets, and at all times in competition with foreign makers.

There is, in our opinion, a distinct advantage to the industry from the development of an export market for part of this product.

Senator KING. They did not dump; did they?

Mr. POND. They did not.

Senator KING. It was legitimate competition, and they won out?

Mr. POND. Yes, sir.

Senator KING. What are those three companies?

Mr. POND. The Nicholson File Co.; Henry Disston & Sons——

Senator KING. That is the big saw company?

Mr. POND. Yes, sir; and Heller Brothers Co, of Newark. The others may export an occasional invoice, but not to any extent

Senator KING. And the Nicholson Co. has been paying large dividends and has a capital now which has been increased by stock dividends, is not that true?

Mr. POND. It was increased once by stock dividends, in 50 years, I think.

Senator REED. Go ahead.

Mr. POND. This export market secures a market for the products of these makers in seasons when business in this country is depressed, thus enabling them to operate their factories on a steady basis which could not otherwise be accomplished. For example, in 1908, and again in 1921, when many manufacturers in this country were forced to either close their factories or greatly reduce their working forces, these file makers, who did a considerable export business, were able to keep their usual number of hands steadily employed without reduction in wages. A policy which results as above in periods of depression we believe to be of material benefit to the country at large.

Furthermore, without the advantage derived from this export trade and the consequently enlarged output, costs per unit would necessarily be increased and would result in higher prices in this market.

Senator REED. That is all elementary economics. I think we understand that.

Mr. POND. It may be said in passing that from the year 1899 to the year 1915 there was never an increase in the price of files in this country, which is not true of many other products in the iron and steel industry.

Senator REED. How do your prices now compare with your prices in 1920?

Mr. POND. They are lower than they were in 1920.

Senator REED. How much lower?

Mr. POND. Ten per cent to 12½ per cent lower; and our wages are the same as they were in the peak of the war.

Senator REED. How do your prices compare to-day with the prices of 1914, let us say?

Mr. POND. About 85 to 90 per cent higher.

Senator KING. Higher?

Mr. POND. Yes.

Senator REED. They have more than kept pace with the rise in the prices of commodities generally.

Mr. POND. Yes; I think so; but in 1914 they were very low in comparison with other items of tools in the iron and steel industry.

We believe that the file makers who do an export business should be commended for their effort along this line, and we also believe that the request for increased protection by the other file makers who do no export business should not be jeopardized by the fact that three succeed in that market.

While the importation of files is less than 100,000 dozen per year, it should be noted that the importations have considerably increased in the last seven years, and the amount of these importations now equals or exceeds the total yearly production of several of the file makers which unite in this brief.

Senator BARKLEY. They must be very small if these import amount to as much as several of them produced at home.

Mr. POND. I do not mean several of them combined. I mean several of them individually, Senator.

Senator KING. I notice that in 1920 the imports were 83,000 dozen; in 1921, 95,000 dozen; in 1922, 83,000 dozen. Then, of course, they dropped.

Mr. POND. Those were under the Underwood bill.

Senator KING. In 1926 they were 85,557; in 1927, 75,000; and in 1928, 86,000, with a total value of $157,711.

Senator REED. You are speaking of all types of files, I presume?

Mr. POND. Yes, Senator.

Senator REED. From the small manicure file up to the large carpenter's file?

Mr. POND. Up to the largest file that is made.

We call attention to that section of our brief showing the increased importations from Germany and Sweden——

Senator KING. Manicure files would not come under paragraph 362.

Mr. POND. I think they do.

Senator KING. The evidence here before us, as I recall, shows that they had a particular rate.

Mr. POND. I think manicure tools, Senator, sometimes come in at a special rate, and sometimes a manicure file in connection with a manicure set might come in separately, but I think that generally manicure files, certainly when they are imported alone, would come in under 362.

Senator REED. I think Senator King is right. Under paragraph 354, nail files, by whatever name known, come in at 60 per cent ad valorem.

Mr POND. I was not aware of that. But manicure files, for the regular file makers, amount to practically nothing.

I would like to call attention to the fact that in the last eight years the importations from Germany and Sweden have risen from 18 per cent of the total in 1921 to 34 per cent in the eight months ending November, 1928, which are the last available figures.

Senator BARKLEY. What difference does it make from what country they come, when the total is so small?

Mr. POND. This difference, Senator. At the prices that are now being made in this country on German products, which I show in my brief, they are laid down in New York, duty paid, at anywhere from 30 to 50 per cent below our lowest prices.

Senator BARKLEY. How long have they been doing that?

Mr. POND. Very few are coming in, but the prices are there, and the opportunity is there.

Senator BARKLEY. Why are they not coming in?

Mr. POND. Simply because there is no selling organization in this country. With a good, live selling organization, German file makers could do a world of business in the United States under the present tariff.

Senator BARKLEY. What bothers me with reference to this item is that, regardless of where they come from, with a total production of over $12,000,000, and a total exportation of over $3,000,000, you are asking us to increase this tariff on the basis of $157,000 that come in here to compete with all the domestic production and that exportation.

Mr. POND. Yes; and I have explained why we are able to export.

Senator BARKLEY. Of course——

Mr. POND. And the basis on which we feel that we are warranted in asking it.

Senator BARKLEY. My understanding is that Congress is not charged with considering the condition of any particular firm that is engaged in the business of manufacturing this product or any other product, but the whole industry.

Mr. POND. I think that is true.

Senator KING. Is it not rather remarkable that one witness comes on and urges Czechoslovakia as the skeleton in the closet, and now you come along and urge Germany as the skeleton in the closet?

Mr. POND. We probably would urge Czechoslovakia if they made files.

Senator KING. Germany is paying higher wages now than she was a year or two years ago. Higher prices are being commanded for her products, so that one would expect less competition than heretofore.

Mr. POND. Possibly the committee may have some accurate statistics on German wage scales in file factories. So far as we have been able to ascertain their figures, from figures that have been gathered, we estimate that our wage scale is anywhere from 66⅔ to 130 per cent higher per unit of production than the wage scale in Germany.

Senator KING. Most of your files are made by machinery, are they not?

Mr. POND. They are practically all made by machinery, but every machine has to have an operator, and no machine is automatic.

Senator KING. What company did you say you represented?

Mr. POND. I am employed by the Nicholson File Co. I am leaving everything with the committee, Senator.

Senator KING. The Nicholson File Co., according to data which I have, has declared a large stock dividend, and is paying 11 per cent dividends on its stock dividends as well as on its other stock.

Mr. POND. Twelve per cent.

Senator KING. And you put aside a large amount of surplus, did you not?

Mr. POND. Which we capitalized.

Senator KING. Which you capitalized. How much did you put aside last year?

Mr. POND. I do not know.

Senator KING. And the year before?

Mr. POND. I do not know that.

Senator KING. And the year before that?

Mr. POND. I can not tell you, sir. It was three or four years ago that we declared the stock dividend, increasing the capital, but what has been put to surplus since then I do not know.

Senator KING. So that, not only have you declared a stock dividend from your surplus, but since then you have increased your surplus, which you have utilized for capital?

Mr. POND. I think we have, in some years.

Senator KING. And paid a dividend on the entire amount of 12 per cent this year?

Mr. POND. This year.

Senator KING. And in addition to that, as you say, put a large amount to surplus?

Mr. POND. Not a large amount. I do not know how much. I think something has been put to surplus.

Senator REED. Does your company make anything else but files?

Mr. POND. Nothing but files.

(Mr. Pond submitted the following brief:)

BRIEF OF FILE MAKERS OF THE UNITED STATES

COMMITTEE ON FINANCE,
United States Senate, Washington, D. C.:

In behalf of the file makers of the United States whose names are attached to this memorandum, your attention is respectfully called to paragraph 362 of H. R. 2667 providing for rates of duty on files, file blanks, raps, and floats, as follows:

Class:	Per dozen
No. 1. Files 2½ inches in length and under	$0. 25
No. 2. Files over 2½ inches and under 4½ inches in length	.47½
No. 3. Files over 4½ inches and under 7 inches in length	.62½
No. 4. Files 7 inches in length and over	.77½

The above rates are the same as were in force under the tariff act of 1909 and also under the tariff act of 1922. These file makers appeared before the Committee on Ways and Means during the recent tariff hearings urging an increase in rates of duty applying to their product. A copy of the brief presented to the Committee on Ways and Means is presented herewith.

These file makers are firmly convinced that this industry requires additional protection which should be accorded to it in the bill that is now under consideration in Congress and we call particular attention to the fact that since the present law has been in effect great changes have occurred in the importations of files into this country. Ten years ago 84 per cent of the total importations of files into the United States came from Switzerland. In the year 1921 under the low rates accorded to this product, especially of the larger sizes, only 63 per cent of the total came from Switzerland while 18 per cent came from Germany and Sweden. The last available figures covering eight months ending November, 1928, show that the importations from Germany and Sweden had risen to 34 per cent of the total. It is evident that the rates of duty imposed under the present law make it possible for file makers in Germany, Sweden, and other European countries and Japan to send their products into this country duty paid at prices that enable them to make definite inroads in this market.

Statistics show a continually increasing percentage of the importations of large sizes of files, the principal increase being in the highest bracket of the law which covers files 7 inches in length and longer. This percentage has risen from 16 per cent in the year 1913 to 21 per cent in the year 1924 and to 33 per cent in the year 1928.

It is because of the above facts that the file makers have earnestly urged that this paragraph in the new law should be advanced to the following schedule:

Class:	Per dozen
No. 1. Files 2½ inches in length and under	$0. 40
No. 2. Files over 2½ inches and under 4½ inches in length	.75
No. 3. Files over 4½ inches and under 7 inches in length	1. 00
No. 4. Files 7 inches in length and over	1. 20

It is our conviction that these suggested rates are reasonable and just. However, the Committee on Ways and Means did not act favorably upon our request in this matter. We, therefore, respectfully present the matter to your honorable committee and urge the adoption of the above rates in the Senate bill.

It is further recommended and emphatically urged that a slight change in the classification of files be made in the Senate bill making class No. 4 provide for files over 7 inches and under 12 inches in length and that there be added class No. 5 providing for files 12 inches in length and over and carrying a rate of duty of $1.50 per dozen, making the paragraph read as follows:

Class:	Per dozen
No. 1. Files 2½ inches in length and under	$0.40
No. 2. Files over 2½ inches and under 4½ inches in length	.75
No. 3. Files over 4½ inches and under 7 inches in length	1.00
No. 4. Files over 7 inches and under 12 inches in length	1.20
No. 5. Files 12 inches in length and over	1.50

The reasons for the addition of class No. 5 to this paragraph have already been covered and to further amply justify the addition of this class at the rate proposed, attention is called to the fact that there are now in the possession of the undersigned, written quotations received since January 1, 1929, from at least two file makers in Germany, both of whom offer their product freely to purchasers in the United States at extremely low prices. The prices quoted on the German-made product with freight and duty paid, goods laid down in New York, in comparison with the lowest prices of similar American-made files, are as follows:

	Price per dozen net			
	8-inch	10-inch	12-inch	14-inch
Flat bastard files				
German-made, highest quality	$1.04	$1.93	$2.32	$3.02
American-made, highest quality	2.09	2.53	3.40	4.94
German-made, prime quality	1.56	1.79	2.13	2.74
American-made, prime quality	1.43	1.89	2.62	3.59
Flat smooth				
German-made, highest quality	1.94	2.30	2.78	3.46
American-made, highest quality	2.61	3.44	3.77	6.60
Half round bastard				
German-made, highest quality	1.77	2.11	2.62	3.46
American-made, highest quality	2.96	3.99	5.13	6.71
German-made, prime quality	1.72	1.90	2.40	3.14
American-made, prime quality	2.03	2.73	3.51	4.59
Half round smooth				
German-made, highest quality	2.11	2.51	3.12	4.23
American-made, highest quality	3.52	4.23	5.49	7.23
Square bastard				
German-made, highest quality	1.64	1.93	2.32	3.02
American-made, highest quality	2.17	2.92	4.03	5.49
German-made, prime quality	1.56	1.79	2.13	2.74
American-made, prime quality	1.49	2.00	2.75	3.75

The above current quotations on files made in Germany clearly demonstrate the necessity for higher rates of duty on these larger sizes of files in order to prevent a continually increasing volume of importations of this product. In fact, the file makers are certain that under the present rates of duty and the opportunity that these rates afford to Eurpocan file makers desiring to enter this market, there is absolutely no question but that with an energetic and persistent selling campaign these makers could find a market here for very large quantities of files and that would to that extent be disastrous to American file makers.

The following file and rasp makers unite in the presentation of this brief and respectfully recommend the adoption of rates of duty applying to files that will conform with the schedule herein suggested:

Nicholson File Co., Providence, R. I., Wallace L. Pond, sales manager; Henry Disston & Sons (Inc.), Philadelphia, Pa., S. Horace Disston, vice president; Delta File Works, Philadelphia, Pa., Joseph M. Hottell, vice president and secretary; the McCaffrey File Corporation, Philadelphia, Pa.; Heller Bros. Co., Newark, N. J., Paul E. Heller, president; Carson-Newton Co., Newark, N. J., Richard C. Carson, president; American Swiss File & Tool Co., Elizabeth, N. J., P. F. Reichhelm, president; Simonds File Co., Fitchburg, Mass., A. E. Culley, treasurer; Murcott & Campbell, Brooklyn, N. Y., Thos. Murcott, president; the Madden File Co. (Inc.), Middletown, N. Y., Z. V. Van Fleet, secretary; Stokes Bros. Manufacturing Co., Freehold, N. J., Wm. H. Stokes, president; and the Cleveland File Co., Cleveland, Ohio, A. A. Murfey, president.

BRIEF OF THE SCANDINAVIAN-WESTERN IMPORTING CO., (LTD.), NEW YORK, N. Y.

SENATE FINANCE COMMITTEE,
United States Senate, Washington, D. C.

GENTLEMEN: As importers of Swedish quality merchandise for the past 30 years, in the States of Minnesota and New York, we bring to your attention below certain facts regarding prices, showing why there should not be an increase in duty on our particular class of merchandise, namely, hand files.

In reference to the suggestion as made by the American manufacturers to the House Ways and Means Committee, requesting increase of duty on imported files which are at present dutiable under the tariff act of 1922 under paragraph 362, where a file of 2½ inches length and under is subject to a duty of 25 cents per dozen; over 2½ inches and not over 4 inches in length, 47½ cents per dozen; over 4½ inches and under 7 inches in length, 62½ cents per dozen; 7 inches in length and over, 77½ cents per dozen. Under this duty, which is extremely high, good protection is given to the American-made files as will be shown by the following table of comparative prices, what we for example have to charge to the American wholesaler for our files, those of a high-grade quality, imported from Sweden, and what the American manufacturer is charging the wholesaler for first-grade files. We are also listing the percentage differences.

	Imported Swedish files	American files	Price difference
			Per cent
6-inch extra slim taper files	$2.64	$1.23	213
10-inch regular mill saw files (two square edges)	4.69	2.77	169
10-inch flat bastard files	4.17	2.77	150
8-inch double-ended saw files	3.06	1.54	199

This table clearly shows that on the imported files we are forced to charge almost twice as much as the domestic-made file. Furthermore, the quantity of files imported from Sweden into this country is negligible in comparison with the number of files sold here of American mnaufacture. We therefore find that the request of the American manufacturers as presented to the House Ways and Means Committee for an increase of duty on the above scale of sizes from 40 cents to $1.20 a dozen is altogether unwarranted and unreasonable and their claim of competition has no real foundation.

We are of course presenting the case of the Swedish quality files, of which we are practically the sole importers in this country. We are handling only a high-grade quality file, and, as will be noted, our prices are already of a sufficiently higher range in price to afford the American manufacturer all the protection he wants. The fine superior quality of our files enables us to sell them at a higher price, but it is a difficult task nevertheless, and we are of the opinion that should

the duty be increased to any extent whatsoever, it would be impossible to import any more of these files. The business would cease entirely. In view of the fact that the American manufacturer already has protection, any advance in duty on a quality line such as ours would be unreasonable.

We offer this for the consideration of the Finance Committee and we trust our brief will be given due attention in place of a personal hearing.

Yours very truly,

SCANDINAVIAN-WESTERN IMPORTING CO. (LTD.),
J. K. BORCH, *President.*

Sworn to and witnessed, this 12th day of July, 1929.

[SEAL.] GEO. H. DEGÉ, *Notary Public.*

Commission expires March 30, 1930.

SWORDS

[Par. 363]

STATEMENT OF T. H. BOESHAAR, REPRESENTING THE AMES SWORD CO., CHICOPEE, MASS.

(The witness was duly sworn by the chairman of the subcommittee.)

Senator REED. Did you testify before the Ways and Means Committee?

Mr. BOESHAAR. I did, sir.

Senator REED. Did you file a brief at that time?

Mr. BOESHAAR. I did, sir.

Senator REED. Apparently they made no change in the existing law?

Mr. BOESHAAR. No change.

Senator REED. You have 50 per cent ad valorem.

Mr. BOESHAAR. Yes, sir.

Senator REED. What is the annual production of your company in the last year in gross sales?

Mr. BOESHAAR. Gross sales for the last two years, we will say—1927 was $104,000. In 1928 it was $100,000.

Senator KING. Who produced the rest?

Senator REED. Are there any other producers in America?

Mr. BOESHAAR. There are other regalia houses.

Senator REED. What kind of houses?

Mr. BOESHAAR. Regalia houses, who manufacture all sorts of regalia.

Senator REED. Does this production come only from the standpoint of regalia?

Mr. BOESHAAR. No, sir. This production is made from the standpoint of swords and regalia. The $100,000 includes regalia and swords.

Senator REED. It includes all sorts of uniforms.

Mr. BOESHAAR. And paraphernalia.

Senator REED. And paraphernalia.

Mr. BOESHAAR. And fraternal organization swords.

Senator REED. Do you make military weapons?

Mr. BOESHAAR. Yes, sir.

Senator REED. Do you make any bayonets?

Mr. BOESHAAR. We do not.

Senator REED. The United States Government makes its own bayonets at Rockland, I believe.

Mr. BOESHAAR. Correct, sir.
Senator REED. Do you export any bayonets?
Mr. BOESHAAR. No, sir.
Senator REED. Or, do you export any swords?
Mr. BOESHAAR. About 2 per cent—fraternal swords I am speaking of now.
Senator REED. Fraternal! Are these swords you make used to fight with, or just to dress up with?
Mr. BOESHAAR. They are used at the present time practically for dress purposes and various universities and reserve officers' training camps, and at military institutions.
Senator KING. Do you represent the Ames Sword Co.?
Mr. BOESHAAR. Yes, sir.
Senator REED. Do you make foils, too?
Mr. BOESHAAR. We have not made any foils for a number of years; no, sir.
Senator REED. All right, sir; go ahead.
Mr. BOESHAAR. Mr. Chairman, and members of the committee: We have not filed a supplementary brief to what was presented to the Ways and Means Committee, but desire to bring to your attention and for your consideration the pertinent facts which they have, in our estimation, overlooked.
Our wholesale trade such as we represent in our brief, amounted to $38,000 during 1928. Importations amounted to $30,000, which is more than at least 100 per cent equal to our domestic product.
Senator REED. You say "our" you mean yours alone, your company alone?
Mr. BOESHAAR. Yes, sir; our company alone. Now, I am speaking, Senator, of Army sabers, and Navy swords only. Please do not consider the rest of our products. They are only sold in the United States to the Government, or military institutions, training camps, National Guards, and individuals not over 5,000 to 7,000 Army sabers and Navy swords a year.
Senator KING. Mr. Witness, you mentioned that last year there were less imported than the year before, or two years before, or three years before; so that there is a decrease of $4,000?
Sdnator REED. That probably inclues regalia swords.
Senator KING. It says "sword blades, swords, and side arms."
Mr. BOESHAAR. The importations have increased since 1924. In fact, since the war and the German people have recovered from the effects of the war—that is, the importations have increased. In 1924 they were $39,000; 1925, $37,000; 1926, $37,000; 1927, $33,000; 1928——
Senator KING. That is what I read.
Mr. BOESHAAR. That is correct, sir.
Senator REED. Now, you are talking about military swords only.
Mr. BOESHAAR. Military swords only. As I said, there is not over 5,000 to 7,000 swords at the outside for both branches of the Army and Navy sold in the United States.
Senator REED. And it is only as to that quality of swords that you want relief.
Mr. BOESHAAR. Yes.
Senator REED. And how much relief do you want?

Mr. BOESHAAR. I am asking—I want 50 per cent specific and 33⅓ per cent ad valorem.

Senator REED. Fifty cents specific?

Senator BARKLEY. Do you want 50 cents specific duty?

Mr. BOESHAAR. No, 50 per cent, that is the per cent of duty.

Senator BARKLEY. For your specific do you want 33⅓ cents?

Mr. BOESHAAR. Per cent.

Senator BARKLEY. That does not work out.

Senator REED. That is a contradiction of terms. In other words, you are asking 83⅓ per cent as a total?

Mr. BOESHAAR. That is correct.

Senator REED. Why should you have it?

Mr. BOESHAAR. The importation of these particular swords I am speaking of is greater than the domestic production of all regalia houses, including ours. We are particularly interested in this from the fact that we are practically the only manufacturers and wholesalers. In other words, we wholesale, whereas practically all the other regalia manufacturers only manufacture for their own retail business.

Senator KING. You want a monopoly, then?

Mr. BOESHAAR. No, sir; not at all. We have been selling to various trade customers throughout the United States for a great many years. Those sales are being controlled by the importers of New York City. In other words, they are now selling to all our trade customers, or 90 per cent of them, and they are importing more Army sabers than we manufacture in the whole United States.

Senator REED. Where does your competition come from mostly abroad, Germany?

Mr. BOESHAAR. Germany. They have an organization, what is known as a cartel, in Germany at the present time of the various sword manufacturers.

Senator REED. Proceed.

Mr. BOESHAAR. We have endeavored to maintain a class of skilled workmen. At the present time we have between 20 and 30 men who have been working for an average of four and one-half to five days a week during the past two years. We are endeavoring to retain the nucleus of our organization as far as skilled men are concerned. Our organization has been cut down to the smallest one with which we can possibly continue the work.

Senator REED. Where do you get your steel?

Mr. BOESHAAR. The blades we import.

Senator REED. Where do you import them from?

Mr. BOESHAAR. Soligen, Germany.

Senator REED. Then your source of supply for blades is the same as that of your foreign competitors?

Mr. BOESHAAR. Yes.

Senator REED. Can you not get equally good blades in this country?

Mr. BOESHAAR. We can not manufacture blades at a price at which we can purchase them. In other words, they are importing blades only cheaper than we can possibly manufacture them. We discontinued manufacture years ago.

Senator REED. What duty do you pay on the imports?

Mr. BOESHAAR. Fifty per cent.

Senator REED. You pay it under this same tariff?

Mr. BOESHAAR. Yes, sir.

Senator REED. And the duty on this foreign article you want increased?

Mr. BOESHAAR. Yes, sir.

Senator KING. Why do you not increase the tariff on the blade?

Mr. BOESHAAR. If we increase the tariff on the blade it naturally increases the cost of our completed sword.

Senator KING. Suppose there were some method devised to give you an American blade?

Mr. BOESHAAR. We are perfectly satisfied; we have no objection to that.

Senator BARKLEY. Would you still buy them from Germany if you could get them cheaper?

Mr. BOESHAAR. Positively, sir.

Senator REED. Do you make scabbards?

Mr. BOESHAAR. Yes, sir.

Senator REED. You do not import metal for that?

Mr. BOESHAAR. We import nothing except blades. We make scabbards, guards, strap bands complete in our own plant, and that is American steel we use in that particular work.

Senator REED. Is there anything further?

Senator KING. What is the greatest number of swords that you have turned out in any one year?

Mr. BOESHAAR. The greatest number of all swords of all kinds, you mean, Senator?

Senator KING. These that you are speaking of.

Mr. BOESHAAR. I am speaking now of Army and Navy swords. The greatest number, I would say, would be 6,000.

Senator KING. When was that?

Mr. BOESHAAR. That was during the years prior to the war and during the war.

Senator REED. We did not make many swords during the war, did we?

Mr. BOESHAAR. Some for the Government—very few.

Senator REED. What kind of swords did you make?

Mr. BOESHAAR. The Regular Army saber. They were used during the war; of course, not many of them.

Senator REED. They were not used much in France during the war.

Mr. BOESHAAR. Sir?

Senator REED. I never saw one in France.

Mr. BOESHAAR. You will find a number of officers for dress purposes use them. There were some military and infantry swords used at the same time.

Senator KING. What number did you manufacture last year?

Mr. BOESHAAR. Last year we only manufactured 1,200.

Senator KING. And the year prior to that?

Mr. BOESHAAR. One thousand.

Senator KING. And three years ago?

Mr. BOESHAAR. Three years ago I judge about 1,000; and imported during the same periods 2,700 last year, 3,200 the——

Senator KING. You mean you imported?

Mr. BOESHAAR. No, sir; imported into this country. There were 3,300 in 1928, 3,200 in 1927, and 2,500 in 1926.

Senator KING. The entire value was only $33,000.

Mr. BOESHAAR. Yes, sir.

Senator KING. Of all swords.

Mr. BOESHAAR. Only two styles of swords were imported, those two swords, Senator—no other styles of swords were imported.

Senator KING. Does your company manufacture anything else except swords and regalia?

Mr. BOESHAAR. We have a side department of railway switch signal locks.

Senator KING. What were your dividends three years ago?

Mr. BOESHAAR. Five and one-half per cent. Our net earnings for the past 15 years have averaged 9 per cent.

Senator KING. How much last year?

Mr. BOESHAAR. Our dividend last year was 4 per cent, earnings were 1.8.

Senator KING. Have you had any stock dividends at any time?

Mr. BOESHAAR. We had a stock dividend in 1921 which was not covered by surplus, but $50,000 was set up as good will during the reorganization to take care of the stock dividend.

Senator KING. And you paid dividend on that?

Mr. BOESHAAR. Yes, sir.

Senator KING. Have you had a stock dividend since then?

Mr. BOESHAAR. No, sir.

Senator KING. What is the capital of your company?

Mr. BOESHAAR. $200,000.

Senator KING. And the surplus?

Mr. BOESHAAR. $36,000.

RIFLES AND SHOTGUNS

[Par. 365]

STATEMENT OF A. A. DICKE, NEW YORK CITY, REPRESENTING AMERICAN SMALL ARMS MANUFACTURERS

(The witness was duly sworn by the chairman of the subcommittee.)

Senator REED. Did you appear before the Ways and Means Committee, Mr. Dicke?

Mr. DICKE. Yes, sir. I appeared there for the 13 American manufacturers of firearms. I also filed a brief. The request we are making here is the same as the request we made there; and I would like to make this suggestion: I have not a great deal to add to what was said there and it might be well, unless you gentlemen have questions, to let it go at that; but if the importers present make a statement I would like to ask permission later to make reply.

Senator KING. A representative of the Browning Arms Co. from my state is here and he will want to be heard.

You represent the Remington Arms Co.

Mr. DICKE. Remington Arms Co. and 12 other manufacturers.

Senator REED. I am curious to know why muzzle-loading muskets and shotguns and rifles continue to absorb an entire paragraph in this bill. Do you know any reason why they should?

Mr. DICKE. No. As far as I know there are none made in this country. I say that because in none of the Government publications are they reported made.

Senator REED. They are mostly imported to decorate rooms with.

Mr. DICKE. Practically; yes, sir. They have no commercial interest.

Senator REED. It looks like a work of 75 years ago in the tariff bill.

Senator BARKLEY. Maybe the antique dealers are importing them.

Senator REED. I fancy they are.

Mr. DICKE. You may have some figures on that but I have not, I am sorry.

Senator REED. Where is your principal competition abroad?

Mr. DICKE. Belgium in the lower and the middle class, medium-class guns, and England in the higher-grade guns.

Senator BARKLEY. What is the arbitrary price boundary below which you call them a lower-price gun and above which you call them a higher-price gun?

Mr. DICKE. I am relying on statistics published by the Government, and the publication there is in accordance with paragraph 365 of the tariff act of 1922. The lowest-price guns reported there, below $5 foreign valuation——

Senator REED. Below $5?

Mr. DICKE. Below $5.

Senator REED. What kind of shot guns, or rifles can you get for less than $5 apiece?

Mr. DICKE. None at American valuation; but it seems as though 16 per cent of those imported in 1927 were valued under $5.

Senator REED. What kind were they; do you know?

Mr. DICKE. Well, shotguns and rifles; I imagine single shot, single-barrel shotguns and rifles.

Senator BARKLEY. That is the foreign valuation.

Mr. DICKE. Yes.

Senator BARKLEY. At the factory, I suppose.

Mr. DICKE. It is the foreign valuation.

Senator BARKLEY. Before adding tariff or transportation, or any other charges.

Mr. DICKE. Yes, sir. It is supposed to be the foreign selling price, I think, the usual selling price.

In the Government classification $5 to $10 in 1927 two per cent of the imports fell into that class.

The third classification, $10 to $25 is a rather large group. Seventy-eight per cent of the imports fell into that class.

Over $25, 4 per cent; but if you take it in valuation the class above $25 represents 25 per cent of the imports.

Senator KING. Why should there be any tariff at all on these guns?

Mr. DICKE. We think a tariff is necessary to protect the American manufacturer.

Senator BARKLEY. Do you know any American capital that is interested in the manufacture of these guns in Belgium, or whether American patentees have transferred their patents to Belgium factories?

Mr. DICKE. I can not say as to the matter of financial interest. In several cases that I know of an American inventor has disposed of his American patent rights to American manufacturers, and his European rights to Belgium manufacturers so that substantially identical guns are made in both countries.

Senator BARKLEY. Do you know whether that inventor is engaged in the importation of the Belgian made guns into this country in competition with guns made under his own patents by American manufacturers?

Mr. DICKE. Yes, sir; that is exactly the case. A large percentage of the imports of guns in recent years has been by the Browning Arms Co., of Ogden, Utah; and they have been guns—they happen to be an automatic shotgun—which are substantially identical in construction with the guns which has been manufactured in the United States for about 25 years.

Senator KING. Is that an accurate statement?

Mr. DICKE. Yes, sir. There were certain differences in detail, but, generally speaking, the guns are internally and externally substantially identical.

Senator KING. You do not mean to say that Mr. Browning's gun—and he is one of the great gun inventors of the world, is he not——

Mr. DICKE. Yes, sir.

Senator KING. Was an infringement of any patent in the United States.

Mr. DICKE. No, sir. The American patent has expired. They have every right to import those guns. The late Mr. John M. Browning was a friend of mine; and I have only the highest regard for him. I think he is the greatest gun inventor the world ever produced.

Senator KING. Let me add by way of parenthesis that he was one of my dear friends, too.

Senator BARKLEY. I was seeking to ascertain whether the Browning Co., which is the successor, I suppose, of the original inventor, having transferred its patent rights in the United States to American manufacturers, and its European rights to a Belgian concern, is now interested in the importation of the Belgian-made gun to the United States in competition with the American maker of guns under the Browning patent.

Mr. DICKE. Absolutely.

Senator REED. They are importing them now?

Mr. DICKE. Yes. They are importing them at the rate of about 15,500 a year.

Senator REED. That is shotguns only?

Mr. DICKE. That is automatic shotguns only, of one model in two gages, 12-gage and 16-gage.

Senator BARKLEY. Has the Browning Co. any factory or any plant in the United States?

Mr. DICKE. I understand that they do not have any manufacturing plant here. They probably have a repairing plant.

Senator BARKLEY. Do they bring these guns here assembled or in pieces?

Mr. DICKE. I understand they come fully assembled, although I have no exact information on that.

Senator REED. Where do they enter?

Mr. DICKE. I think most of them come in at Houston, Tex. I understand the distributing point is St. Louis.

Senator KING. The Brownings had a licensing agreement with the Remington Arms Co. which provided that the licensee was to pay royalties to the Brownings so long as the licensee, its successors

and assigns, shall manufacture any automatic shotguns embodying the inventions recited in the several letters patent of the United States, or any of them, or any claims thereon.

Mr. DICKE. I think that is a correct quotation of a small part of a large contract. There are other expressions in the contract that point to contrary effect. Similar statements were made in a brief filed by the Browning Arms Co. and printed in the Ways and Means record. We did not have an opportunity to answer that except in a letter which was not printed.

Senator KING. Is it not a fact that the last of the patents expired February 13, 1923? Thereafter the Remington Arms Co. wrote a letter to the Brownings refusing to pay further royalties, although they continued to manufacture and sell his guns.

Mr. DICKE. That is right.

Senator KING. And, under the circumstances, Browning again began importation of their shotguns from the Belgian factory.

Mr. DICKE. That is right; and they had every legal right to do so, because the American patents had expired. Anybody in the United States could have manufactured it. Anybody in the United States could have imported it if he could buy the gun abroad.

Now, if there is any insinuation here about violation of the contract, it is cleared up by——

Senator REED. I do not think we are concerned in the slightest about that. We are not trying a lawsuit. What is it that you are asking?

Mr. DICKE. May I read just a short letter received from the vice president of the Browning Co. clearing the whole thing up?

Senator REED. I suggest you read that to Senator King afterwards if he is interested.

Senator KING. I am not interested.

Senator REED. I am not the least bit interested.

Mr. DICKE. The fact of the matter is the thing was settled in 1925; and I have a letter here in which they say that the thing was settled in a satisfactory manner and they feel we have been eminently fair.

Senator REED. I just asked you not to go into that. Now, you have had your own way and gone into the matter in spite of my request. You will complete your statement in five minutes.

Mr. DICKE. All right. We think that one aspect of this matter is that preservation of the firearms industry is essential to our national defense; and we point out there that in the last war the private manufacturers produced 91 per cent of the military arms, and 96 per cent of the military ammunition. We think it is essential that this industry be kept in a healthy condition in the interest of the country as a whole.

Senator BARKLEY. What proportion of the total consumption of these rifles and shotguns is represented by the importation?

Mr. DICKE. Would you mind repeating your question?

Senator BARKLEY. What percentage of the total consumption is imported?

Mr. DICKE. Roughly, 10 per cent.

Senator BARKLEY. How do the prices compare?

Mr. DICKE. On the imported article as compared with the manufacturers' prices?

Senator BARKLEY. Yes, sir.

Mr. DICKE. Up to January 10, 1929, the price of the imported gun in 12-gauge size was about $1 apiece more—that is, the price to the jobber. On that date the prices were increased, until at the present time the American manufacturer's price is $38.41, and the imported gun is now being offered in the 12-gauge size at $41.30—a slightly higher price.

Senator KING. Mr. Witness, are you sure about the production? I find that production in 1927—and it has been increased—domestic production of rifles and shotguns was $12,559,391, and the imports were only $476,212; and I find from the hearings as well as the tariff figures here that in 1923 the per cent of imports was only 3.11; in 1925 it was 2.4; in 1927 it was 1.85; and, excluding the importation of 12 and 16 gauge automatic shotguns, the figures were, for 1923, 3.2; for 1925, only 0.63 of 1 per cent; for 1927, 0.63 of 1 per cent.

Mr. DICKE. I believe the figures you have read are correct, when you take the numbers of guns into consideration. They would not be correct on value.

Senator BARKLEY. According to this table, in 1928 the total production of rifles and shotguns amounted to something over a million.

Mr. DICKE. Yes, sir.

Senator BARKLEY. Valued at about twelve and one-half million dollars.

Mr. DICKE. Yes, sir.

Senator BARKLEY. And the production of imports for the same year, without giving the number of guns, were $434,000, upon which a duty of $306,000 was paid, which we practically agree on, showing about 10 per cent.

Mr. DICKE. With this observation: The import figures are on foreign valuation, somewhat less than one-half of the corresponding American valuation. So, a figure of $430,000 would have to be multiplied by two and a fraction, which would make it, roughly, about $1,000,000 as the valuation of the imports.

Senator KING. Is it not a fact that the sales of the Remington Arms Co. alone—of course, it includes something, I suppose, besides these guns—for 1925 was $16,000,000, nearly $17,000,000; for 1926, $17,870,000; for 1927, $19,487,000; and, according to the standard corporation records, it shows that the Remington Arms Co. is the largest producer of guns of this character in the United States, and in the world, for that matter. Is that correct?

Mr. DICKE. Our arms manufacture is only a small part of the products we manufacture. We manufacture, in addition to arms, cash registers, cutlery, ammunition, vending machines, and various other small items.

Senator REED. Your time has expired, sir, unless there are some further questions.

Senator BARKLEY. I would like to ask whether there were any dividends declared by your company since the war.

Senator KING. You mean Remington?

Senator BARKLEY. Yes.

Mr. DICKE. There has been no common dividend paid since 1920. First preferred dividends were paid since 1920, but on second preferred dividends we are four years in arrears.

Senator KING. You paid no dividend on common stock since the war?

Mr. DICKE. Yes, sir; since 1920.

Senator KING. 1920.

Mr. DICKE. At the time the company was reorganized.

Senator KING. In a condensed statement your company is stated to be the largest producer of ammunition, other than for military purposes and so on, in the world; and then there is this further statement, that the directors and officers are enthusiastic in their outlook for the ensuing year and are confident the business will continue to be increasingly profitable.

Mr. DICKE. Yes; but we manufacture many other articles besides firearms.

Senator KING. They made that statement, did they not?

Mr. DICKE. I think that is correct.

Senator KING. And, furthermore, reading from the Wall Street News of October 19, 1928, page 1, the following statement was made direct from the company:

The company will report for the year ending July 31, 1928, net income more than twice as large as 1927, and will predict a new high record since 1918. The company is rapidly regaining its former earning power and sound financial position.

The great advance made has been due almost entirely to the energetic efforts of President Norville, who took office in 1927.

Is that correct?

Mr. DICKE. I think that is probably a correct statement; yes, sir.

(Mr. Dicke submitted the following brief:)

BRIEF OF AMERICAN SMALL ARMS MANUFACTURERS

This brief is filed in behalf of the 13 small-arms manufacturers (sporting rifles and shotguns) whose names are appended hereto and who manufacture practically all of the sporting rifles and shotguns made in this country.

We repeat the request made before the Ways and Means Committee, that paragraph 365 should be amended so as to provide for substantial increases on certain items.

The only change made in the House bill over the law of 1922 is with respect to duty on unfinished barrels.

The subcommittee report, on page 37, states:

"The World War demonstrated the fact that the main reliance of the Government for the arms required for a major military emergency must be upon the private makers of such arms, with their staffs of highly trained workers and their mechanical equipment. Consequently, it is necessary that the arms industry be maintained on a basis that will encourage normal expansion in time of peace. We have, therefore, increased the specific duty on arms valued at not over $4 each, and have changed the phraseology to insure the proper classification of revolvers and single-shot pistols."

The increase in duty on arms referred to is, however, limited to pistols and revolvers (par. 366).

Since this matter was presented to the House committee we have been able to gather additional facts which are being embodied in this brief.

We are not asking for any increase in the ad valorem duty on guns nor in the specific duty on guns valued below $2; on guns valued from $2 to $5 we are asking that the specific duty be increased from $1.50 to $2.20; on guns valued from $5 to $10 we are asking that the specific duty be increased from $4 to $5.50. The present law lumps together all guns valued at from $10 to $25, putting thereon a specific duty of $6. In view of this wide spread, the duty in this bracket varies a great deal (ad valorem equivalent varies from 105 to 69 per cent). We submit that this wide fluctuation should be reduced by providing more and smaller groups. Likewise, beyond $25 the ad valorem equivalent drops rapidly from 85 down to 50 per cent ($200 valuation).

The substitute paragraph we propose is found at page 2311 of the Ways and Means Committee record.

(In the same House bill a duty of 10 per cent was applied to unfinished barrels. As there is some difference of opinion on this point among the manufacturers subscribing to this brief, we are not prepared to make any recommendations with respect thereto.)

Our reasons why the duty on certain items under paragraph 365 should be increased, are stated in our brief before the Ways and Means Committee (pp. 2309 to 2317) and will not be repeated here except in so far as is necessary to present new information.

1. Preservation of the firearms industry in a healthy condition is essential to the national defense.

Lieutenant Colonel Whelen, testifying before the Ways and Means Committee (p. 2318), stated that if the Government were not able to depend upon the private manufacturers of ammunition it would be necessary to increase the reserve of military ammunition by an amount costing the Government $117,000,000. As ammunition deteriorates with age and becomes practically useless at the end of 10 years, the cost of maintaining such a reserve would be enormous. Allowing 10 per cent for depreciation, considering interest on money invested, cost of storage, protection against fire, etc., it is probable that this additional reserve would cost the Government about $19,000,000 per year. This "stand-by" service is furnished by the private manufacturers without one cent of expense to the Government. This does not even take into consideration the value of this "stand-by" service in respect of military arms. We submit that an industry furnishing such a service to the Government is entitled to special consideration in the matter of tariff.

2. Labor rates in the United States are five times the labor rates in other firearms-manufacturing countries, particularly Belgium, France, and Germany.

3. The percentage of labor in the cost of manufacturing firearms is very high, about 75 per cent. This statement is based on information received from four or five of the firearms manufacturers.

4. Material costs here are double those obtaining in Europe.

This statement is based on information received from the purchasing agent of one of the subscribing manufacturers who got actual quotations on various kinds of steel, etc., used in firearms from European and American manufacturers.

5. Comparative manufacturing costs.

Taking into consideration labor, materials, and overhead, the manufacturing costs here are about three and one-half times the costs in Belgium.

A certain repeating shotgun, large numbers of which are coming into this country, has, we estimate, extremely low cost of production—probably about $8. It is interesting to note that this gun is sold by the importers to jobbers at a price of $41.30 in 12-gage and $49.93 in 16-gage. (Guns in both gages cost the same to manufacture but at present there is no corresponding American gun made in 16-gage.) Such a wide possible margin of profit naturally gives a strong incentive to the importation in large volume of these cheap guns from abroad, to the injury of domestic arms manufacturers and to the disadvantage of American workingmen.

6. Imports are large and are increasing.

Imports of rifles and shotguns have been running as follows:

Year	Value	Number of guns
1926	$207,427	
1927	421,755	18,935
1928	476,212	22,000

It will be noted that imports are increasing, both in number of guns and in value. We estimate that if these guns had been made in the United States, they would have cost about $730,000 and resulted in the employment of American labor to an extent involving $550,000 in wages annually, and would have resulted in purchases of well over $100,000 in materials.

7. The firearms industry of this country is not on a reasonably profitable basis.

During the war the domestic manufacturers enormously increased their investments in buildings, real estate, machinery, tools, and equipment, far beyond the requirements for commercial production (present employees are only 10 per cent of those at the peak of the war period and one of the largest manufacturers now employs only 5 per cent of the number at the peak of the war period). For this reason the industry is especially susceptible to destruction by importations.

8. The present duty is discriminatory against low-priced guns and favors the high priced or luxury guns. For instance, the combined duty on a gun valued at $2 amounts, under the present law, to 120 per cent; at $10 it amounts to 105 per cent; but a gun valued at $24.50 carries a duty of only 70 per cent and a gun valued at $200 carries a duty of only 50 per cent.

Furthermore, the present law lumps together all guns valued at from $10 to $25, putting thereon a specific duty of $6. In view of this wide spread, the duty in this bracket varies from 105 to 69 per cent. Seventy-eight per cent of the guns imported in 1927 were valued between $10 and $25. Only 18 per cent of the imports for 1927 were valued below $10. We believe that in fairness to the purchasers of the cheap types of guns the rates should be readjusted so as to apply more nearly uniform rates on all guns used.

9. Exports are comparatively small.

On account of the high wages and high standard of living in this country we are practically excluded from foreign markets, and if we are required to divide our home market with foreign manufacturers there is no place to go except out of the arms business. The tendency in this direction is very strong and is indicated by the fact that our arms manufacturers have already gone in for the manufacture of many other articles, such as cash registers, cutlery, vending machines ,computing machines, fishing tackle, flash lights, hardware articles, skates, miscellaneous sporting goods, washing machines, electric refrigerators, and probably many other lines. If the arms business is to be preserved so as to be of value to the country in the case of war, it must have more protection.

While certain Government figures indicate that exports of firearms from the United States in 1928 were $1,072,154 (95,501 guns) as compared with imports of $476,212, it is to be remembered that these figures can not be compared directly; the import figures are on foreign valuation, whereas the export figures are on American valuation. In the case of guns the American valuation is about 211 per cent of the foreign valuation. For example, a certain autoloading shotgun is imported in very large volume at a valuation of $18.18. A gun substantially identical in construction, which has been manufactured here for about 25 years, is being sold by the American manufacturer in export at $38.41, or 211 per cent of the foreign valuation. It will therefore be seen that the guns imported have an American valuation of approximately $1,005,000, which is not much less than the exports.

Furthermore, the guns exported are of an entirely different type from those imported. Average export value for 1927 was $10.30 per gun, whereas average import value was $22.27 per gun foreign valuation, or about $47 per gun American export valuation.

The fact that one manufacturer can export guns of a certain type and a certain construction, which may meet with special favor in some foreign country, is no reason why other manufacturers should not be protected against large imports of guns competing directly. For example, the situation should be very clear from the fact that a certain imported autoloading shotgun of which 14,238 were imported during the first 11 months of 1928 (or at the rate of 15,532 guns per year) is substantially identical with an American gun made here for about 25 years and of which the American manufacturer was able to export only 189 guns during the year 1928.

It is therefore our position that the firearms-manufacturing industry, on account of its necessity to the national defense, is entitled to liberal and even to preferential treatment in the mater of tariff, and the manufacturers of firearms therefore request and confidently expect the increases in tariff proposed herein, as they are certain that this committee will readily see that the granting of the necessary protection requested is only small compensation for the assistance which this little group of manufacturers stands prepared to give to the country in time of national emergency.

SUPPLEMENT

After the hearings before the Ways and Means Committee had been closed, a brief was filed by Browning Arms Co., of Ogden, Utah, opposing increases in the duty on firearms. The Browning Co. did not appear at the hearings but filed its brief later. As soon as this was discovered the representative of the American manufacturers replied thereto in a letter dated April 15, addressed to the chairman of the Ways and Means Committee. This letter was received too late to be printed in the record and possibly too late to be considered by that committee.

The Browning Co.'s brief makes certain contentions which we will attempt to restate and reply to in behalf of the 13 American firearms manufacturers:

(*a*) The Brownings are importers of automatic shotguns by force of circumstances.

It is of course immaterial why the Brownings are importers as their reasons can have no bearing upon the welfare of the American industry.

(*b*) Browning genius has been devoted to the invention and development of military arms of vital importance to the United States.

We are happy to concede that the late John M. Browning made many important contributions to firearms development, military and commercial. We do not think, however, that this is any answer to our contention that it is to the public interest that the firearms and ammunition manufacturers of this country be given sufficient protection so that they will be maintained in a healthy condition on account of their importance in times of war. We do not see how importation of foreign guns by the Browning Co. is assisting in any way in preparing for the national defense.

(*c*) The present duty is effective and sufficient to compel the Brownings to charge a higher price for shotguns than the price charged by Remington Arms Co.

If this is the reason for the higher price why is their selling price to jobbers of the 16-gage gun about $9 more than the 12-gage gun? The price paid by Browning is the same for the two guns, but as the gun is not made by any American manufacturer in 16-gage an extra charge of $9 is possible. This shows that importation of foreign guns does not necessarily mean lower prices to the American consumer.

The fact of the matter is that the importer charges the prices he does because he is able to get these prices, including about $9 more for the 16-gage. The reasons why he can get this additional price are:

1. The Browning gun contains an extra feature or attachment (magazine cut-off) for which they can make an extra charge.

2. The Browning guns are built somewhat lighter, which makes an appeal to many customers. The American gun is built somewhat heavier to handle the heavy charges more common in this country.

3. The Browning sales effort and advertising are concentrated on one gun, whereas American manufacturers distribute their sales and advertising effort over a number of guns.

4. The jobbers and retailers push the sales of the Browning in preference to the American gun because their profits are larger. Between the price to jobbers and the price to consumers there is a spread of only $18.34 in the case of the American gun, whereas in the Browning 12-gage gun the spread is $21.40 and the 16-gage gun the spread is $20.22. The American manufacturers' policy is to keep prices as low as possible, because their guns are sold in competition with all other guns on the market. They can not increase their prices merely because the importer's prices are higher. We can not believe that the American manufacturers' position before this committee is weakened by the fact that they maintain low prices. Would the American manufacturers' position be any better before this committee if they had increased their prices to the level maintained by the Browning imported gun?

(*d*) The Browning Co. quotes a small portion of an alleged patent license contract and argues that one of the American manufacturers should have continued paying them royalties.

We do not believe that this committee will regard itself as the proper tribunal to adjust patent controversies nor that the Browning's reasons for becoming importers is of any interest to the committee.

(*e*) That the sales by one of the American companies were not diminished on account of importations by Browning.

Assuming this to be true, we reply that this committee is interested in the welfare of all American manufacturers and all American workingmen.

Furthermore, the figures submitted by the Browning Co. and reproduced on page 2321 of the tariff hearings are incomplete and misleading. The Browning representatives omitted the figures for 1906 to 1909, inclusive, during which period sales were large, and included the years 1916 to 1919, inclusive, when manufacture and sale of these guns were at a minimum due to the World War. If all the normal years had been included the average sales per year would have been about 15,500. Average sales for the last three years, which were good gun years, due to the widespread prosperity, were only 14,053.

We adhere to the statement that the importations of these foreign Browning guns have impaired the business of not only the one manufacturer referred to, but of all other American manufacturers. Further, we have not only to consider the importations by Browning but by all importers, so that we must include the guns imported by others than Browning; for example, according to their own brief there were 18,035 guns imported in 1927, of which 12,482 were imported by the Brownings.

(*f*) That the present duty is effective.

In that connection figures are submitted showing that the imports represent only a small proportion of the domestic production. This may be true when considered in terms of numbers of guns but a different picture would be presented if values were considered (not the ridiculous value at which such guns are brought in, but on the basis of the American manufacturers' selling price). In the case of the Browning shotgun, the value placed thereon, $18.18, is only 36 per cent of the price, $49.93, at which the importer sells the gun to jobbers.

(*g*) One of the American companies is prospering.

The company mentioned manufactures, besides firearms, also ammunition, cutlery, and cash registers. It was forced into other lines due to the poor prospects in the arms business in relation to its facilities, which had been largely expanded during the war.

(*h*) That the foreign manufacturing cost is higher than stated to the Ways and Means Committee by your witness.

Several pages of ingenious argument are devoted to this point, but we have looked in vain for any actual statement of wages paid in Belgium or the costs of materials there. We have reason to believe that on account of the close relationship between the Browning Co. and the largest Belgian manufacturer this information could be made available if its publication would serve a useful purpose.

An effort was made (p. 2326) to show that the importer's laid-down cost at St. Louis, Mo., was $2,915 higher than the American manufacturer's factory cost. The difficulty with this computation is that the importers cost includes the Belgian manufacturer's profit (said by the importer to be about $2, but in our opinion a great deal more). The fact that about 15,500 guns came in in 1928 speaks for itself.

In view of the broad considerations controlling the actions of your committee we feel confident that its determination as to a proper duty under paragraph 365 will be based upon a consideration of the welfare of the American firearms industry on account of its extreme importance in time of war and upon the welfare of the American workingman as opposed to the private interests of a small group of importers.

Respectfully submitted.

A. A. DICKE.

For Davis & Warner, Norwich, Conn.; A. H. Fox Gun Co., Philadelphia, Pa.; Harrington & Richardson Arms Co., Worcester, Mass.; Hunter Arms Co., Fulton, N. Y.; Ithaca Gun Co., Ithaca, N. Y.; Iver Johnson's' Arms & Cycle Works, Fitchburg, Mass.; Lefever Arms Co., Ithaca, N. Y.; Marlin Firearms Co., New Haven, Conn.; Parker Bros., Meriden, Conn.; Remington Arms Co. Inc., New York, N. Y., and Ilion, N. Y.; Savage Arms Corporation, New York, N. Y.; J. Stevens Arms Co., Chicopee Falls, Mass.; Winchester Repeating Arms Co., New Haven, Conn.

The foregoing statement is true to the best of my knowledge and belief.

A. A. DICKE.

Subscribed and sworn to before me, a notary public, this 9th day of July, 1929.

[SEAL.]

HENRY M. BARRY,
Notary Public, District of Columbia.

STATEMENT OF LIEUT. COL. TOWNSEND WHELAN, UNITED STATES ARMY, WASHINGTON, D. C.

[Including ammunition, par. 1517]

Senator REED. You are on the active list of the Army?

Lieutenant Colonel WHELAN. Yes, sir.

Senator REED. You need not be sworn, sir.

Lieutenant Colonel WHELAN. I have been asked, Senator Reed, to testify as to the value to the national defense of our arms and ammunition industry. I am in that branch of the Ordnance Department charged with the manufacture and supply of ordnance and ammunition in time of peace and applying their supply in time of war.

This industry, as you know, contributed very greatly to our help in the last war. They made about 2,600,000,000 rounds of ammunition against 76,000,000 made by the Frankford Arsenal.

Senator REED. Seventy-six million?

Lieutenant Colonel WHELAN. Two billion six hundred million rounds of .30-caliber small-arms ammunition as against 76,000,000 made at our Government arsenals. Our Government arsenals were on experimental work, making tracer and incendiary ammunition, and they could not keep the output of regular small-arms ammunition up high enough on that account.

Senator REED. I am not quite sure about that. If the Frankford Arsenal were turned loose on .30-caliber ammunition it certainly could make more than 76,000,000 rounds in a year.

Lieutenant Colonel WHELAN. Yes, sir; they can. We count on them in the next war to make 250,000,000 rounds a year of .30-caliber ammunition, besides making our .50-caliber ammunition and our tracer and our armor piercing ammunition; but we will have to call on these other companies to make the balance, namely about 5,000,000,0000 rounds in the first 24 months of the war. In other words, Frankford Arsenal will make only about one-tenth of the amount of the .30-caliber ammunition needed in the first 24 months of another emergency.

Senator REED. Now, Colonel, that has nothing to do with this paragraph in the tariff bill we are talking about, firearms, does it?

Lieutenant Colonel WHELAN. It has this to do with it, sir; companies coming under that heading came out of the war with big industries built up, and the demand for arms in this country has been getting constantly less and less due to the population getting interested in other sports, the game depletion, and antifirearms legislation. The importation of cheap arms from Europe, chiefly rifles converted from the old military rifles, and things of that kind, which have flooded the market; and there is not the demand for firearms now that there was before the war.

The result is that those companies are tending to go out of the firearms business. One company, the United States Cartridge Co., has already gone out of that business.

Now, as a matter of fact, the capacity of the other companies is not enough to make what we would need in another emergency; and we actually show a small deficit when we count up what we can produce as compared with what we know we will need.

Senator REED. Are you buying any ammunition from them now?

Lieutenant Colonel WHELAN. We were able to buy some up until about a year ago as far as the Frankford Arsenal did not have capacity to make what Congress directed us to make. While our arsenals have the capacity to make sufficient ammunition to fill our needs, we can not buy from commercial companies. We encouraged them up to about a year ago by buying a certain amount of ammunition from them. We have not been able to buy any arms because we have a surplus of rifles right now. At the present time we are unable to give them any orders at all.

Senator REED. Have you a sufficient supply of rifles for your procurement program?

Lieutenant Colonel WHELAN. Yes; we have a sufficient supply of rifles. The capacity of the Springfield Armory is great enough for that, but we have not a sufficient capacity for pistols or antiaircraft machine guns, aircraft and antiaircraft machine guns. Those are the guns that we are short of, that we will have to ask these companies to manufacture in time of war. There are no other companies in the country that are capable of manufacturing those arms. It would take about two years to convert any other plant to that purpose, to teach them the art of manufacture, and train their men. In the meantime we would be without those necessary articles; and they are very necessary, indeed.

Senator REED. You are not talking about the machine guns?

Lieutenant Colonel WHELAN. Machine guns, and ammunition, and pistols.

Senator REED. Are machine guns in this paragraph?

Lieutenant Colonel WHELAN. We class them under small arms. They are made by the same manufacturers that manufacture rifles, pistols, shotguns. The same machinery and the same skill which makes an automatic shotgun or an automatic or repeating rifle also can be turned right over with almost no schooling whatever to make automatic rifles, machine rifles, and automatic pistols.

Senator KING. I was rather interested in your statement. I find that we exported last year $1,072,154 worth. Our exports for several years since 1924 have been substantially the same, over a million dollars worth; and the greatest number was 124,000, and the smallest 95,501. No, the domestic needs are not only satisfied, but we are exporting them. Were you aware of that?

Lieutenant Colonel WHELAN. No, sir; I was not aware of it.

Senator REED. Furthermore, Colonel, the domestic manufacture of rifles has increased so that last year, 1927, it was higher than any year since 1919.

Lieutenant Colonel WHELAN. I think that is probably true.

Senator REED. And the same is true of shotguns.

Lieutenant Colonel WHELAN. Yes, sir. The industry is recovering. It had up until a year or two ago a very hard time.

Senator BARKLEY. If I understand what you mean, it is that these industries expanded enormously during the war in order to meet the Government requirements?

Lieutenant Colonel WHELAN. Yes.

Senator BARKLEY. Of course, that necessarily created a surplus of rifles for all purposes when the war was over?

Lieutenant Colonel WHELAN. Yes.

Senator BARKLEY. And for several years after the war there was practically no sale for these rifles?

Lieutenant Colonel WHELAN. Yes.

Senator BARKLEY. But now, as we have receded from the war, there is somewhat an increased demand and the companies are attempting to expand their business accordingly; is that correct?

Lieutenant Colonel WHELAN. I do not see very much expansion there. If there is an expansion it has occurred very recently, within the last year or two. We see the companies coming out of the war with a very big plant, diverting a great deal of that plant to a number of other things, and the arms and ammunition not being as profitable as other things, they would go completely out of the arms business entirely. And the Ordnance Department is a little bit worried about that tendency to go out of the arms and ammunition business because it is not as profitable as other business.

Senator REED. Are you giving any orders now for machine guns?

Lieutenant Colonel WHELAN. Not at all, except experimental. We have an order to make a couple of experimental guns with the Colt Firearms Manufacturing Co.

Senator REED. You have a very large supply of left-over machine guns from the war?

Lieutenant Colonel WHELAN. We have plenty of the ground-type machine guns. We will have to make almost none of those in a new war.

Senator REED. Most of them are Brownings?

Lieutenant Colonel WHELAN. Most of them are Brownings. All the good ones are Brownings. We are practically scrapping all but Brownings.

Senator REED. Would you not use antiaircraft guns and the automatic pistols?

Lieutenant Colonel WHELAN. We would use the antiaircraft guns and the automatic pistols.

Senator REED. Do you mean to say that you are not at present buying any antiaircraft machine guns?

Lieutenant Colonel WHELAN. No, sir; we are not.

Senator REED. I thought you contracted for a large number of .50-caliber.

Lieutenant Colonel WHELAN. Well, I would not say a large number. Just barely enough to equip the Regular Army with. And those are being made partly by Colt and partly by ourselves. The number is very small, however, compared with what we would need in war time. Just enough to equip the Regular Army peace-time units.

Senator REED. Thank you very much, Colonel. Was there anything else you wanted, Senator?

Senator KING. I wanted to ask him a question. The tariff record seems to indicate that in the matter of pistols there is an increased production and an export the same as in rifles.

Lieutenant Colonel WHELAN. The Colt Co. informed us that the importation of pistols and the antipistol legislation is hurting them a good deal. The Smith & Wesson Co. in the last four or five years

have repeatedly had spells when they shut down their factory for four or five months at a time due to lack of demand for pistols.

Senator REED. That is caused by the restrictive legislation, is it?

Lieutenant Colonel WHELAN. Yes.

Senator KING. The record shows that since 1923 importation in pistols has declined sharply, and that the import of goods having a value of more than $4 each has almost disappeared, and the imports for 1928 were only of a value of $41,555. That is the tariff record. So there is no inundation of pistols that would be injurious or hurtful to the domestic manufacturers.

Lieutenant Colonel WHELAN. There was a great inundation of pistols before that time, was there not?

Senator REED. After the war; yes.

Lieutenant Colonel WHELAN. Yes; after the war there was a big inundation of pistols and of rifles too, which hurt our trade very much. Although, Senator, I am not up on all of these things.

Senator KING. I understand.

Lieutenant Colonel WHELAN. I know that these companies are extremely valuable to us from the standpoint of national defense. I do not know what on earth we would do if we did not have them.

Senator KING. Colonel, you mentioned the fact of their branching out and expanding. That was true of nearly every industry, was it not? The farmers went out and doubled and trebled their production of wheat?

Lieutenant Colonel WHELAN. Yes, and they have had a hard time after the war.

Senator KING. And nearly every industry, where the Government needed the supplies and commodities, expanded for the purpose of answering the demands of their country?

Lieutenant Colonel WHELAN. Yes.

Senator KING. Men went on the battlefield to answer the demands of their country.

Lieutenant Colonel WHELAN. Yes.

Senator KING. There is nothing exceedingly patriotic, is there, or doing more than one's duty for corporations, means of wealth, to expand their domestic activities when boys were going and dying on the battlefield for their country?

Lieutenant Colonel WHELAN. No, they ought to do it.

Senator KING. Of course they should.

Senator BARKLEY. What you have in mind, as I understand you, though, is, that having made this expansion, rather than see their investment destroyed they have branched out in other industries to keep their business going, and if that business becomes more profitable than the making of rifles they may abandon that and leave the Government without a supply in the case of emergency?

Lieutenant Colonel WHELAN. Yes; if we did not have those companies common prudence would dictate that we would put in about $200,000,000 in additional reserves.

Senator KING. Colonel, you do not mean to say that the war brought the Colt Co. and the Remington Arms Co. into existence? They were in existence before the war?

Lieutenant Colonel WHELAN. Yes; they were in existence for years before the war.

Senator KING. And doing an enormous business?
Lieutenant Colonel WHELAN. Yes.
Senator KING. And had large plants?
Lieutenant Colonel WHELAN. Yes.
Senator KING. So they did not need to expand except to answer the temporary demand, but they had their plants before?
Lieutenant Colonel WHELAN. They had their plants before, but they expanded them many times during the war, naturally.
Senator KING. That is all.
Senator REED. Thank you very much, Colonel.

STATEMENT OF J. E. RUSSELL, REPRESENTING THE BROWNING ARMS CO., OGDEN, UTAH

[Automatic shotguns]

(The witness was duly sworn by the chairman of the subcommittee.)
Senator REED. You represent the Browning Arms Co.?
Mr. RUSSELL. Yes, sir.
Senator REED. And they are located in Ogden, Utah, I believe?
Mr. RUSSELL. Yes, sir. This paragraph, gentlemen, was fully covered in detail by oral testimony given before the House committee.
Senator REED. Did you testify?
Mr. RUSSELL. No, sir. And by briefs that were filed. We filed a brief. And I tell you frankly I came here to-day for the sole purpose of answering any new information that the representative of the Remington Arms Co. might introduce.
Senator REED. Do you mean on the controversy between the Remington Arms Co. and the Browning?
Mr. RUSSELL. Yes, sir. Nothing else than a purely private quarrel.
Senator REED. I see. We are not in the least interested in it.
Mr. RUSSELL. And I have nothing further to give to the committee. No further information. We are not asking for any change in the duty.
Senator KING. You are opposing any change?
Mr. RUSSELL. Yes, sir.
Senator KING. That is, any increase, I mean?
Mr. RUSSELL. Yes. We are not asking for any reduction.
Senator REED. The Browning Co. is importing its automatic shotguns now from Belgium?
Mr. RUSSELL. Yes, sir.
Senator REED. Why do you not make them in this country?
Mr. RUSSELL. Well, it is a rather long story.
Senator REED. Well, presumably you get them cheaper there; is that not the answer?
Mr. RUSSELL. Well, I would have to answer you rather in detail.
Senator KING. Make it as brief as you can.
Mr. RUSSELL. The guns were being made during the time of the Remington monopoly at the factory in Belgium. At the cessation of royalties and the refusal of Remington to pay for the royalties, the Browning took to importing the guns because they were already available there then. And the demand which we have been able to build up would not in any sense justify an American installation to manufacture the guns here.

Senator REED. You mean there is not a sufficient demand for these automatics?

Mr. RUSSELL. No, sir; we do not think so.

Senator REED. That is encouraging. I mean from the standpoint of the sportsman. I would like to see them prohibited entirely; but that is not a question we are considering.

Senator KING. What are your importations, approximately?

Mr. RUSSELL. Our importations have averaged approximately in the 12-gage gun about 5,900 per year.

Senator KING. Is it increasing materially?

Mr. RUSSELL. Not materially normally, I should say.

Senator REED. Well, there is legislation against them in a number of States, is there not?

Mr. RUSSELL. Yes, sir.

Senator REED. And against the pump gun too?

Mr. RUSSELL. I am not sure. Yes, in two States on the pump guns.

Senator REED. Do you make the pump guns too?

Mr. RUSSELL. We do not make them; no.

Senator REED. I mean you have them manufactured for you in this country?

Mr. RUSSELL. No, sir; the only guns we manufacture are Browning automatic shotguns in 12 and 16 gage. That is the only gun we sell.

Senator KING. Did you ever manufacture those shotguns in the United States?

Mr. RUSSELL. No, sir.

Senator KING. Mr. Russell, just a word. Mr. Browning in his development attempted to get the Government or others to take some of his patents and go into the manufacturing here, and they would not do it, so he made some arrangement in Belgium?

Mr. RUSSELL. Yes; the gun was first offered to our friends, the Remington Co.

Senator KING. And they would not take it?

Mr. RUSSELL. No, sir. But after the market was built up they sought it and obtained it.

Senator KING. And then Mr. Browning went to Belgium and sold the patent there, or rather made some arrangement under which the guns were manufactured and brought into the United States and a market made for them?

Mr. RUSSELL. He arranged for the manufacture of the guns in Belgium for sale in other countries, but reserved the rights in the United States for himself.

Senator KING. And so brought to the United States guns which were sold here?

Mr. RUSSELL. Yes, sir.

Senator REED. Do you manufacture machine guns?

Mr. RUSSELL. The Colt Co. manufactures those. They are our patents.

Senator REED. The Browning patent is used in the manufacture of machine guns by the Colt Co.? Is that it?

Mr. RUSSELL. Yes, sir.

Senator REED. The Browning Co. itself does not operate any factory?

Mr. RUSSELL. No, sir.

Senator REED. Thank you very much.

Senator KING. It never did, as I understand?

Mr. RUSSELL. No.

Senator KING. It had the patents, and had some arrangement with various corporations or companies for the manufacture of the guns under its patents?

Mr. RUSSELL. Yes, sir.

Senator KING. Was that true with the machine gun?

Mr. RUSSELL. Yes, sir.

Senator REED. Thank you, Mr. Russell.

(Mr. Russell submitted the following brief:)

BRIEF OF BROWNING ARMS CO.

The Browning Arms Co. has appeared before this committee for the sole purpose of opposing any increase in the rates specified in paragraph 365 of the tariff bill of 1929.

At the hearing before this committee on July 8, 1929, Mr. A. A. Dicke, attorney for the Remington Arms Co., repeated the request of that company, and of certain other manufacturers of small arms, for an increase of rates, but Mr. Dicke did not give any testimony which has an appreciable tendency to support the request. Presumably these proponents of increased duties on shotguns rest their case on the record made at the hearing before the Committee on Ways and Means.

The Browning Arms Co. filed a brief with the Ways and Means Committee. (Vol. III, Schedule 3, hearings before Committee on Ways and Means, 70th Cong., 2d sess.) While this brief fully discusses the points raised by the Remington Arms Co. and its associates, it is believed that the following brief summary of conclusions deduced from the record, as it now stands, may be of some assistance to the committee:

1. All disguises aside, the importation of Browning automatic shotguns by the Browning Arms Co. is the real bone of contention. All other importations of shotguns are practically negligible. In this connection, attention is called to the fact that the 16-gage automatic shotgun, imported by the Browning Arms Co., is not manufactured in this country. In his testimony before the Committee on Ways and Means, Mr. Dicke made the statement that the 16-gage gun was sold at a higher price than that of the 12-gage gun because "there is no competition." (Hearing, Vol. III, Schedule 3, page 2307.) In other words, the domestic shotguns do not compete with the 16-gage gun, and the converse of this proposition must also be true. Thus, the entire controversy is with regard to the small number of 12-gage automatic shotguns which are being imported by the Browning Arms Co. From the time when the Brownings resumed importation of these guns in July, 1923, to November 30, 1928, a period of five years and four months, the total number imported was 31,547, or an average per year of 5,915. (Brief of Browning Arms Co., supra.) It is apparent that the importation of these guns is not on a scale of sufficient magnitude to merit the notice of this committee, much less to be of concern to the War Department.

2. Of the 13 so-called small arms manufacturers represented before this committee, as well as before the Ways and Means Committee, by Mr. Dicke, the Remington Arms Co. is the only one finding fault, otherwise than vicariously, with the existing high rates on shotguns. This is undoubtedly accounted for by the fact that no other domestic manufacturer either manufactures or sells these guns.

3. The Browning Arms Co. has developed a special market as a result of the good will attached to the Browning name and has been able to sell a limited number of guns without appreciably diminishing opportunities for sales expansion by the Remington Arms Co. This is demonstrated by comparing the volume of sales by the Remington Arms Co. during the period it had an entire monopoly with its present sales. During the period 1910 to 1922, inclusive, its

average sales per year amounted to 12,795 guns. Mr. Dicke made the statement before the Ways and Means Committee that the Remington Arms Co. now makes about 15,000 to 16,000 guns of this type per year. (Hearings, Vol. III, Schedule 3, p. 2321.) Considering the potential market for these guns, which is open to the Remington Arms Co., it is a fair conclusion that for some reason it has never attempted to expand its sales in proportion to its opportunities for so doing. This is possibly due to the fact that the Remington Arms Co. lacked faith in the commercial value of these guns, as indicated by its refusal to manufacture them until after the Browning Arms Co. had demonstrated their commercial value. (Brief of Browning Arms Co., Vol. III, Schedule 3, Hearings before Ways and Means Committee, p. 2320.)

4. No showing has been made by the Remington Arms Co. in its own behalf, or in behalf of its associates, that competition resulting from the importation and sale of these guns is a serious factor from a financial standpoint. In this connection war-time expansion is alluded to by the Remington Arms Co., but this means nothing in the absence of a complete showing as to the net results of such expansion. It is a matter of common knowledge that many concerns have been fully compensated by the large profits made during the war, and afterward from reimbursements in one form or another by the Government. At any rate, the proponents of higher duties have made no showing that the existing duties on these guns are not sufficient to equalize the cost of manufacture here and abroad. It is not denied that these duties make it necessary for the Browning Arms Co. to sell at a higher price than the domestic guns are sold for in order to realize a reasonable profit. It is not a case, therefore, of underselling the domestic product.

5. The claim that the existing duties discriminate against the lower-priced guns is ingenious but not persuasive. There is no suggestion that the existing duties on the lower-priced guns should be decreased, although they are admittedly prohibitive. Obviously, the gist of the contention is that the existing duties on the higher-priced guns should be increased so that they will also be prohibitive.

While on the stand Mr. Dicke purported to give the substance of a letter from the Brownings to the Remington Arms Co. in 1925. He said: "The fact of the matter is the thing was settled in 1925, and I have a letter here in which they say that the thing was settled in a satisfactory manner, and they feel we have been eminently fair."

We beg the indulgence of the committee in order to correct the erroneous impression thus made.

A copy of the letter referred to is attached to this brief. It does not relate to the controversy concerning the payment of royalties on guns manufactured after the patents expired. That controversy became a closed incident in the early part of the year 1924 when the Remington Arms Co. definitely refused to pay such royalties. The Brownings thereupon elected to import shotguns from Belgium rather than to engage in expensive and prolonged litigation with the Remington Arms Co. Accordingly, there was no further correspondence with regard to that particular controversy. In the latter part of the year 1924 the Brownings discovered that the Remington Arms Co. had failed to account for or pay royalties on a large number of guns which the latter had manufactured, but had not sold before the patents expired. Demand was promptly made for the payment of such royalties and this was followed, first, by a refusal to pay royalties, and later, under pressure, by an offer to pay a much lesser sum than was claimed by the Brownings. This controversy was compromised and settled on the basis of this offer and the letter referred to relates exclusively to this subject. If desired, the entire file of correspondence relating to both controversies will be placed in the hands of the committee.

Respectfully submitted.

BROWNING ARMS CO.,
By J. E. RUSSELL,
Manager, Ogden, Utah.

DISTRICT OF COLUMBIA, *ss:*

I have read the foregoing brief, and the statements therein contained are true to the best of my knowledge and belief.

J. E. RUSSELL.

Subscribed and sworn to before me, a notary public, this 13th day of July, 1929.

[SEAL.]

GEO. C. OBER, Jr.,
Notary Public, District of Columbia.

NOVEMBER 17, 1925.

REMINGTON ARMS CO.,
25 Broadway, New York City, N. Y.
(Attention I. A. Betts, first vice president).

GENTLEMEN: We wish to acknowledge your check for $3,658.56 as full settlement for royalties on the Remington model 11 shotgun, manufactured under Browning patent.

We are very much pleased to have the matter settled in an amicable manner and feel that you have been entirely fair. Thanking you, we are,

Yours very truly,

BROWNING BROS. CO.

SHOTGUN BARRELS

[Par. 365]

STATEMENT OF F. B. WARNER, REPRESENTING THE DAVIS-WARNER ARMS CORPORATION, NORWICH, CONN.

(The witness was duly sworn by the chairman of the subcommittee.)

Senator REED. Mr. Warner, did you testify before the Ways and Means Committee?

Mr. WARNER. I did not.

Senator REED. Did you file a brief with them?

Mr. WARNER. No; I did not.

Senator REED. What is your company, Mr. Warner? The Davis-Warner Arms Corporation?

Mr. WARNER. Yes.

Senator REED. Do you manufacture shotguns?

Mr. WARNER. We do; yes.

Senator REED. Do you import the barrels in the rough?

Mr. WARNER. Yes; we do.

Senator REED. Do you import the rough forging?

Mr. WARNER. Well, they call it a forging. It might be made of a bar of steel. That could be forged up.

Senator REED. In any event, you import it bored, or do you bore it yourself?

Mr. WARNER. Bored.

Senator REED. It is bored already before you import it?

Mr. WARNER. Yes.

Senator REED. I see that the House amendment put a 10 per cent ad valorem duty on shotgun barrels imported in that condition.

Mr. WARNER. Yes.

Senator REED. Is it to that that you want to speak?

Mr. WARNER. Yes.

Senator KING. You are not interested in any other part of this paragraph?

Mr. WARNER. No, sir; that is all.

Senator REED. All right, you may proceed.

Mr. WARNER. I have reduced some of my ideas to paper. [Reading:]

Whereas shotgun barrels, rough bored in single tubes, have been on the duty free list for upward of 50 years, the Committee on Ways and Means of the House of Representatives, in the tariff readjustment bill of 1929, paragraph 365, have proposed a 10 per cent ad valorem duty on rough-bored shotgun barrels, I

appear in the interests of a number of shotgun manufacturers who, for various reasons, find it vital to their business that they import their barrels, and we wish to take a positive stand against any attempt to remove shotgun barrels, rough bored, from the free list, or to restrict in any way whatever the interpretation of the stipulation "rough bored," and that the rules of inspection as have prevailed at the various ports of entry shall continue as heretofore.

The reason I put that in is that some of our competitors wished restrictions put upon the dimensions of the barrels, which would very much handicap the manufacturer of the low-priced guns of imported barrels.

Senator KING. Who are some of the competitors you had in mind?

Mr. WARNER. Well, I think the Savage Arms Co., which owns and controls the Stevens, are the aggressors.

Senator REED. They want a further amendment, according to your understanding, is that it?

Mr. WARNER. Yes.

Senator REED. Can you show us what you import? Have you a sample of it here?

Mr. WARNER. I have a sample of it.

Senator REED. I am going to ask you to put your written memorandum right in the record here instead of reading it to us.

Mr. WARNER. That is what we import [handing gun barrel to the committee]. Everybody does not import in that same style. That is what we call a "round."

Senator KING. Called what?

Mr. WARNER. In the trade it is called a "round," just a round tube.

Senator REED. Where do you get that? Sweden?

Mr. WARNER. Belgium. Whereas we import that round, some have a water table forged up. That is what we call forged up. That might be imported with it, or it might be a bar of steel turned to that stage. Then this little water table forged as it comes in [indicating]. But we manufacture that in this country.

Senator KING. And then attach it to the barrel, or the barrel to it, is that it?

Mr. WARNER. Well, to fit the barrel. We get a forging in the rough like that [indicating forging]. Now, while it is true that we buy a pair of these tubes in that shape cheaper than some of our competitors—whether they import them or whether they manufacture them—nevertheless we buy that forging [indicating] and we pay 20 cents for that in the rough, and by the time we get that machined and sweat it on to the tube it costs us something like 40 cents additional, so that by the time we get our work ready to assemble it has cost us just as much and more than any of our competitors. You see, roughly speaking, this represents one-half of the gun barrel [indicating tube]. And when we get it to this stage then it has to go into the blacksmith shop and be sweated in with tin or spot welded.

Senator KING. Then your contention—and I do not want to misunderstand you, because you are making a very clear statement as you understand it—is that notwithstanding you may get the barrel in the form in which you secure it, purchase it, a little cheaper than your competitor who does buy barrels of a different character, a different grade of development, by the time that you buy the forging and get that ready to be connected with the barrel and place it upon the barrel, then it costs you as much or more as your competitor?

Mr. WARNER. Yes. We get these cheaper because we buy less of foreign manufacturers than some others. We buy less. For instance, you see that is the finished size that the barrel should be to fit up against your breechblock [exhibiting barrel]. We buy less steel because it is so much smaller. That is the whole secret of it.

Senator KING. The whole question involved now in this amendment is that you are objecting to a 10 per cent ad valorem upon shotgun barrels, in single tubes, forged, rough bored?

Mr. WARNER. And I object to being held in the bore to 6.90.

Senator REED. But there is nothing in the act now that holds it to that.

Mr. WARNER. No; there is not, but they had it in the proposed.

Senator REED. Well, now, Mr. Warner, if they import the gun barrel in a further state of manufacture than merely rough bored they have to pay $4 specific duty on it and 50 per cent ad valorem, do they not?

Mr. WARNER. Yes; that is the law.

Senator REED. So that the product that they bring in, as I understand it, carries a very much higher duty than the rough bored barrel that you bring?

Mr. WARNER. I am a Yankee and I would like to answer that question by asking another. Are there any finished barrels imported of any moment? I do not know of any.

Senator REED. Well, then, I misunderstood you. I thought you had said there were.

Mr. WARNER. No. There may be a few. But I do not think of any moment.

Senator REED. Then I had not understood you, sir. Do you mean that your competitors manufacture the whole barrel themselves?

Mr. WARNER. Some of them; yes.

Senator REED. And it is the competition with them that troubles you on account of this duty?

Mr. WARNER. Yes.

Senator REED. Will you answer me another question? Why should not the American labor that is devoted to producing a barrel in the shape that you hold in your hands be protected just the same as any other American labor?

Mr. WARNER. The barrel industry of these barrels that are imported would employ so little labor that it is not worth consideration. I have gone over that. I believe there were 225,646 gun tubes imported into this country, I believe, in 1928. Now, if that was reduced to the number of laborers to produce them, providing they were all in one factory, it would employ 5 men in drilling, 4 men turning, 2 men reaming, possibly 2 men grinding, 1 man cutting off and straightening, 1 foreman, and 2 linemen or tool grinders and sharpeners, a matter of 18 men to make all of these so far as import is concerned. Now, during the war we made our own barrels. During that period we employed about 35 men making barrels and manufacturing them. To-day we import our barrels and we employ 65 to 70 men. It requires the space and the equipment and everything that we formerly devoted to making a few barrels; we can buy our barrels to better advantage and employ more men and make more guns. And for the same reason we buy other things.

We buy screws now in America. During the war we bought screws in Switzerland because we could not afford to manufacture our own screws.

Senator KING. Your contention is that by bringing over a semi-finished product and manufacturing it here in the United States that you give employment to a larger number than you would if you produced the entire product here?

Mr. WARNER. Yes. And another thing, there are five manufacturers importing barrels. Six, possibly. About half of those barrels are manufactured into guns in the city of Norwich, Conn. Norwich, Conn., is a little town, comparatively, of 25,000 inhabitants. And about half of these barrels are consumed in that one town, which means a great deal to them. And no one in that town is called into conference by these people who wanted the duty.

Senator KING. Well, who is registering opposition to it, and who are favoring this proposition aside from yourself?

Mr. WARNER. Well, I represent the Davis-Warner Arms Corporation, of which I am the president; the Lefever Gun Co., of Norwich, and the Crescent Arms Co., of Norwich. And incidentally I feel that none of the double-gun manufacturers would care to see a duty. As I understand it, this agreement was signed by A. H. Fox Gun Co., Hunter Arms Co., Ithaca Gun Co., and the Lefever Arms Co., all of which import barrels, but they did it because of a compromise; some people, I believe, wanted a dollar apiece duty put on a barrel, which would make $2 on the gun, and which would knock out the low-priced gun business. And as a compromise some of these other people agreed on 20 cents a barrel. And the Ways and Means Committee, I believe, reduced that to 10 per cent ad valorem for reasons of their own. I did not inquire.

Senator KING. What would this barrel cost landed? Or the purchase price abroad generally?

Mr. WARNER. A pair of those barrels cost us now 87 cents f. o. b. New York. Since that contract was made they tell me that the price has been advanced in Belgium 12 cents a pair, which would make 99 cents.

Senator KING. For two?

Mr. WARNER. For two tubes. Now to buy steel for those tubes, it takes about 16 pounds of steel, which, landed in Norwich, would amount to about 3 cents a pound—it might be a trifle less. That would be 48 cents. And if we had the proper equipment you could probably produce those for just about a dollar a pair. But we can not produce in a double-barreled shotgun tube as uniform a barrel as they do over in Belgium.

Senator REED. Why can we not?

Mr. WARNER. Well, I suppose that to get production we have to force our machines more, and perhaps our men do not pay as strict attention to it. Barrel boring in this country is something that the men do not like. You have to drill with a long hollow drill at about 900 pounds pressure of oil to get your chips out, and every once in a while something goes wrong and that oil backs up and it sprays the man with oil. It goes through their overalls and undershirt, which they have to change every day, and it is hard to keep a man on the job. It can be done and is done, but you take a drill going

through there of that size [illustrating], and you get quite a spray of oil.

Senator KING. These barrels, then, are cheap barrels, as I understand? They are not barrels that would be utilized in the highest grade shotguns and rifles?

Mr. WARNER. This steel would not be used in rifles. It is utilized in pretty nearly all grades of shotguns. I do not know that anybody is using better barrels on guns selling for less than $50. When you get above that they use other steels.

Senator KING. How far is the gun toward completion when it passes out of your hands into the market?

Mr. WARNER. How far is this?

Senator KING. Yes.

Mr. WARNER. This tube?

Senator REED. You sell finished guns, do you not?

Mr. WARNER. Yes.

Senator KING. I did not know that.

Mr. WARNER. Yes; we sell finished guns. Round and stock and everything complete.

Senator KING. Do they come in competition with the Browning shotgun that is sold?

Mr. WARNER. No; we only make double and single barreled shotguns. We make a double-barreled shotgun that retails inside of $20, and a single-barreled gun that retails inside of $10.

Senator KING. Do you have any competition from abroad?

Mr. WARNER. I do not think we have since the 1922 tariff.

Senator KING. And importations of shotguns, single or double barreled, do not affect the business in which you are engaged?

Mr. WARNER. Not to my knowledge to any great extent. Our competition in this class of goods is all here at home. We are able to produce of our own here in the country more than the market will consume.

Senator REED. Well, I think we understand your point, sir. Is there anything else you wanted to tell us?

Mr. WARNER. I do not think of anything of moment.

Senator REED. Just leave your paper for the record.

(The paper referred to is as follows:)

WASHINGTON, D. C., *June 26, 1929.*

SUBCOMMITTEE ON FINANCE,
United States Senate.

DEAR SIRS: Whereas, shotgun barrels, rough bored in single tubes, have been on the duty-free list for upward of 50 years, the Committee on Ways and Means of the House of Representatives, in the tariff readjustment bill of 1929, paragraph 365, have proposed a 10 per cent ad valorem duty on rough-bored shotgun barrels, I appear in the interests of a number of shotgun manufacturers who, for various reasons, find it vital to their business that they import their barrels, and we wish to take a positive stand against any attempt to remove shotgun barrels, rough bored, from the free list, or to restrict in any way whatever the interpretation of the stipulation "rough bored," and that the rules of inspection as have prevailed at the various ports of entry shall continue as heretofore.

A paper submitted to the House Ways and Means Committee concerning paragraph 1661, Schedule 15, entitled "A Brief in Behalf of Small Arms Manufacturers," is a misnomer. To be correct it should have been modified to read "Some manufacturers" or possibly "one manufacturer." We have been led to believe that the proposal originated with a single competitive manufacturer who make their own barrels and requested a tariff which would stifle all com-

petition from manufacturers who import their barrels, and that two other manufacturers who make their own barrels were won over. Then certain manufacturers of high-priced double guns who would not be affected by the proposed limitations put on the dimensions of the various bores were led to sign the brief because of a compromise agreement to revise the proposed tariff rates downward. Meanwhile, certain other manufacturers who were making low-priced guns from imported barrels were not advised of the proposal and had no voice in the matter. Two of these latter concerns are located in the city of Norwich, Conn., a city of about 25,000 population, to which these industries are of vital importance, and is specially so at this time because of the depression in textiles and other important industries of this town. The two manufacturers in the city of Norwich consume 100,000 to 115,000, approximately one-half of the total 225,646 gun tubes imported into this country.

To the credit of the House Ways and Means Committee they did not grant to these unfair competitors all that they requested. The committee ignored entirely the iniquitous request for fixed dimensions of the various bores and it is quite probable that they would have left rough-bored gun barrels, single tubes, on the free list had they have had all the facts before them. As said before, the House Ways and Means Committee proposed a tax on rough-bored gun barrels, single tubes, of 10 per cent ad valorem. It may be contended that this is so light that it will not affect the industry. This may be true of some individual manufacturers of higher-priced guns, but it would be a hardship upon the gun business located in the city of Norwich, Conn., because the lines manufactured are extremely competitive, being sold to farmers, farm hands, mill operatives, and laborers. Conditions are such that with important jobbers, a difference of 10 cents on a double barrel hammerless gun and 5 cents on a single barrel gun, often decides the sales, besides, because of their large capital and diversified productions, some of our competitors might manufacture double and single guns without a profit, or perhaps even a loss for an indefinite period, to stifle competition. Moreover, with gun barrels once on the dutiable list, our competitors who are manufacturing their barrels would be constantly striving to have the duty increased, thus keeping the industry in a constant state of uncertainty and unrest, until because of increased duties and annoyance we would be forced out of business.

From import statistics of 1928 we learn that there were 225,646 tubes imported, which is a decided shrinkage from previous years around 1924 or 1925, indicating that even with duty-free tubes manufacturers depending upon imports are not holding their trade.

Advocates for duty on rough-bored gun barrels might argue they could not compete with imported barrels, the average price of imported tubes was 61.7 cents per tube, or $1.23⅓ per pair. Based upon information and belief, one of our competitors who produces double gun barrels, makes them with the lugs forged on for $1.20 per pair. Our barrels are imported without lugs.

From the viewpoint of the employment of labor, the production of these 225,646 imported tubes is inconsiderate. We estimate that 24 to 30 two-spindled drilling machines would do the drilling and an equipment of lathes and reaming machines to match the drills, grinders, etc., would require but 18 or 20 men. Even should we double this number, it would employ but 40 men. Would Congress jeopardize the interests of hundreds and possibly thousands of employees in American gun industries for the prospect of employing 30 or 40 more?

Regarding the vital importance that these comparatively few gun barrel tubes be made in this country with the view of meeting a possible future war contingency, we consider a joke, to put it mildly, or a smoke screen for private interests. If our competitors who claim to have the national welfare so much at heart desire to see the Government prepared for war production, why did they not propose that the United States Ordnance Department equip their arsenals at Springfield and Rock Island for the production of sporting shotguns and rifle barrels in peace time, and subsidize the smaller manufacturers by selling them Government-made barrels at the same price they would be able to buy them for in Belgium. Perhaps they did not think of it. It would at least be constructive, while their plan is not.

The placing of a duty on shotgun barrels does not create equipment for ordnance production. At this point, it might be of interest to note that when the Hopkins & Allen Co., of Norwich, Conn., secured a contract for Belgium rifles during the war, that they discarded all of their commercial gun-barrel producing machinery and had new equipment made, while they were making

the special fixtures and tools, cutters, etc., for machining receivers and other small parts. It is these special fixtures, rather than barrel equipment, which consumes the most time in preparation.

In conclusion, we can only affirm that we consider it vital to our business that rough-bored gun barrels, single tubes, be left on the free list with the same liberal interpretation on the words "rough bored" that the industry has always enjoyed since the beginning of gun manufacture in this country; because certain individual manufacturers have in the past enjoyed these privileges until they no longer require them is no good reason why these privileges should now be denied to others who do require them.

F. B. WARNER,
President the Davis Warner Arms Corporation, Norwich, Conn.

STATEMENT OF FRANK F. NESBIT, WASHINGTON, D. C., REPRESENTING THE SAVAGE ARMS CO., THE J. STEVENS ARMS CO., THE HARRINGTON & RICHARDSON ARMS CO., AND THE IVER JOHNSON ARMS AND CYCLE WORKS

(The witness was duly sworn by the chairman of the subcommittee.)

Mr. NESBIT. I am speaking for the Savage Arms Co., the J. Stevens Arms Co., the Harrington & Richardson Arms Co., and the Iver Johnson Arms and Cycle Works, with reference solely to the provision which was discussed by Mr. Warner, the 10 per cent duty on shotgun barrels in single tubes, forged, rough bored, which was added by the House to the bill, changing the provision which formerly left those articles on the free list. All of these companies manufacture shotguns, and manufacture all of the barrels in American plants, from American steel, with American labor.

Senator KING. You import no barrels?

Mr. NESBIT. No, sir; not that go into the single shotguns.

Senator KING. Do you import any barrels?

Mr. NESBIT. No; they make the entire gun in the United States.

Senator REED. Do you import any steel?

Mr. NESBIT. Not that is used in the guns of this class. Some little steel is imported, but not very much.

Senator REED. What kind of steel?

Mr. NESBIT. These are the cheaper grade of guns. You understand, the only question that arises is between the cheap Belgian partly finished barrels and the American barrels made of a similar grade to go into a similar grade of gun.

Senator REED. I am asking for information: Do you import Krupp steel or Whitworth steel?

Mr. NESBIT. Some Whitworth steel; yes, sir.

Senator REED. And you use that in the higher-grade shotguns?

Mr. NESBIT. Yes, sir.

Senator REED. Is there a distinct superiority in that steel?

Mr. NESBIT. I am not able to answer that question. It affects the market. People think that it is superior.

Senator REED. I know it affects the market. I have been one of the victims myself.

Mr. NESBIT. It is considered that there is a superiority. I am unable to answer.

Senator REED. Is there a real superiority? That is what I am trying to find out.

Mr. NESBIT. I am not able to answer.

Senator KING. Why do you object to this?

Mr. NESBIT. We are in favor of it.

Senator KING. Oh, you are in favor of it?

Mr. NESBIT. Yes, sir.

Senator KING. Why are you in favor of it—because it puts them in competition with you a little more?

Mr. NESBIT. No; here is the situation: I should like to preface that by saying that the reason why no testimony was given on this question before the House Ways and Means Committee, and no briefs filed, was that both the persons who favored leaving these partly finished barrels on the free list and those who favored putting the duty on them so that they would not be brought into competition with the American-made barrels had a conference, got together, and agreed on a provision for 20 per cent. We are satisfied to stand by this, although these manufacturers that I speak for favored a somewhat higher duty, equivalent to the 40 per cent duty that all partly finished metal articles would have carried under the blanket provision. Forty per cent would have meant approximately 20 cents a barrel, 50 cents being about the value. This was agreed upon, and we were in favor of it; and it was not until within the last day or two that we learned that there would be any opposition before this committee to the provision in the House bill. We now ask that a duty on these articles be left in the bill.

There are about 700,000 shotgun barrels used annually in the United States.

Senator REED. You are speaking of single barrels now?

Mr. NESBIT. Yes, sir; and the manufacturers that I have mentioned, manufacture slight more than half. There are about 200,000, or a little more, imported from Belgium. The Belgian labor cost, the labor that goes into that kind of work, according to our information, is paid about one-fifth the amount paid to the corresponding American labor; and the steel, which is Belgian or European steel, cost about 50 per cent of what the American steel that we use costs.

Senator REED. What quality of steel do you use?

Mr. NESBIT. Do you mean the specifications?

Senator REED. Yes. Is it bar steel?

Mr. NESBIT. Yes, sir.

Senator REED. Ordinary open-hearth bar steel. or is it crucible steel?

Mr. NESBIT. I am not able to answer exactly the type of steel that is used. It is a type of bar steel that is prepared for the manufacture of resisting tubes of various kinds. It is not especially manufactured for shotguns, but it is an American steel.

These Belgian barrels that are brought in are partly finished, but they go into the cheaper grade of shotguns. They do not require a great deal of additional finish to make them look like the American barrels. They have an outside finish which looks like that that these companies obtain from grinding. We do not know whether that is exactly the process that is used or not—it looks like it—whereas we know that we do grind our barrels here.

Senator REED. What is your connection with this business, Mr. Nesbit?

Mr. NESBIT. I am an attorney.

Senator REED. Oh, you are counsel for them?

Mr. NESBIT. Yes, sir. I am stating the facts that have been given to me. I have been through the matter before the House, and am quite familiar with it.

The inside of the barrels also has a well-finished appearance, and might be used in the cheaper grade of guns without any additional machine work being done on them. In some cases some additional machine work is done on them.

At one time apparently the reason for distinguishing—we do not see any good ground for it at the present time—between gun barrels and other partly finished steel articles, all of which carried 40 per cent—the only reason for putting partly finished gun barrels on the free list was that a number of years ago it was considered that the finest, highest grade of gun barrels were better made in Belgium than they were in the United States. That is not true today. Now it is the cheaper grade that comes in from Belgium, and the better grade are made here. Most of the better-made guns are made in the United States.

Senator KING. Do these barrels made by the preceding witness's company come into competition with yours?

Mr. NESBIT. The Browning Co.—the Warner Co.?

Senator KING. Do those made by Mr. Warner's company come into competition with yours?

Mr. NESBIT. Yes, sir; those guns come into competition with ours.

Senator KING. Do you make guns of the cheap grade?

Mr. NESBIT. Some; yes, sir. Of course these companies have the same chance to buy the barrels in Belgium that their competitors have, and they felt that they would be compelled to do so unless some duty were put on the partly finished barrels. The reason they did not want to do it if they could avoid it was that they have some investment in plants making these barrels, and they have quite a highly trained force of workmen.

Senator REED. Have you any idea how many workmen are devoted to the rough boring?

Mr. NESBIT. It is a little difficult to segregate them exactly. Our estimate of these various companies runs between 50 and 100 men who can do it, who are trained to do it. They are not all on it at any one time, depending, of course, on the market, the sale of guns, etc. That work is highly skilled, and most of these men have been with the companies practically throughout their lives. They have devoted their whole working years to learning the business, and we believe that they would be a valuable nucleus for training other men in that work in the event of war. It is very difficult to furnish that training quickly. It is easy enough to put in the less skilled grades of labor; but the higher skilled grades, who have spent years at it, can not be easily replaced or easily trained in a short time. If there is not some sort of duty on these partly finished barrels, the manufacturers who are now making them in this country will be compelled to give up their plants devoted to that purpose, and the machinery, and turn that labor over to something else.

Senator REED. Can that same labor be used in the production of rifle barrels in case of necessity?

Mr. NESBIT. Yes, sir; and that same labor—the grinding and finishing of shotgun barrels—is sufficiently similar to the rifle and machine-gun barrels so that those men, with a very little additional training, are able to carry on that work. I think our position fits in with what Colonel Whelan said—that the supply of skilled labor in that field is tending to diminish; and if this competition comes in, and we have to buy these barrels in Belgium, there will not be any other men doing that work, making these partly finished barrels. For that reason we think that the provision in the bill for a duty should be retained.

Senator REED. Is it possible for an American manufacturer to buy in the market rough-bored barrels of the type that are now imported from Belgium?

Mr. NESBIT. In the American market?

Senator REED. Yes.

Mr. NESBIT. Made here?

Senator REED. Yes.

Mr. NESBIT. No. There is no manufacture of that kind at the present time. The Belgian competition excludes them.

Senator REED. Suppose the Belgian imports were shut off. Would your clients be willing to sell the rough-bored barrels?

Mr. NESBIT. To other manufacturers who wanted to make them into shotguns?

Senator REED. Yes.

Mr. NESBIT. I think they might be. They are not a patented article. There is no reason why they should not if they would pay a price that would make the business worth while.

Senator REED. How many manufacturers are there?

Mr. NESBIT. Of shotguns in the United States?

Senator REED. Of these rough-bored barrels.

Mr. NESBIT. In the United States?

Senator REED. Yes.

Mr. NESBIT. Four—the four companies that I speak of.

Senator REED. Then if those four did not want to have any competition in the finished shotgun, all they would have to do would be to refuse to sell the rough-bored tube; would it not?

Mr. NESBIT. Other manufacturers can make them. There is nothing patented about them, nothing exclusive; and these four companies are competitors. They are not allied in any way.

Senator REED. All right, sir; thank you, Mr. Nesbit.

(Mr. Nesbit submitted the following brief:)

BRIEF OF THE SAVAGE ARMS CO., J. STEVENSON ARMS CO., HARRINGTON & RICHARDSON ARMS CO., AND IVER JOHNSON ARMS & CYCLE CO.

For the reasons given in the oral statement to the committee, the Savage Arms Co., J. Stevenson Arms Co., Harrington & Richardson Arms Co., and Iver Johnson Arms & Cycle Co. ask that a duty on shotgun barrels and single tubes forged rough board be retained in the bill, but they believe that the rate of duty should be increased over that provided in the House bill to at least 20 per cent ad valorem instead of 10 per cent. This would bring these partly manufactured metal products under the same rate of duty as was provided for steel manufactured beyond hammering or rolling, machined or drilled, which carried a duty of 20 per cent ad valorem under paragraph 312 of the House bill. The gun barrels under consideration come clearly within the description in para-

graph 312 of the House bill being advanced beyond hammering, rolling, or casting, and should carry the same duty as provided in that paragraph, viz, 20 per cent as a minimum. Although these manufacturers before the House Ways and Means Committee asked for a duty of 40 per cent ad valorem, which would have corresponded to the duty provided for manufactures of metal, covering articles not specially provided for, if composed wholly of steel, whether partly or wholly manufactured under section 399 of the tariff act of 1922 (now paragraph 398 of the House bill, which carries a rate of 50 per cent ad valorem) they agreed as a matter of compromise to a minimum rate of 20 per cent. There is no reason whatever for especially distinguishing shotgun barrels from other partly manufactured steel products and giving them a lower rate of duty than 20 per cent ad valorem.

Respectfully submitted.

SAVAGE ARMS CO.,
J. STEVENSON ARMS CO.,
HARRINGTON & RICHARDSON ARMS CO.,
IVER JOHNSON ARMS & CYCLE CO.,
By FRANK F. NESBIT.

DISTRICT OF COLUMBIA:

Subscribed and sworn to before me this 9th day of July, 1929.

[SEAL.]

HUBERT N. ROBERTS,
Notary Public, District of Columbia.

WATCHES, WATCH MOVEMENTS, ETC.

[Par. 367]

STATEMENT OF TAYLOR STRAWN, CHICAGO, ILL., REPRESENTING THE AMERICAN WATCH MANUFACTURERS

(The witness was duly sworn by the chairman of the subcommittee.)

Senator REED. You represent the Elgin National Watch Co.?

Mr. STRAWN. Yes, sir.

Senator REED. That makes the well-known Elgin watches?

Mr. STRAWN. Yes, sir.

Senator REED. What is your connection with the company, Mr. Strawn?

Mr. STRAWN. I am vice president and treasurer of the company.

Senator REED. You testified before the Ways and Means Committee, did you?

Mr. STRAWN. I did.

Senator REED. And filed a brief?

Mr. STRAWN. Yes, sir.

Senator REED. All right; we have the benefit of that.

Mr. STRAWN. I also represent the rest of the domestic manufacturers with the exception of the South Bend Watch Co., which is not, apparently interested in tariff matters.

Those we represent are the Waltham Watch Co., Waltham, Mass.; the Hamilton Watch Co., Lancaster, Pa.; the Hamilton Watch Co., in Springfield, Ill., known as the Illinois Watch Co.; and the Howard Watch Co., located at Waltham, Mass.

Shortly after the passage of the bill as reported by the House some of the importers' representatives approached us on the subject of considering the provisions of the bill as reported out, saying that there were a great many dangers and inequalities in the bill as reported out. They suggested that we get together and try to straighten out those difficulties.

Senator REED. Here is a part Mr. Vail called our attention to, called an assembly, costing a cent, which would be taxed several dollars. There is no justification for that, is there?

Mr. STRAWN. The obvious answer to that, Senator, I think, is that if the two parts together cost him $6 to import when their cost abroad is 1 cent, that he should send them in separately, pay 65 per cent ad valorem duty and pay 2 cents rather than $6.

Senator REED. That is one way to avoid duty, yes; but it is rather an unfair restriction of a man's liberty, is it not?

Mr. STRAWN. The reason that we have spent so much time and tried to get a finally correct paragraph on that particular subject is because under the 1922 act the domestic manufacturers were immediately subjected to things that were totally unexpected at the time the act was passed. Watches were assembled in Switzerland, disassembled, and sent into this country as parts and reassembled, sometimes only one small part being taken out so that it was not a functioning mechanism, which enabled them to pay the 45 per cent duty instead of, in some cases, a $10.75 duty—a 45 per cent duty on the value of the parts amounting to not more than 90 cents.

Mr. STRAWN. There is no other way that we know of to avoid that kind of evasion.

Senator KING. Do you justify a tax there of perhaps several hundred per cent, about 3,500 per cent, on that little item?

Mr. STRAWN. Well, Senator, I do not know the cost of the item. I did not see it.

Senator KING. Those little parts which cost a cent or two.

Senator REED. Of course, those are extreme cases.

Mr. STRAWN. They are extreme cases.

Senator REED. I should like to get your general thought.

Mr. STRAWN. My general thought is that if we have a proper tariff on legitimate repair parts, so that anybody owning a foreign watch in this country can have it repaired at a proper, reasonable price, that is as far as we can safely go on the importation of parts. It is the subassembly and the bringing into this country of movements practically completed with foreign labor, against which we can not compete, knocked down and brought in as material.

Senator REED. It is the process of assembly which requires so much labor?

Mr. STRAWN. Yes, sir.

Senator REED. Naturally, it is the assembled article, then, that we are anxious to secure protection against for the benefit of those who do that work in this country; but as you add that labor to the parts in assembling them, that increases the value, does it not?

Mr. STRAWN. Yes, sir.

Senator REED. Why, then, would not a flat ad valorem duty applied to the article, in whatever form it comes, be the best solution? If labor had been put on it, the duty would rise.

Mr. STRAWN. I think it is absolutely impossible for the customhouse to tell, in the first place, what the value of that article is.

Senator REED. It will not be if we adopt the United States value as a basis.

Mr. STRAWN. Perhaps not. However, I do not believe that the domestic manufacturers can successfully compete against an assem-

bly proposition such as Mr. Vail has just talked to you about. In the strict sense of the word, it seems to me he is an assembler, because he manufactures nothing himself; and it is exactly that type of competition that we think must be protected against.

Senator KING. You said you did not see these two little articles. Here they are [exhibiting articles to Mr. Strawn]. Would you regard a tariff of several hundred per cent—perhaps it would be a thousand per cent—justifiable on those articles and similar articles?

Mr. STRAWN. If we could figure out any other scientific method of handling this situation, we probably would not propose that; but we have had consultations with 75 per cent of the importers in this country and with all of the domestic manufacturers, and they know of no other way to draw a line safely and still equitably. The importers feel that this provision is safe and sound, just the same as we do.

Senator REED. Some of them evidently do not. Of course, you can not please everybody, however.

Mr. STRAWN. This instrument could be brought in with that little pin pushed in at practically no cost whatsoever, as two separate parts. There is nothing but a staking job there. It would be utterly ridiculous to pay a subassembly charge on that piece of material.

This is a piece of radium enamel, I take it, placed on a flat piece of steel by hand. I should hardly think that that could be considered a subassembly.

Senator KING. I think it is so regarded.

Mr. STRAWN. If so, it could be put on in this country for probably a cent.

Senator KING. You mentioned to Senator Reed just now the fact that the importers and yourself, or the domestic manufacturers, had had conferences. I am told—and I am asking for information—that those importers to whom you referred spoke only for about 25 per cent of the importers of the United States, and that they did not represent the majority of the importers and that no one was authorized to state that they represented the majority of the importers. I have no knowledge whatever on the subject; but I should want to examine with some care any agreement between the domestic manufacturers and the importers, because it would appear as though there is a purpose to have a monopoly; and that is something that I do not like very well, speaking for myself only, of course.

Mr. STRAWN. Certainly; we would not like it, either. In the long run it would be just as unsafe for us as anything we could possibly do.

I might say that Mr. Gruen will follow me. He is qualified to speak for the importers and who they are; but I might say that there were represented at this meeting the following concerns——

Senator KING. How many names have you there, without giving them at this time? You can hand them to the reporter.

Mr. STRAWN. I should say there are 15, approximately. The importers tell us they represent 75 per cent of the importers in number, and a little more than that in value.

(The list above referred is as follows:)

Hipp, Diddesheim & Co., New York City.
Helbein Stone Co., New York City.
A. Wittenauer Co. (Longines Watch Co.), New York City.
S. Brunner Co., New York City.
Benrus Watch Co., New York City.
Adolph Schwob (Tavannes Watch Co.), New York City.
Gruen Watch Co., Cincinnati, Ohio.
Zenith Watch Co., New York City.
Omega Watch Co., New York City.
Concord Watch Co., New York City.
Patek Philippe Co. (Inc.), New York City.
Hayden W. Wheeler Co., New York City.

Senator REED. What has been your principal trouble under the old law—this business of taking out one vital part of a watch and bringing it in as a part under the 45 per cent duty, and in that way avoiding the specifics?

Mr. STRAWN. Yes, sir; that is one of the dangers.

Senator REED. What other troubles have you had?

Mr. STRAWN. In the first place, the paragraph in 1922 had so many loopholes in it that watches came in that had never been heard of before the passage of the act, that were built especially to evade the provisions of the act, in getting into this country.

Senator REED. Give us an illustrative case of that.

Mr. STRAWN. An illustrative case of that is a 6-jewel movement, which was practically unheard of before the passage of the act, and which is coming into this country in tremendous numbers to-day.

Senator KING. It would be subject to the ad valorem duty, would it not?

Mr. STRAWN. There is a specific rate. It was much less than the 7-jewel rate, and was built for that purpose.

Senator KING. It could not escape the ad valorem.

Senator REED. There is no ad valorem at the present time.

Mr. STRAWN. It was a specific rate.

Senator REED. There is a flat duty of 75 cents; and last year 2,407,900 watches or watch movements of six jewels or less were brought in, that constituting about two-thirds of all the importations of watch movements?

Mr. STRAWN. Yes, sir; about 62 per cent.

Senator REED. Why would not that be corrected, without going into all this complicated provision, if you should make it "if having less than six jewels, 75 cents"?

Mr. STRAWN. It would not possibly give us the protection we need on these movements. Since the passage of that act the entire industry has changed. The selling market in the United States has changed.

Senator KING. What protection would that afford in ad valorem?

Mr. STRAWN. This new bill as we have it?

Senator KING. No; I mean what Senator Reed has just suggested.

Senator REED. We can get it here pretty well.

Mr. STRAWN. Seventy-five per cent?

Senator KING. Seventy-five cents on a 6-jewel movement or less.

Senator REED. The average protection last year given on watch movements by this specific duty came to 61 per cent.

Mr. STRAWN. Yes, sir. I can not answer that question on account of the great number of watches of different types that can be built. It depends entirely on the size.

Senator REED. All right. Take the 6-jewel watch which seems to have come in in such quantities, subject at present to 75 cents specific duty. How much does that cost to make in this country?

Mr. STRAWN. It depends entirely, Senator, on whether it is a large watch or a small watch.

Senator REED. What are they bringing in mostly—large or small?

Mr. STRAWN. They are bringing in both, but they are not classified as they come in as to size; but from market conditions we think that the great majority of them are the very small ladies' wrist watches and strap watches.

Senator REED. I see. Now, take those very small watches with six jewels in the movement. What would a typical watch movement of that type cost to make in this country?

Mr. STRAWN. In the neighborhood of $6.50.

Senator REED. What are they being invoiced at from Switzerland?

Mr. STRAWN. I should say, from the samples that we have picked up, and so forth, that they come in at anywhere from $1.50 to $2.25; something in that neighborhood.

Senator REED. And what is the freight and insurance and delivery charge, approximately?

Mr. STRAWN. I presume it is very small on that, but I really do not know those figures.

Senator REED. I should think a few cents per movement would cover it.

Mr. STRAWN. Oh, yes, sir.

Senator REED. So you would need about 200 per cent ad valorem to put you on a competitive level with those imported Swiss movements?

Mr. STRAWN. Yes, sir. We do not think that the rates we are proposing now put us on a competitive basis.

Senator REED. How did you manage to export to other countries?

Mr. STRAWN. We did not, sir. Our export business in jeweled watches of the domestic manufacturers is approximately $1,000,000. I understand there is a figure there of $1,675,000 which I do not understand how they get, because I think it is $1,000,000 from what I have been able to find out.

Senator REED. $1,738,049 in 1928.

Mr. STRAWN. That is around 4 per cent of our production. It is a decreasing business. It is an unprofitable business.

Senator REED. No; it does not seem to be decreasing according to the figures here. Seven years ago, when this tariff act was passed, it is reported to have been $554,000. It has more than trebled since then.

Mr. STRAWN. I can not understand those figures, because there are only two domestic companies that are exporting—Elgin and Waltham. The Elgin business is around $400,000. It has been larger than that. The Waltham business, I understand, is around $600,000, and is not increasing. The Elgin business will probably be almost entirely out of the picture by the middle of next year.

Senator REED. There is somebody in the picture.

Mr. STRAWN. Our figures for 1928, Senator, showed that we lost 9 cents a watch on every watch we exported.

Senator KING. I want to ask concerning a statement I have here of the comparative duty rates on watches under the present law and under the proposed law.

Take, for instance, No. 731. Just look at that top line: No. 731, 10½ ligne, 6 jewels, 2 adjustments; cost net in United States dollars, $1.41; present duty, 75 cents. Under the proposed bill the duty would be $3.75. There would be an increase of several hundred per cent.

On a 15-jewel watch of the same character, No. 751, the duty would be increased from $2 to $5.35. Is not that true?

Mr. STRAWN. I think that figure is correct on the smallest size watch.

Senator KING. And on No. 737, 6¾ ligne, 6 jewels, 2 adjustments, the increase is from 75 cents to $4.25. That is the duty—several hundred per cent again, you see.

Mr. STRAWN. Yes, sir.

Senator KING. On No. 757, 6¾ ligne, 15 jewels, 2 adjustments, the tariff is increased from $2 to $5.85—several hundred per cent again.

The next one, No. 159, has 15 jewels, 3 adjustments; present duty $2; under the proposed amendment, $7.10.

No. 258, 6½ ligne, 15 jewels, 3 adjustments, $2 tariff increased to $6.85.

No. 879, 5½ ligne, 17 jewels; foreign cost, $8.43; present duty, $3.50, increased to $8.50.

Mr. STRAWN. Was that an adjusted watch, sir?

Senator KING. Just look at that—2-position adjustment.

Mr. STRAWN. Two-position adjustment.

Senator KING. The figures I have given you agree to, do you, that they are substantially correct?

Mr. STRAWN. Yes, sir; as far as I can tell from a hasty examination.

Senator KING. And these watches are representatives, are they not, of three classes, each essential to a well-balanced line, Nos. 731 and 737 representing the 6-jewel class, Nos. 751 and 757 representing the medium-quality 15-jewel class, and Nos. 159, 258, and 879 representing the high-quality 15 and 17 jewel class? Would those statements which I have just made be substantially correct?

Mr. STRAWN. Yes; but they are not indicative of what the tariff actually is as proposed.

Senator KING. Well, they are indicative of the increases upon those grades, are they not?

Mr. STRAWN. Of those particular watches, sir; but you have added adjustments to watches here which are not usually marked "adjusted" and should not be. They appeared under the old act because they came in with no cost for adjustment. They are not what you would call representative prices that importers would have to pay.

Senator KING. Well, those watches are imported; are they not?

Mr. STRAWN. Oh, I do not doubt that they are.

Senator KING. They are sold, are they not, by reputable firms like Marshall Field & Co. and other big firms in the United States?

Mr. STRAWN. Oh, yes.

Senator KING. They are purchased and imported and sold by them?

Mr. STRAWN. Yes, sir.

Senator KING. And are needed for a well-balanced line in large establishments like that?

Mr. STRAWN. Yes, sir.

Senator KING. I should like to ask, if I may, following the very pertinent question of Senator Reed, why there may not be a fair and just provision that will afford ample and just protection to the American manufacturers without these complicated and apparently inexplicable provisions found in these two long paragraphs and subdivisions?

Mr. STRAWN. Simply because, Senator, we have spent nearly two years with all of the good minds we can find in the industry trying to draw a proposal that we think will not be subject to trouble in administration, not subject to frauds and evasions; and we do not know how you can possibly do it any simpler than the proposal we now have.

Senator KING. It seems to me, if I may venture the suggestion—I hope I am incorrect—it looks as though you have drawn the measure to make the tariff so high upon parts and upon the finished product, ranging all the way from 100 per cent to 2,000 per cent and 3,500 per cent, as to give the domestic manufacturers and a few importers the control of the market absolutely. Now, I hope I am wrong. I want to be fair in this matter; and I should like an explanation that will enable me at least to get an understanding of what ought to be done.

Mr. STRAWN. Well, you are quoting figures and talking on the House bill as reported out of the House.

Senator REED. That is what we have got to work on.

Senator KING. That is what is before us.

Mr. STRAWN. That is not the proposal that I have before you to-day.

Senator KING. Then you do not think the House proposal is a finished product or a perfect one?

Mr. STRAWN. Not by any means. I can show you at a glance why.

Senator REED. Wait just a minute. I want you to understand our position in this matter. At the present time in the tariff bill the wool schedule and the sugar schedule are so abstruse that almost nobody understands them. It looked to us, when we first read over these provisions, as though you had managed to put watches in with wool and sugar. [Laughter.] We want to simplify it if we can, Mr. Strawn.

Senator KING. If you can help us simplify it and be fair and just to everybody, I shall be very grateful.

Mr. STRAWN. I honestly think we can. I can illustrate, I think, why it looks complicated, and is in fact simple.

Take any watch that anyone of you is wearing: To classify that as it comes through the customs house is something that a child can do under this paragraph, as complicated as it seems. There are three things to do.

Senator KING. Which paragraph do you mean?

Mr. STRAWN. I mean under this proposal, or even under the House proposal. There are three things to do to tell what the duty should be on that watch. One is to measure it. If it is an inch across the movement, it carries $1.40 duty, a base rate. If it has 15 jewels, it will carry, if the proposals go through, $1.35 for jeweling; total, $2.75. If, in addition to that, it is adjusted, it would carry 50 cents an adjustment.

Senator REED. What does that mean? What is an adjustment?

Mr. STRAWN. An adjustment is a watch that is placed in position after it is manufactured, and tested for timing in that position. If it does not time within a certain qualification—say, five seconds fast in 24 hours—it is taken down and readjusted by changing the pivots, the jewel holes, the hairspring, or any one of a number of things that can be done.

Senator REED. How can any examiner tell whether that has been done or not?

Mr. STRAWN. He can not. That is the reason that under this new bill it does not make any difference whether he can tell or not; if it is marked "adjusted," he then pays 50 cents for each mark of that kind.

Senator REED. But if he does not mark it "adjusted" until after it gets in, he does not pay anything?

Mr. STRAWN. That is true, sir; he can mark it "adjusted" after he gets it in, and we can not help that.

Senator REED. Do you think that is a good basis for a revenue law to work on?

Mr. STRAWN. It is the best we can do. The customhouse can not follow them into consumption. If there were some way to prevent it, we would like to do it.

Senator REED. Why should we use that as a basis of taxation?

Mr. STRAWN. There is a certain sales value in marking the watch "adjusted," and that is the reason that hundreds of thousands of watches have been coming in under the old act and market "adjusted," because there was no extra duty on it. Under this new act they will pay for that marking if they put it on. If they have to pay for it, they will probably adjust it and make it an honest watch which competes with our watches which are marked "adjusted" and are actually always adjusted.

Senator REED. It seems to me very likely that they will put that mark on it after it gets in.

Mr. STRAWN. Or leave it off entirely if the sales value is not worth it; yes, sir.

Senator KING. I am not quite clear why you should determine the duty by measuring. Some persons might prefer a watch of this size, substantially an inch square, and others might prefer a watch three-quarters of an inch, or others an inch and a quarter; and perhaps the larger might be the more valuable, or the smaller might be the more valuable. Why should the size determine the duty? It seems to me that the value is the primary consideration. What is the value of a product that comes to the United States? If you have a small watch that is very costly, it should pay a duty according to the cost. If you have a large watch that is very costly, it should pay according to the value.

Mr. STRAWN. There are, I suppose, no two watchmakers in the world who agree on the real value of a watch. The Bureau of Standards could not take care in a year of the imports that would come in in a few days. Who else can qualify?

Senator KING. No person, perhaps, can tell exactly the value of a suit of clothes. If Senator Reed and I go and buy a number of yards of cloth for a suit, we can not tell exactly the value of it; but there is a market value that is established, and there is a market value for watches. You manufacturers here have a value.

Senator REED. Of course they would rather have specifics. Everybody would.

Mr. STRAWN. All manufacturers agree, Senator, that the other is impractical of administration to start with. I think the customhouse would throw up its hands if we had a value basis on watches.

Senator REED. If we could wipe out every ad valorem duty in this bill and substitute just specific duties, it would be all to the good; but, unfortunately, that can not very well be done.

I have not yet seen this new proposition that you are talking about. Had you finished telling us the basis of taxation on the watch? You gave us the diameter, the number of jewels, and the number of adjustments. Those are the three, are they?

Mr. STRAWN. Those are the three general ones. There is an extra duty of $1 for a winding mechanism of the kind Mr. Royall spoke to you about.

Senator REED. Why should we have that?

Mr. STRAWN. I think he almost answered the question himself. If they have a very good market, and it is a very good thing, why should not the domestic manufacturers be allowed to go into that field if we can do it in a good, legitimate manner, without affecting his patents? As he told you, the difference in the cost of that watch and a comparable watch without that pedometer effect is something like $22; and we ask for a dollar additional protection on it.

Senator KING. But he pays on the ad valorem, the increased value, if it costs $22.

Mr. STRAWN. There would be no ad valorem duty under this. He could get that watch in just as cheaply as the watch he said he could bring in for $3.50. I think he is getting along very nicely.

Senator REED. That is where you suffer by not having the ad valorem provision.

Mr. STRAWN. That is true; but there are so many loopholes in the other proposition that we think we would have to suffer a great deal more.

Senator REED. All right. Now, let us have your proposition. Is it finally drafted?

Mr. STRAWN. Yes, sir. Would you like to have me go through the bill and point out the differences, or might I briefly say that this is a graph of what the rates would be [exhibiting graph to subcommittee]. As the watches get smaller, to start with, the rates go up; it costs so much more to make them. As the watches are jeweled, the rates go up. As reported out of the House, they did something there that was inadvertent. They really did not know what the effect would be, because it was not charted. Here are watches, and as they get smaller they take a very sudden drop. The whole classification drops very

suddenly, which they admit was not the intention of the House in adopting the paragraph that they did.

Senator KING. As I understand that last observation of yours, you mean that they did not afford ample protection against the cheaper watches?

Mr. STRAWN. No, sir.

Senator KING. Did not the high protection which the graph illustrated was afforded to those——

Mr. STRAWN. Obviously, one of two things is true: It is too high for the large watches, or too low for the small watches. Something is out of proportion on that, and would lead to everybody getting into certain brackets. Now, the bill as we propose it shows a very steady, scientific raise in duty according to size and jeweling. This one is superimposed over the House bill [referring to graph]. The red is what we now propose will be the duties, and the black shows the duties as reported out of the House. I think you gentlemen will find that it is a reduction over the bill as reported out of the House, generally speaking, but that it is scientific, has no loopholes, and can be properly administered. There will be no incentive for any importer to start manufacturing new types of watches to evade the duty, as happened under the act of 1922.

Senator KING. Does that relate only to the finished product, to the completed watch, or to all parts?

Mr. STRAWN. To the completed movement only, sir.

Senator KING. Not cases?

Mr. STRAWN. That is true; and this does not take into consideration adjustments, because that is taken care of by these provisions to which I have referred. If they mark it, they pay for it; and if they do not mark it, they do not.

Senator KING. Then you have other provisions in regard to the self-winding feature and the adjustment?

Mr. STRAWN. Those two.

Senator KING. What else—what other provisions?

Mr. STRAWN. I think that is all. We have reduced the adjustment to 50 cents. We have changed the jeweling rate as the House bill reported it from 20 cents a jewel for all jewels over seven. We have made that graph scientific, with a gradual rise, 7-jewel to 15-jewel watches, inclusive, carrying 9 cents per jewel, and all watches over 15 jewels carrying 18 cents a jewel. That is a reduction. The three arbitrary adjustments, as reported out of the House, on all watches over 15 jewels and 1 inch or more in diameter, are taken out of this bill. That meant a $3 additional duty under the House bill and had a great deal to do with the prices which you quoted in the statement you read to me. That is eliminated under this proposition.

Senator REED. You have cut out this thing that caused a break in the curve, which was in paragraph (4)—the arbitrary statement that if a watch was more than an inch in diameter and had 15 or more jewels in it should arbitrarily be considered to have had three adjustments?

Mr. STRAWN. Yes, sir; that has been taken out.

Senator REED. That is what made the trouble with the House rates?

Mr. STRAWN. Yes; sir.

Senator KING. You have not dealt with the parts at all. You leave the House bill with those rates for parts such as were indicated by Mr. Vail?

Mr. STRAWN. With this exception, Senator: In conference with these importers, they pointed out to us two or three things that we had overlooked. For instance, a bi-metallic balance—which is a brass and steel balance wheel, welded together—if it came into this country under the House bill would be considered a subassembly; and we have eliminated that, and it is not considered subassembled.

Senator KING. Subject to that provision, you have left the House rates?

Mr. STRAWN. No, sir; we have made a change to take care of all parts that they wished to import for repair purposes. We believe that 4 per cent of the invoice values of the shipments will take care of all the parts they need for repair purposes, and they should come in under 45 per cent duty, the same old duty in the 1922 act.

Senator REED. The House put 65 per cent on repair parts.

Mr. STRAWN. Yes, sir.

Senator REED. You have cut that to 45?

Mr. STRAWN. Forty-five per cent for repair parts, and allowed subassembly—the thing that this gentleman objected to—to come in there on a 45 per cent duty, instead of 3,500, if he is bringing them in for repair parts.

Senator KING. Suppose he is bringing them in for the purpose of assembling the entire watch?

Mr. STRAWN. That is an entirely different proposition, which the domestic industry absolutely has to have protection against.

Senator KING. Then you forbid that? Is that it?

Mr. STRAWN. We do not forbid it, but we suggest that we have some protection against it.

Senator REED. Otherwise, he pays $6 duty on a 1-cent assembly?

Mr. STRAWN. If he wants to assemble it, sir; but no human being would assemble it when he can bring it in for half a cent the other way.

Senator KING. What do you propose to do with the industry, if you call it an industry, carried on by Mr. Vail when he brings in all of the parts which are made by machinery, and then assembles them here and adjusts them, and puts out the finished clock here, such as you saw? What would you do with that?

Mr. STRAWN. Bring them in as separate parts, assemble them here—it is very little additional assembling to what he does to-day—and pay 65 per cent instead of 45.

Senator KING. What duty would he pay on those different parts?

Mr. STRAWN. Sixty-five per cent.

Senator KING. On what—on each part?

Mr. STRAWN. Sixty-five per cent ad valorem.

Senator KING. Ad valorem?

Mr. STRAWN. Yes, sir.

Senator REED. Suppose you changed that paragraph—page 103, paragraph (3)—so as to read:

Each subassembly * * * consisting of three or more parts or pieces of material——

Would that do any serious injury?

Mr. STRAWN. Well, I really do not know, sir. Perhaps it would not. I am not a watchmaker.

Senator REED. It occurs to me that to call the pinion that accompanies a gear on the little shaft that goes through it an assembly is rather straining a term.

Mr. STRAWN. Well, perhaps it is. The importers that we consulted with over this provision thought it was fair; and I may say that at our request the Tariff Commission sent Mr. Leonard down to sit in on these conferences, because he was the only man who knew our costs, and he was the only man who knew the importers' prices. We wanted to be fair. We thought we could get the facts a great deal quicker and come to a conclusion in that way.

Senator REED. I think you have improved things very much over the House bill, and I am just as anxious as I properly can be to see that you get protection, but it will not last if we make it unreasonable. You can depend on that.

Mr. STRAWN. I think, Senator, that this bill is lower than the bill as it came out of the House. The way I figure it, it is only an average ad valorem duty of 65.7 per cent on the 1928 imports against what is reported in this commerce report of 61.35 under the 1922 act.

Senator REED. That is true; but you have put the duty up a good deal higher than that on the cheaper watches.

Mr. STRAWN. Yes, sir; that is true.

Senator REED. So that the net result will be to discourage the importations which at present are coming in in greatest volume.

Mr. STRAWN. It puts the duty up so that it now ranges as low as a 70 per cent ad valorem up to 180.

Senator REED. And it is 180 per cent on the cheapest type of watch?

Mr. STRAWN. No; 70 per cent.

Senator REED. Seventy?

Mr. STRAWN. Seventy.

Senator REED. On what kind of watch is it 180 per cent?

Mr. STRAWN. That would be a very small ladies' watch, what we call an 18/0 size—a very small ladies' watch which is very expensive to make.

Senator REED. Do we make them in this country?

Mr. STRAWN. Oh, yes.

Senator REED. Very small ones?

Mr. STRAWN. I am sorry I have not one with me. It is six-tenths of an inch in diameter.

Senator REED. That is pretty small.

Mr. STRAWN. Yes; two-thirds the size of a dime, I think—somethink like that. That is one [exhibiting watch].

Senator KING. What is the duty on that watch?

Senator REED. One hundred and eighty per cent under this new proposal.

Senator KING. Under your proposal?

Mr. STRAWN. Yes, sir.

Senator KING. Is that about the rate that you have adopted toward all the others?

Mr. STRAWN. Oh, no, sir; because that is a small watch, an expensive watch to make, and the importers, who handle these watches just as much as we do, 75 per cent of the importers that come into the United States, believe that that is a fair duty.

Senator REED. Now, let us get back to this proposed rearrangement. You have eliminated that difficulty which caused the break in the curve of the House duties. That is the arbitrary assumption that a 15-jewel watch had three adjustments.

Mr. STRAWN. Yes, sir.

Senator REED. Is it practicable to eliminate adjustments altogether as a basis for duty?

Mr. STRAWN. If there was some way——

Senator REED. Base it on size if you want to; base it on the number of jewels; but cut out this factor which nobody can tell about if it is not advertised right on the watch movement itself.

Mr. STRAWN. We do not know, Senator, of any way to protect the American public from a false marking of adjustment unless we make the fellow pay for it. That is the reason that that is put on. Hundreds of thousands of watches have been brought into this country under the 1922 tariff act, marked "two adjustments," that are not adjusted at all. It has a sales value; how much, we do not know.

Senator KING. If it is marked "adjusted" and has not been, or is not marked "adjusted" and has or has not been, the buyers will soon discover it, and it will affect the sales value and affect the price, it would seem to me.

Mr. STRAWN. Well, it is a perfectly reasonable assumption, but I do not think it really works out in practice. I can not tell whether a watch that I wear is adjusted or not. I do not believe any human being can tell. It just keeps good time, or it does not; but it has a certain sales value.

Senator REED. It troubles me a little bit because it is such an uncertain basis on which to levy a tax. It is an intangible thing.

Mr. STRAWN. Under the proposal, Senator, if they mark it "adjusted" they pay for it; and if they pay for it we believe they will adjust it, and therefore we will get more honest watches imported into this country.

Senator REED. In your new proposal you do not include any obligatory assumption of adjustment?

Mr. STRAWN. Not at all. They must pay if they mark it that way. If they mark it "two adjustments" it costs them an extra dollar for that mark, or if they mark it "one adjustment" it is 50 cents.

Senator KING. How many adjustments are they subjected to?

Mr. STRAWN. That all depends on the person who is making the watch. A 5-position-adjusted watch is about the highest grade of watch that we make in this country. There is one company that makes a 6-adjustment watch, plus temperaure, of course.

Senator REED. Who is going to submit the language of this proposed paragraph?

Mr. STRAWN. I should be very glad to do it if I may hand it to your secretary.

Senator REED. Yes; or give it to Mr. Leonard.

Senator KING. Have you figured out the rates of duty which would be imposed upon the various grades of watches and styles of watches that are brought into the United States?

Senator REED. Yes; that is shown on the chart.

Senator KING. I had not seen the graph, so I could not tell.

Mr. STRAWN. Shall I leave this graph with you, and the one that shows the House bill?

Senator REED. I wish you would leave the graphs; yes.

Senator KING. So that I will understand it, your graph and your testimony now relates entirely to the watch as distinguished from the case? It does not include the case?

Mr. STRAWN. That is true, sir; and only to the jeweled watches.

Senator KING. And it does not refer to parts?

Mr. STRAWN. It refers to parts of watches included in this proposal.

Senator KING. What is the highest increase that your bill proposes over existing law?

Mr. STRAWN. The highest rate in existing law is $10.75—a tremendous bracket. All watches over 17 jewels in the act of 1922 are $10.75.

Senator KING. As a specific duty?

Mr. STRAWN. As a specific duty. The highest rate, without adjustments, under our proposal is $6.64 for size and jeweling.

Senator KING. Is that the maximum?

Mr. STRAWN. That is the maximum.

Senator KING. Regardless of size or regardless of jeweling?

Mr. STRAWN. Yes, sir.

Senator KING. Whether it is a small watch or a large watch?

Mr. STRAWN. That is correct, sir; and they go down as far as $4.49 for a watch that under the old act paid $10.75. So there is a tremendous reduction as well as raise in this tariff; but we tried to straighten it out and make it so that there is no incentive for anybody to make anything but an honest watch.

Senator REED. The biggest raises come on the small watches and the cheapest watches?

Mr. STRAWN. Yes.

Senator REED. That is to say, a watch less than six-tenths of an inch in diameter to-day pays $1.50. I am assuming that it has no jewels. Under your new bill it would pay $2.80. What occasions the jump——

Mr. STRAWN. $2.85 for the very small watch you just saw here.

Senator REED. What occasions the jump between 15 and 16 jeweled watches in your new proposal?

Mr. STRAWN. The justification for it?

Senator REED. No; what occasions it? What language have you in the bill?

Mr. STRAWN. All watches over 15 jewels, which cost more all the way through for domestic production, carry a rate of 18 cents a jewel instead of 9 cents for watches from 8 to 15 jewels.

Senator REED. Watches of 15 jewels or less carry 9 cents per jewel?

Mr. STRAWN. That is correct.

Senator REED. Over 15 jewels, they carry 18 cents per jewel?

Mr. STRAWN. Eighteen cents per jewel.

Senator REED. And that explains why your duties fall into two groups on this chart?

Mr. STRAWN. That is true.

Senator KING. It becomes retroactive, and goes back to the first jewel, then, and they all bear the increased rate?

Mr. STRAWN. Yes, sir.

Senator KING. Imports of watches of that character were less than 100,000 in numbers of watch movements last year. Is it necessary to give that increased duty against that comparatively small number of imported watches?

Mr. STRAWN. Do you mean the small watches, Senator?

Senator REED. All watches containing over 15 jewels. Is that a necessary factor in your plan?

Mr. STRAWN. I think it is vitally important. The difference in domestic cost is extreme between a 7 and a 15 jewel watch. It has eight more jewels. All the way through it is finished more expensively.

Senator REED. The difference in cost abroad, of course, is very great, is it not?

Mr. STRAWN. It does not seem to make very much difference in the imports that we have examined. We have examined hundreds of them.

Senator REED. All right, Mr. Strawn. I think we understand it a little more than we did.

Senator KING. I can not quite understand your figures. I want to call your attention to this little slip that I examined you about a moment ago.

I find that under the House bill the increase on that first watch, costing $1.41, is 400 per cent. Does the proposition which you have just submitted support that view?

Mr. STRAWN. If I could see that and try to identify the watch, I could tell better.

Senator KING. It is the top one. Just look at this list. Those rates on those watches there—and they are watches which are purchased and sold in the United States by reputable houses—seem to indicate increases from 200 to 500 and 600 per cent on every watch.

Mr. STRAWN. That is what we call an 8/0 size watch.

Senator KING. Under your plan, what would the increase be? Under the House bill it is over 600 per cent.

Mr. STRAWN. Over the present duty?

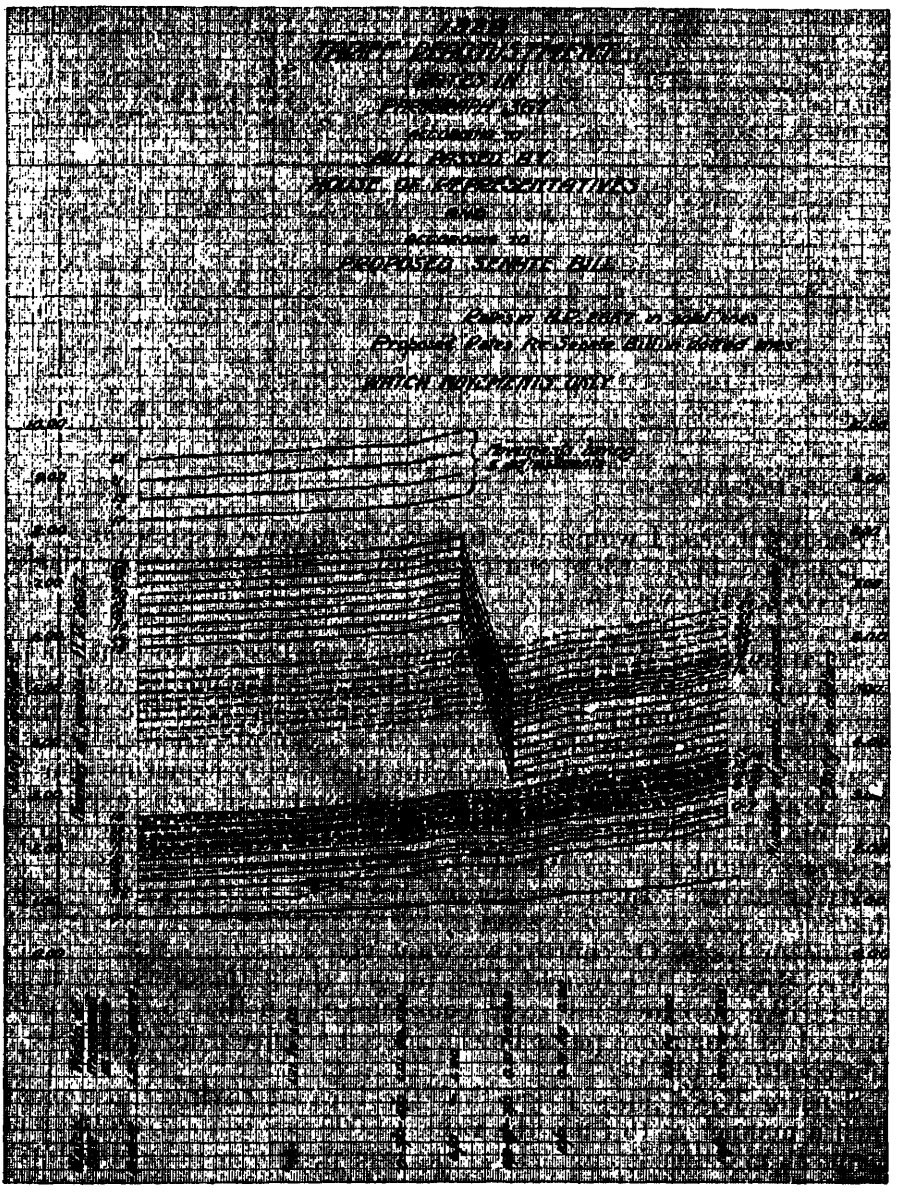
Senator KING. Of 75 cents.

Mr. STRAWN. Yes, sir. I do not see where they get the $3.75 for the first one, Senator. They designate them differently in Switzerland. I have to trace it through to get the American size on it. According to the proposal that I have here, it would be $2.35, and under the House bill as reported out it was $2.10; or if it is considered as a 6/0 size watch, it would be $1.90 instead of $3.75.

Senator KING. I wish you would take this exhibit and indicate when you come back this afternoon—mark out on a piece of paper just what, under your proposed scheme, the duties would be upon the grades of watches referred to in that list, and the duties which they would carry under your proposition.

Mr. STRAWN. Yes, sir.

(The graph and table referred to are as follows:)



Paragraph 367, as proposed to be amended

Movement (width, in inches)	American size	Base	0-1 jewel	2-7 jewels	8 jewels	9 jewels	10 jewels	11 jewels	12 jewels	13 jewels	14 jewels
Over 1.50	18, 16, 12	1.25	1.10	1.60	1.97	2.06	2.15	2.24	2.33	2.42	2.51
1.21 to 1.50	6	1.40	1.19	1.75	2.12	2.21	2.30	2.39	2.48	2.57	2.66
1.01 to 1.20	0, 3/0, 4/0	1.55	1.90	1.90	2.27	2.36	2.45	2.54	2.63	2.72	2.81
0.91 to 1	6/0, 7/0, 8/0, 9/0	1.75	2.10	2.10	2.47	2.56	2.65	2.74	2.83	2.92	3.01
0.81 to 0.90	10/0	2.00	2.35	2.35	2.72	2.81	2.90	2.99	3.08	3.17	3.26
0.61 to 0.80	16/0	2.25	2.60	2.60	2.97	3.06	3.15	3.24	3.33	3.42	3.51
0.60 or less	18/0	2.50	2.85	2.85	3.22	3.31	3.40	3.49	3.58	3.67	3.76
1922 rates			.75	.75 / 1.25	1.25	1.25	1.25	1.25	2.00	2.00	2.00

Movement (width in inches)	American size	15 jewels	16 jewels	17 jewels	18 jewels	19 jewels	20 jewels	21 jewels	22 jewels	23 jewels
Over 1.50	18, 16, 12	2.60	4.13	4.31	4.49	4.67	4.85	5.03	5.21	5.39
1.21 to 1.50	6	2.75	4.28	4.46	4.64	4.82	5.00	5.18	5.36	5.54
1.01 to 1.20	0, 3/0, 4/0	2.90	4.43	4.61	4.79	4.97	5.15	5.33	5.51	5.69
0.91 to 1	6/0, 7/0, 8/0, 9/0	3.10	4.03	4.81	4.99	5.17	5.35	5.53	5.71	5.89
0.81 to 0.90	10/0	3.35	4.88	5.06	5.24	5.42	5.60	5.78	5.96	6.14
0.61 to 0.80	16/0	3.60	5.13	5.31	5.49	5.67	5.85	6.03	6.21	6.39
0.60 or less	18/0	3.85	5.38	5.56	5.74	5.92	6.10	6.28	6.46	6.64
1922 rates		2.00	2.75	2.75	10.75	10.75	10.75	10.75	10.75	10.75

Adjustments, 50 cents each. Temperature=2 adjustments.
No charge for dials attached.

Senator REED. I would like to ask Mr. Strawn a question.

You have heard these criticisms about the subassembly clause in both clocks and watches?

Mr. STRAWN. Yes.

Senator REED. Will you think over a suggestion so that the definition of a subassembly might be limited to assemblies constituting more than a certain percentage of the entire value of the mechanism that they are designed to go into? For example, there is some justice, it seems to me, in the complaint that a tiny armature constituting about 2 per cent of the whole value ought not to be exposed to a tax equivalent to the tax on the whole article. Will you and your associates think that over and let us know how it strikes you?

Mr. STRAWN. Might we confer with the Tariff Commission on that?

Senator REED. Of course; we want you to.

Mr. STRAWN. We would like to get their thoughts on it. We would like also to think over your suggestion that 3 or more parts instead of 2 or more parts be considered a subassembly and see how effective it would be.

Senator KING. May I say that the idea of taxing those parts in such a manner as to raise the value 11,000 per cent is so abhorent, it seems to me, that it ought to strike you people as being improper.

Mr. STRAWN. We do not expect anybody is ever going to pay any such duty as that.

Senator REED. That means an embargo.

Senator KING. It means an embargo, and if it is an embargo ou are seeking, you have very effectively for it—I mean whoever ew the House bill.

Senator REED. They had a real grievance to correct, and I think hey have overcorrected it. I suggest that you give thought to some uch limitation as that, and talk it over with Mr. Leonard.

Mr. STRAWN. Shall we report again to-morrow?

Senator REED. No. We can get it through him. I will not romise to accept your suggestion, but I would like to have them nyhow.

(Mr. Strawn submitted the following brief:)

BRIEF OF AMERICAN WATCH MANUFACTURERS

To clarify what may perhaps have been some false impressions created by onfusion of figures, we desire to present the following picture of the condition the American watch industry as of 1929:

Import statistics

[See Summary of Tariff Information of 1929, page 785]

Year	Value	Movements	Average invoice price
	$6,367,120.00	1,481,472	$4.22
3	6,698,685.00	2,091,747	3.20
4	4,815,995.00	1,778,358	2.70
5	7,164,886.00	2,465,190	2.90
6	10,279,295.00	3,869,776	2.65
7	10,864,242.00	4,375,097	2.48
8	9,503,464.00	3,842,844	2.47
(estimated)	12,350,000.00	5,200,000	.....
(first quarter)	1,467,028.00	570,122	.....
(first quarter)	1,713,926.00	754,214	.....

This increase of 30 per cent if applied to 1929 on the basis of 1928 total vements makes 5,200,000 for 1929.

Increased imports from 1923 to 1928, inclusive, 85 per cent.

Domestic production, 1923, 1,815,430 movements; domestic production, 1928, 57,282 movements; decreased domestic production, 58,148 movements, or 4 cent.

Domestic production, 1928, 1,757,282 movements; imports, 1928, 3,842,844 mov nts; imports 218 per cent of domestic production.

Actual invested capital is the only proper basis upon which net earnings uld be computed.

The American watch industry from 1923 to the end of 1928 suffered an average crease in such net earnings on invested capital of 46 per cent.

(Certified statements of above available to Finance Committee as confidential ormation.) (Waltham figures not included.)

Exhibit A attached hereto consists of a prospectus and financial statement ued in connection with the recent public financing of the Bulova Watch Co. perhaps explains one of the causes of this tremendous decrease in American nufacturers' net earnings.

COMPARISON OF DOMESTIC PRODUCTION AND IMPORTS FOR 1927

The year 1927 is the last year for which official figures are available for both domestic production and imports.

Domestic production (complete watches and movements)	$29,844,363
Estimated value of cases included	5,000,000
Domestic production of movements	24,844,363

Imports 1927, foreign value, $10,864,242.

When these movements meet the domestic movements in the United States market they represent competition of at least $33,000,000 in sales price uncased.

This foreign competition equals 133 per cent of the domestic production, but is considerably aggravated by the fact that in numbers of movements sold the imports are more than twice the total American production.

Comparison of equivalent ad valorems

	Per cent
Act of 1922, equivalent ad valorem in 1928 (see p. 785, Summary Tariff Information)	61.35
H. R. 2667, equivalent ad valorem (see Congressional Record, vol. 71, No. 52, p. 3279)	71.01
Proposed amendment, Exhibit B, average ad valorem equivalent based on 1928 values	65.07

PROPOSED AMENDMENT

There is offered herewith marked "Exhibit B" a proposed amendment to H. R. 2667, paragraph 367, which carries the approval of all the American manufacturers, and of the importers of 75 per cent of all the products covered thereby. It is offered in the hope that the combined efforts of these importers and domestic manufacturers to cover a most technical subject in a manner which it is thought will overcome the abuses now existing, and will create a fair competitive situation, will be accepted by this committee in the spirit in which it is offered, that of a sincere effort to assist in a most complicated situation.

Exhibit C attached hereto is a tabulation of all the possible combinations of movements with the actual duty they would pay under the proposed amendment, Exhibit B; the duty they would pay under the act of 1922; and the duty payable under the provisions of H. R. 2667.

Exhibit D attached hereto is a graphic chart showing how the paragraph of H. R. 2667 would operate.

Exhibit E attached hereto is a graphic chart showing how proposed amendment, Exhibit B, would operate.

TARIFF POSITION OF WATCH INDUSTRY

Labor forms approximately 90 per cent of the cost of a watch.

Very few products, if any, covered by the tariff have such a labor proportion.

Based on the theory of equality of competition between products of foreign and domestic labor, this industry has never occupied its proper tariff position.

On the list of commodities covered by the tariff act of 1922 (see Congressional Record, vol. 71, No. 52, pp. 3274–3291), in the order of the rates of duty paid, either in the form of ad valorem or equivalent ad valorems, watches and clocks appear as No. 131, while almost all of the 130 commodities paying higher rates of duty have a very much lower labor item in their manufacture.

The industry feels, therefore, that it is making an entirely reasonable request in the proposed amendment in view of the fact that the rates therein contained are, in all cases, far less than the difference between foreign and domestic costs.

It is unfortunate that spurred perhaps solely by the pendency of a tariff act which will prevent, to a large extent, the evasions practiced under the act of 1922, importers generally in the year 1929 have considerably increased their stocks to an extent, it is feared, which will most seriously jeopardize the business of domestic producers for a long time to come. No immediate relief can be obtained from the flexible provisions of the tariff act of 1922, and the only hope of a most disastrous dislocation of the business of American producers is an early enactment of a sufficiently protective measure. It is for this reason that the American watch manufacturers have sacrificed what they believe were some of their necessary rates, in the thought that by eliminating controversy it might hasten a solution of their present difficulties.

Respectfully submitted.

TAYLOR STRAUN,
Vice President, Elgin National Watch Co.

On behalf of:
Elgin National Watch Co., Chicago, Ill.
Howard Watch Co., Waltham, Mass.
Hamilton Watch Co., Lancaster, Pa.
Illinois Watch Co., Springfield, Ill.
Waltham Watch Co., Waltham, Mass.

JULY 10, 1929.

EXHIBIT A

Folds, Buck & Co. Bonds and Stocks for Investment. Chicago, New York, Milwaukee, St. Louis

[Advertisement appearing in the Chicago Tribune June 12, 1929]

208 SOUTH LA SALLE ST., *Chicago, Ill.*

A MERCHANDISING ACHIEVEMENT

It was an ingenious merchandising idea, conceived by Arde Bulova, which brought Bulova Watch Co., in the span of a few years, from its rank as one of the smaller manufacturers, to its present position of unquestioned leadership in the strap and wrist-watch field.

An aggressive national advertising program, coupled with a policy of directly assisting jewelers in solving their merchandising problems, has resulted in a steadily increasing demand for Bulova products until to-day the company states that more Bulova wrist and strap watches are sold than any other line of wrist and strap watches in America. Bulova watches are sold only under the company's own trade name and distributed exclusively through more than 5,000 selected retail jewelers throughout the United States and Canada.

Bulova's merchandising policy is largely responsible for its remarkable record of earnings—an increase of 312 per cent in the last 3 years. Net earnings as reported were $291,066 in 1926, $696,784 in 1927, and $1,201,004 in 1928.

In view of the past record of this company and its future possibilities, we recommend as an attractive investment, with possibilities for appreciation in value, Bulova Watch Co. convertible preferred stock, now yielding approximately 7 per cent.

FOLDS, BUCK & CO.,
208 South La Salle Street, Chicago.

Bonds and stocks for investment.
Telephone Central 9303.

FOLDS, BUCK & CO.,
208 S. La Salle Street, Chicago, Ill.

GENTLEMEN: Please enter my order for _____ shares of Bulova Watch Co. 7 per cent convertible preferred stock, price at the market. I shall make payment upon receipt of statement.

Without obligating me in any way please send to me additional information.

Name _____ Address _____
City _____ State _____

A PHENOMENAL RECORD

Bulova Watch Co., one of the largest manufacturers of strap and wrist watches with jeweled movements, has shown an increase in earnings of 312 per cent in the last three years. The advertisement reprinted within points out the principal reason for this remarkable growth.

Bulova's record is particularly noteworthy in comparison with that of other leading watch manufacturers, as shown by the following comparison of net earnings. Figures were obtained from the only available record which we consider reliable.

Company	1926	1927	1928	Percentage of increase or decrease over 3 years
1. Bulova	$291,066	$936,784	$1,201,004	[1] 312.6
2. Hamilton	1,168,050	1,328,691	1,331,818	[1] 14.1
3. Gruen	524,000	483,889	492,088	[2] 6.9
4. Elgin	2,314,746	1,821,861	1,846,067	[2] 20.2
5. Waltham	1,291,104	954,210	888,873	[2] 31.1

[1] Increase. [2] Decrease.

Bulova Watch Co. convertible preferred stock now yields over 7 per cent. Dividend requirements were covered 6.8 times last year. Each share is convertible into one share of common stock. This feature offers excellent possibilities for appreciation in value and, with the attractive income return, makes this stock an investment opportunity worthy of your careful consideration.

Bulova preferred is listed on the Chicago Stock Exchange and New York Curb Market. We are offering stock at the market without commission.

Very truly yours,

FOLDS, BUCK & CO.

JUNE 12, 1929.

(New issue)

Fifty thousand shares Bulova Watch Co. (Inc.), a New York corporation, $3.50 convertible preferred stock without par value

Each share of preferred stock will be convertible until 10 days before redemption date into one share of common stock, with proportionate adjustments in the case of split-ups of, or stock dividends on, the common stock; entitled to preferred dividends of $3.50 per annum, cumulative from March 1, 1929, payable June 1, 1929, and quarterly thereafter; entitled on redemption or liquidation to $55, plus accrued dividends; entitled to the same voting power and the same pre-emptive rights to subscribe pro-rata to additional stock or convertible securities as each share of common stock.

Transfer agents: Guaranty Trust Co. of New York; Continental National Bank & Trust Co. of Chicago.

Registrars: Chatham Phenix National Bank & Trust Co., New York: First Trust and Savings Bank, Chicago.

Capitalization (upon completion of this financing):

$3.50 convertible preferred stock, without par value, 50,000 shares authorized; 50,000 shares outstanding.

Common stock, without par value, 325 shares[1] authorized; 275,000 shares outstanding.

[1] 50,000 shares reserved to provide for conversion of each preferred share into one common share.

Mr. Arde Bulova, vice president of the company, has summarized his accompanying letter as follows:

"Bulova Watch Co. (Inc.), together with its subsidiaries, all wholly owned, is one of the world's largest manufacturers of strap and wrist watches with jeweled movements. Bulova pocket watches, which have been recently introduced, and the newly designed line of desk and boudoir clocks, have met with favorable reception in the trade.

The company has financed its growth mainly through reinvestment of earnings, and with the additional working capital from this financing will be able to take greater advantage of developments in its business. The active management will continue in the hands of the Bulova family and associates, who will own over 70 per cent of the common stock presently to be outstanding.

"Valuation and the piecework basis of employment for an average of some 2,000 operatives in the plants, at New York and Providence in this country and at Bienne in Switzerland, reduce unit costs and insure quality of product.

Bulova watches are sold only under the company's own trade names and distributed exclusively through the retail-jewelry trade. More than 5,000 jewelers throughout the United States and Canada sell Bulova products and carry parts for prompt repair service. Distributors' retail merchandising is aided by a trained sales organization and aggressive national advertising of products standard in quality over a wide range of prices. Sales have increased continuously each year since 1916 and to date this year are over 30 per cent larger than for the same period in 1928.

"The preferred stock will be issued to increase net working capital and for other corporate purposes. The consolidated balance sheet as at December 31, 1928, giving effect to this financing, shows net current assets of $4,983,505, with a current ratio of better than 5 to 1 and net tangible assets exceeding $100 per share of preferred stock presently to be outstanding.

"Consolidated net earnings for the three years ended December 31, 1928, plus adjustments in the average annual amount of $57,009, of which $19,000 are nonrecurring expenses and the balance represents interest to be eliminated by this financing, officers' salaries in excess of contracts for 1929, and adjustment of Federal income taxes to the present rate of 12 per cent, as certified by Messrs. Haskins & Sells, have been as follows: 1926, $291,066; 1927, $696,784; 1928, $1,201,004.

"Such net earnings for 1928, applied to the capitalization presently to be outstanding, exceed 6.8 times annual preferred dividend and the balance is $3.73 per share of common stock."

We offer these preferred shares, when, as and if issued and received by us and subject to approval of counsel, Messrs. Kellogg, Emery & Inness-Brown for the bankers and Messrs. Cravath, De Gersdorff, Swaine & Wood for the company. It is expected that delivery in the form of temporary certificates will be made about March 5, 1929.

Both preferred and common stocks listed on the Chicago Stock Exchange.

Price per share, $50 and accrued dividend.

We also offer, subject to allotment and the above conditions, 75,000 common shares purchased from individuals.

Common stock: $20 per share.

DAWES & CO. (INC.).
39 South La Salle Street, Chicago.

Investment securities.

Telephone Central 9550.

The information herein, while not guaranteed, has been obtained from sources which we consider reliable.

February, 1929.

BULOVA WATCH CO. (INC.),
580 Fifth Avenue, New York, February 20, 1929.

BAUER, POGUE, POND & VIVIAN, *New York, N. Y.*
FOLDS, BUCK & CO., *Chicago, Ill.*
STEIN BROS. & BOYCE, *Baltimore, Md.*

DEAR SIRS: In connection with your purchase of the $3.50 convertible preferred stock, without par value, of Bulova Watch Co. (Inc.), I submit the following information:

HISTORY AND BUSINESS

Bulova Watch Co. (Inc.) was incorporated under the laws of the State of New York in 1911 as the J. Bulova Co., succeeding to a manufacturing jewelry business established in 1875 by Mr. Joseph Bulova, now president of the company. After incorporation the business became almost exclusively the manufacture and sale of watches. The present name was adopted in 1923, since which time the present policies of merchandising and national advertising have been developed.

Bulova Watch Co. (Inc.), together with its subsidiaries, all wholly owned, is one of the world's largest manufacturers of strap and wrist watches with jeweled movements. Bulova pocket watches have been introduced and a new line of desk and boudoir clocks has recently been designed and will be added. The new products have been accorded a favorable reception in the trade.

The company owns a plant at Bienne, Switzerland, and plants are leased at Providence, R. I., and New York City, together employing an average of some 2,000 operatives.

Volume production and the piecework basis of employment at all three plants reduce unit costs and insure quality of product. Standards of precision are such that in every Bulova watch each part is interchangeable with that in like models.

Bulova watches are sold only under the company's own trade names and distributed exclusively through the retail-jewelry trade. More than 5,000 jewelers, selected as leading distributors in their communities throughout the United States and Canada, sell Bulova products and carry replacement parts sufficient to insure prompt repair service. The sales organization has been trained to give retailers practical assistance in solving their merchandising problems. The Bulova policy of active cooperation has built a loyal and progressive group of retail distributors.

Aggressive national advertising of products, standard in quality over a wide range of prices, has fostered the growing consumer demand. Sales have increased continuously since 1916 and to date this year are more than 30 per cent larger than for the same period last year.

The company, in growing to its present position in the industry, has been financed mainly through reinvestment of earnings. With the additional working capital from this financing the company will be able to take greater advantage of developments in its business.

PURPOSE OF ISSUE

The proceeds of the sale of the preferred stock will be used to increase net working capital and for other corporate purposes.

CAPITALIZATION

Upon completion of the present financing, the company will be capitalized as follows:

$3.50 convertible preferred stock, without par value, 50,000 shares authorized; 50,000 shares outstanding.

Common stock, without par value, 325,000 shares[1] authorized; 275,000 shares outstanding.

---

[1] 50,000 shares reserved to provide for conversion of each preferred share into one common share.

Bulova Watch Co. (Inc.) and subsidiary companies pro forma consolidated balance sheet as at December 31, 1928

(Giving effect as at that date to the recapitalization, consolidation and financing indicated in the certificate below)

ASSETS

Current assets:			
Cash		$599,028.36	
Notes and accounts receivable—			
Customers' notes receivable	$1,107,498.09		
Customers' accounts receivable	3,489,226.39		
Total	[2] 4,596,724.48		
Less reserves for doubtful accounts and discounts	103,411.40		
		4,493,313.08	
Other		25,277.74	
Inventories, at the lower of cost or market, quantities certified by officials		1,053,828.75	
Total current assets			$6,171,447.93
Cash surrender value of officer's life insurance policies			22,020.99
Plant property, book value:			
Land and buildings	$70,723.29		
Machinery and equipment	316,719.38		
Furniture and fixtures	45,244.38		
		432,687.05	
Less reserves for depreciation		228,173.59	
			204,513.46
Unamortized improvements to leasehold property			22,600.00
Prepaid advertising, interest, franchise tax, etc			49,646.27
			6,470,228.65

LIABILITIES

Current liabilities:		
Drafts and acceptances payable	420,130.42	
Accounts payable—		
Trade creditors, foreign	109,926.82	
Trade creditors, domestic	253,890.47	
Other	9,484.50	
Due to salesmen	164,848.07	
Accrued liabilities (including reserves for taxes)	229,662.68	
Total current liabilities		1,187,942.96
Real estate mortgage payable		27,706.50

CAPITAL

$3.50 convertible preferred stock, without par value, to be authorized and outstanding, 50,000 shares;—At liquidation value, $55 per share	$2,750,000.00	
Common stock, without par value, to be authorized, 325,000 shares; to be reserved for conversion of preferred stock, 50,000 shares; to be outstanding, 275,000 shares	2,504,579.19	
		5,254,579.19
Surplus		6,470,228.65

[2] The above notes and accounts receivable had been reduced by more than $1,500,000 at February 15, 1929.

NOTE.—On December 31, 1928, there were contingent liabilities in the amount of $279,259.12 for customers' notes discounted.

We have made a general examination of the accounts of Bulova Watch Co., (Inc.), including its office at Bienne, Switzerland, its subsidiary companies, Bulova Watch Co., (Ltd.), and Westfield Watch Co., (Inc.), and its affiliated company, American Standard Watch Case Co., for the period from January 1, 1926, or from subsequent date of incorporation, to December 31, 1928. We have also examined the plan and agreements providing among other things for acquisition of the affiliated company, recapitalization of the parent company, and issuance and sale of preferred stock and application of the proceeds to reduce current liabilities. Charges to property accounts appear to have been controlled by a conservative policy; in our opinion adequate reserves have been provided for depreciation of property and for possible losses, and full provision has been made for all known liabilities.

We hereby certify that in our opinion the above balance sheet correctly sets forth the condition of the consolidated companies at December 31, 1928, giving effect as at that date to the provisions of such plan and agreements.

We further certify that the consolidated net earnings of Bulova Watch Co., (Inc.), and subsidiary and affiliated companies, all to be wholly owned upon completion of the present financing, for the three years ended December 31, 1928, eliminating interest on loans, etc., to be paid from the proceeds of this financing, miscellaneous nonrecurring expenses averaging $19,000 per year, and officers' salaries in excess of the total of those provided in contracts for 1929, and adjusting Federal income tax to the present rate of 12 per cent, have been as follows:

	1926	1927	1928
Net earnings, per books	$282,854.61	$651,299.07	$1,083,672.80
Eliminations and adjustments, as above	8,211.38	45,485.31	117,330.80
Net earnings as adjusted	$291,065.99	$696,784.38	$1,201,003.60

HASKINS & SELLS.

NEW YORK, N. Y., *February 18, 1929.*

RIGHTS AND PREFERENCES

The rights and preferences of the $3.50 convertible preferred stock, without par value, to be contained in the amended certificate of incorporation may be summarized in part:

Dividends.—Cumulative at the annual rate of $3.50 per share from March 1, 1929.

Payable.—March 1, June 1, September 1, and December 1.

Redemption.—In whole or in part on any dividend date after thirty days' prior notice, at $55 per share plus any unpaid dividends accumulated.

Liquidation.—Voluntary or involuntary, entitled to $55 per share, plus any unpaid dividends accumulated.

Priority.—Unless authorized by vote or consent of the holders of two-thirds of the preferred stock, no stock of any class may be created ranking equal or prior as to payment of dividends or distribution of assets, nor may the company create or assume, or permit any subsidiary to create or assume, any indebtedness maturing in more than one year, except indebtedness secured by purchase money or existing mortgages upon property hereafter acquired. Additional $3.50 convertible preferred stock may not be authorized without affirmative vote of the holders of at least a majority of the preferred stock.

Voting power.—Each preferred share shall carry the same voting rights as each common share.

Restrictions as to common dividends.—As long as any of this preferred stock is outstanding dividends on the common stock may be paid only out of surplus earned subsequent to December 31, 1928, and then only provided that after such payment the consolidated net current assets would amount to not less than $3,000,000.

Convertible.—At the holder's option, at any time up to ten days prior to the date set for redemption, into common stock on the basis of one share of common for each share of preferred stock.

Protections.—Should the company hereafter split up its common stock or pay a stock dividend on the same, the number of common shares into which each

preferred share is convertible will be proportionately increased. No dissolution, consolidation, or merger shall become effective until ten days after approval by stockholders, and during such ten days, but not after the expiration thereof, holders of preferred stock may convert.

Preemptive rights.—Each share of preferred stock shall carry the same preemptive right as each share of common stock to subscribe for any issue of additional stock or of convertible securities. After all of the preferred stock shall have been converted or retired preemptive rights of holders of common stock may be waived by consent of the holders of three-fourths in number of the entire outstanding common stock. No holder of stock of either class shall have any preemptive right in the case of stock issued in payment for property.

ASSETS

The consolidated balance sheet as at December 31, 1928, giving effect to the present financing, shows net current assets of $4,983,505, with a current ratio of better than 5 to 1 and net tangible assets equivalent to more than $100 per share of preferred stock presently to be outstanding. No value has been assigned on the balance sheet to the valuable good will built up by large expenditures for advertising and sales promotion.

EARNINGS

Consolidated net earnings for the three years ended December 31, 1928, plus adjustments in the average annual amount of $57,009, of which $19,000 are nonrecurring expenses and the balance interest to be eliminated by this financing, officers' salaries in excess of contracts for 1929 and adjustment of Federal income taxes to the present rate of 12%, as certified by Messrs. Haskins & Sells, have been respectively $291,066 for 1926, $696,784 for 1927, and $1,201,004 for 1928.

Such net earnings for 1928, applied to the capitalization to be outstanding on completion of this financing, exceed 6.8 times annual preferred dividend requirements and the balance after preferred dividends is $3.73 per share of common stock.

MANAGEMENT

The active management will continue in the hands of the Bulova family and their associates, who have been responsible for the growth of the business and will own over 70 per cent of the common stock presently to be outstanding.

Very truly yours,

A. BULOVA, *Vice President.*

EXHIBIT B

PARAGRAPH 367 AS PROPOSED TO BE AMENDED

PAR. 367. (a) Watch movements and all other timekeeping, time measuring, or time indicating mechanisms, devices, and instruments designed to be, or such as ordinarily are worn or carried on or about the person, if not more than one and seventy one-hundredths inches wide, and whether or not in cases, containers, or housings shall be dutiable as follows:

(1) If more than one and one-half inches wide $1.25 each; if more than one and two-tenths inches but not more than one and one-half inches wide, $1.40 each; if more than one inch but not more than one and two-tenths inches wide, $1.55 each; if more than nine-tenths of one inch but not more than one inch wide, $1.75 each; if more than eight-tenths of one inch but not more than nine-tenths of one inch wide, $2 each; if more than six-tenths of one inch wide but not more than eight-tenths of one inch wide, $2.25 each; if six-tenths of one inch or less wide, $2.50 each;

(2) In the case of any of the foregoing having no jewels or only one jewel and being 1 2 inches wide or more the above rates shall be reduced by 40 per centum;

(3) Any of the foregoing having seven jewels or less shall be subject to an additional duty of 35 cents each; if having more than seven and not more than

15 jewels to an additional duty of 9 cents for each jewel contained therein; if having more than 15 jewels to an additional duty of 18 cents for each jewel contained therein;

(4) Any of the foregoing shall be subject to an additional duty of 50 cents for each adjustment or whatever kind (treating adjustment to temperature as two adjustments) in accordance with the marking as hereinafter provided;

(5) Any of the foregoing shall be subject to an additional duty of $1 each, if constructed or designed to operate for a period in excess of forty-seven hours without rewinding, or if self-winding, or if a self-winding or other motivating device may be incorporated therein which would cause it to run more than forty-seven hours.

(b) All the foregoing shall have cut, engraved, or die sunk, conspicuously and indelibly on one or more of the top plates or bridges: The name of the country of manufacturer; the name of the manufacturer or purchaser; in words and Arabic numerals the number of jewels, if any, serving a mechanical purpose as frictional bearings; and, in words and in Arabic numerals, the number and classes of adjustments.

(c) Parts, and assemblies or subassemblies of parts, for any of the foregoing shall be dutiable as follows:

(1) Parts for repair purposes only (except pillar or bottom plates, or plates, or bridges, or their equivalent, and jewels) 45 per cent ad valorem, provided, that such parts, or assemblies or subassemblies of parts must be imported only with shipments of complete movements, mechanisms, devices, or instruments herein provided for, and to the extent only of 4 per cent of the value of the complete movements which they accompany.

(2) All other parts not imported in accordance with subdivision (1) of section (c) hereof (except pillar or bottom plates, or their equivalent, and jewels), not constituting an assembly or subassembly, 65 per cent ad valorem.

(3) Pillar or bottom plates, or their equivalent, shall be subject to one-half the amount of duty which would be borne by the complete movement, mechanism, device, or instrument for which intended or suitable, but in no case shall the duty be less than one-half the duty on a movement, device, mechanism, or instrument of the same size containing seven jewels.

(4) Each assembly or subassembly (except one consisting solely of a main spring with riveted ends, or a bimetallic balance wheel only), consisting of two or more pieces of metal or other material joined or fastened together in any manner, shall be subject to the same amount of duty as the complete movement, mechanism, device, or instrument for which intended or suitable, but in no case shall the duty be less than the duty on a movement, device, mechanism, or instrument of the same size containing seven jewels.

(d) Jewels, unset, suitable for use in any movement, mechanism, device, or instrument, dutiable under this paragraph or paragraph 368, or in any meter or compass, 10 per centum ad valorem.

(e) Dials for any of the foregoing, less than one and seventy one-hundredths inches wide, imported separately, 5 cents each and 45 per centum ad valorem. Such dials shall have stamped, cut, engraved, or die sunk, conspicuously and indelibly thereon the name of the country of manufacture; which marking, if the dial is imported attached to any of the foregoing movements, mechanisms, devices, or instruments shall be placed on the face of the dial in such manner as not to be obscured by any part of the case, container, or housing.

(f) All cases, containers, or housings, designed or suitable for the enclosure of any of the foregoing movements, mechanisms, devices, or instruments, whether or not containing such movements, mechanisms, devices, or instruments, and whether finished or unfinished, complete, or incomplete, except such containers as are used for shipping purposes only:

(1) If made of gold, or platinum, or a combination thereof 75 cents each and 45 per cent ad valorem.

(2) If in part of gold, silver, or platinum, or wholly of silver, 40 cents each and 45 per cent ad valorem.

(3) If of base metal or any other material (and not containing gold, silver, or platinum) 20 cents each and 45 per cent ad valorem.

(4) If colored or enameled in any manner shall be subject to an additional duty of 15 per cent ad valorem.

(5) If set with precious, semiprecious, or imitation precious, or imitation semiprecious stones, or if prepared for the setting of such stones, 40 cents each and 45 per cent ad valorem.

(6) Parts of any of the foregoing except backs, bezels or centers, 60 per cent ad valorem. Backs, bezels, and centers if imported unattached or unassembled, shall each be dutiable at the full specific duty herein levied on the complete case, container or housing of the same material or materials and if colored or enameled in any manner, to an additional duty of 15 per cent ad valorem.

(g) Any of the foregoing cases, containers, or housings shall have cut, engraved, or die sunk, conspicuously and indelibly on the inside of the back cover, the name in full of the manufacturer or purchaser and the name of the country of manufacture.

(h) For the purposes of this paragraph the width of any movement, mechanism, device, or instrument, shall be the shortest surface dimension through the center of the pillar or bottom plate, or its equivalent, not including in the measurement any portion not essential to the functioning of the movement, mechanism, device or instrument.

(i) For the purposes of this paragraph the term "jewel" includes substitutes for jewels.

(j) An article required by this paragraph to be marked shall be denied entry unless marked in exact conformity with the requirements of this paragraph.

EXHIBIT C

Comparative rates under 1922 act, H. R. 2667 and proposed amendment to H. R. 2667

(Adjustments 50 cents each if marked, more than 47 hours, $1 additional)

	1 jewel	2 jewels	3 jewels	4 jewels	5 jewels	6 jewels	7 jewels	8 jewels	9 jewels	10 jewels	11 jewels	12 jewels	13 jewels	14 jewels	15 jewels	16 jewels	17 jewels	18 jewles	19 jewels	21 jewels	23 jewels
Over 1.50 inches:																					
Base rate	$0.75	$1.25	$1.25	$1.25	$1.25	$1.25	$1.25	$1.25	$1.25	$1.25	$1.25	$1.25	$1.25	$1.25	$1.25	$1.25	$1.25	$1.25	$1.25	$1.25	$1.25
Jewels	.35	.35	.35	.35	.35	.35	.35	.72	.81	.90	.99	1.08	1.17	1.26	1.35	2.88	3.06	3.24	3.42	3.78	4.14
Total	1.10	1.60	1.60	1.60	1.60	1.60	1.60	1.97	2.06	2.15	2.24	2.33	2.42	2.51	2.60	4.13	4.31	4.49	4.67	5.03	5.39
1922 rate	.75	.75	.75	.75	.75	.75	1.25	1.25	1.25	1.25	1.25	2.00	2.00	2.00	2.00	2.75	10.75	10.75	10.75	10.75	10.75
Bill rate	.90	1.40	1.40	1.40	1.40	1.40	1.40	1.60	1.80	2.00	2.20	2.40	2.60	2.80	6.00	6.20	6.40	6.60	6.80	7.20	7.60
Over 1.20 inches to 1.50 inches, inclusive:																					
Base rate	.84	1.40	1.40	1.40	1.40	1.40	1.40	1.40	1.40	1.40	1.40	1.40	1.40	1.40	1.40	1.40	1.40	1.40	1.40	1.40	1.40
Jewels	.35	.35	.35	.35	.35	.35	.35	.72	.81	.90	.99	1.08	1.17	1.26	1.35	2.88	3.06	3.24	3.42	3.78	4.14
Total	1.19	1.75	1.75	1.75	1.75	1.75	1.75	2.12	2.21	2.30	2.39	2.48	2.57	2.66	.7	4.28	4.46	4.64	4.82	5.18	5.54
1922 rate	.75	.75	.75	.75	.75	.75	1.25	1.25	1.25	1.25	1.25	2.00	2.00	2.00	2.00	2.75	2.75	10.75	10.75	10.75	10.75
Bill rate	1.09	1.55	1.55	1.55	1.55	1.55	1.55	1.75	1.95	2.15	2.35	2.55	2.75	2.95	6.15	6.35	6.55	6.75	6.95	7.35	7.75
More than 1 to 1.20 inches inclusive:																					
Base rate	1.55	1.55	1.55	1.55	1.55	1.55	1.55	1.55	1.55	1.55	1.55	1.55	1.55	1.55	1.55	1.55	1.55	1.55	1.55	1.55	1.55
Jewels	.35	.35	.35	.35	.35	.35	.35	.72	.81	.90	.99	1.08	1.17	1.26	1.35	2.88	3.06	3.24	3.42	3.78	4.14
Total	1.90	1.90	1.90	1.90	1.90	1.90	1.90	2.27	2.36	2.45	2.54	2.63	2.72	2.81	2.90	4.43	4.61	4.79	4.97	5.33	5.69
1922 rate	.75	.75	.75	.75	.75	.75	1.25	1.25	1.25	1.25	1.25	2.00	2.00	2.00	2.00	2.75	2.75	10.75	10.75	10.75	10.75
Bill rate	1.08	1.70	1.70	1.70	1.70	1.70	1.70	1.90	2.10	2.30	2.50	2.70	2.90	3.10	6.30	6.50	6.70	6.90	7.10	7.50	7.90
More than 0.90 to 1 inch, inclusive:																					
Base rate	1.75	1.75	1.75	1.75	1.75	1.75	1.75	1.75	1.75	1.75	1.75	1.75	1.75	1.75	1.75	1.75	1.75	1.75	1.75	1.75	17.5
Jewels	.35	.35	.35	.35	.35	.35	.35	.72	.81	.90	.99	1.08	1.17	1.26	1.35	2.88	3.06	3.24	3.42	3.78	4.14
Total	2.10	2.10	2.10	2.10	2.10	2.10	2.10	2.47	2.56	2.65	2.74	2.83	2.92	3.01	3.10	4.63	4.81	4.99	5.17	5.53	5.89
1922 rate	.75	.75	.75	.75	.75	.75	.75	1.25	1.25	1.25	1.25	2.00	2.00	2.00	2.00	2.75	2.75	10.75	10.75	10.75	10.75
Bill rate	1.29	1.90	1.90	1.90	1.90	1.90	1.90	2.10	2.3	2.50	2.70	2.90	3.10	3.30	6.50	6.70	6.90	7.10	7.30	7.70	8.10

Jewels	.35	.35	.35	.35	.35	.35	.35	.72	.81	.90	.99	1.08	1.17	1.26	1.35	2.88	3.06	3.24	3.42	3.78	4.14
Total	2.35	2.35	2.35	2.35	2.35	2.35	2.35	2.72	2.81	2.90	2.99	3.08	3.17	3.26	3.35	4.88	5.06	5.24	5.42	5.78	6.14
1922 rate	.75	.75	.75	.75	.75	.75	.75	1.25	1.25	1.25	1.25	2.00	2.00	2.00	2.00	2.75	2.75	10.75	10.75	10.75	10.75
Bill rate	1.35	2.10	2.10	2.10	2.10	2.10	2.10	2.30	2.50	2.70	2.90	3.10	3.30	3.50	3.70	3.90	4.10	4.30	4.50	4.90	5.30
More than 0.60 to 0.80 inch, inclusive:																					
Base rate	2.25	2.25	2.25	2.25	2.25	2.25	2.25	2.25	2.25	2.25	2.25	2.25	2.25	2.25	2.25	2.25	2.25	2.25	2.25	2.25	2.25
Jewels	.35	.35	.35	.35	.35	.35	.35	.72	.81	.90	.99	1.08	1.17	1.26	1.35	2.88	3.06	3.24	3.42	3.78	4.14
Total	2.60	2.60	2.60	2.60	2.60	2.60	2.60	2.97	3.06	3.15	3.24	3.33	3.42	3.51	3.60	5.13	5.31	5.49	5.67	6.03	6.39
1922 rate	.75	.75	.75	.75	.75	.75	.75	1.25	1.25	1.25	1.25	2.00	2.00	2.00	2.00	2.75	2.75	10.75	10.75	10.75	10.75
Bill rate	1.50	2.40	2.40	2.40	2.40	2.40	2.40	2.60	2.80	3.00	3.20	3.40	3.60	3.80	4.00	4.20	4.40	4.60	4.80	5.20	5.40
0.60 inch or less:																					
Base rate	2.50	2.50	2.50	2.50	2.50	2.50	2.50	2.50	2.50	2.50	2.50	2.50	2.50	2.50	2.50	2.50	2.50	2.50	2.50	2.50	2.50
Jewels	.35	.35	.35	.35	.35	.35	.35	.72	.81	.90	.99	1.08	1.17	1.26	1.35	2.88	3.06	3.24	3.42	3.78	4.14
Total	2.85	2.85	2.85	2.85	2.85	2.85	2.85	3.22	3.31	3.40	3.49	3.58	3.67	3.76	3.85	5.38	5.56	5.74	5.92	6.28	6.64
1922 rate	.75	.75	.75	.75	.75	.75	.75	1.25	1.25	1.25	1.25	2.00	2.00	2.00	2.00	2.75	2.75	10.75	10.75	10.75	10.75
Bill rate	1.65	2.65	2.65	2.65	2.65	2.65	2.65	2.85	3.05	3.25	3.45	3.65	3.85	4.05	4.25	4.25	4.65	4.85	5.05	5.45	5.85

STATEMENT OF GEORGE J. GRUEN, REPRESENTING THE GRUEN WATCHMAKERS' GUILD, CINCINNATI, OHIO, AND OTHERS

(The witness was duly sworn by the chairman of the subcommittee.)

Senator REED. Mr. Gruen, we are not experts on watches, but we have learned a little, so that you can get more quickly to your subject.

Mr. GRUEN. I do not believe I will take as much time as the last witness, and I think I can answer a number of the questions that the Senator from Utah spoke about.

I might tell you that in this new proposal that we are submitting, I represent about 70 or 75 per cent of the importers, and not 20 per cent, as some one, perhaps, has told you. I am taking it from the standpoint of the importers, as to their importance and volume of business. I have not their books available to prove my statement, but that is a fact.

After we had agreed, a few, thinking that they might get some extra concessions, withdrew at the last moment, after having given their agreement.

I am a member of the Gruen Watch Makers' Guild, that was formed in 1874 by my father, and we maintain manufacturing plants on both sides of the Atlantic.

The watch schedule, as drawn in the proposed House bill, is a very complicated one, having five specific duties and an ad valorem duty on the dial. You have been quoting ad valorem duty. The rates at present are all specific duties. I think it is proper to have a specific duty for the watch schedule, because of undervaluations and the difficulty in determining the value of a movement. I have been in the business for 34 years. If you were to lay down two watches, a fine one and a cheap one, I could tell them apart, but I could not tell, within a few dollars, the value of a watch without disassembling it, and that is an expert job.

For that reason you can readily understand that the paragraphs must be carefully drawn to avoid evasions and being unfair both to the importer and the domestic manufacturer.

With that thought in mind, I initiated the idea of having a conference with the domestic movement manufacturers. I had known Mr. Miller, of Lancaster, Pa., of the Hamilton Watch Co., only slightly. I had never met Mr. Strawn, the previous witness. I asked whether we could not have a conference. They readily consented to it, and we met in Chicago. We had a 2-day session. At first they could not see any way by which we could come together.

Senator KING. You had no representatives of the consuming public, or the buyers there, did you?

Mr. GRUEN. I do not know that anybody ever does. I will come to that, Senator, and show you that by our action we have protected the consumer in this way, by getting reductions in the rates.

At one point only there has been an increase of some 20 cents in the whole schedule. All the rest has been reduced, and the paragraph has been refined so that it will be understandable. We did not know what we were doing ourselves.

Senator REED. A reduction from the House bill, you mean?

Mr. GRUEN. Yes; from the House bill. I did that on my own initiative. They did not invite me to do it, nor did the importers.

The reason I had to jump into the tariff situation was that the man who represented us before the Ways and Means Committee, an attorney, took ill just as it was reported to the House. A few days later he was taken to the hospital, and he has since died. That left us high and dry, without a man who had been watching the situation.

I will say, right at the outset, that none of us is 100 per cent satisfied. We are not satisfied with the arrangement we worked out. The domestic movement manufacturers are not satisfied. I think, if you disregarded the importers entirely and tried to draw a schedule that was 100 per cent satisfactory to the domestic movement factories, you would find one group that it would satisfy and please 100 per cent, and the other it would not, because there are different price ranges of merchandise in a well balanced stock.

The second conference was called in New York. I met them, and I did get some concessions, and a change on some of the features difficult of administration from the customs standpoint.

Senator KING. You got concessions from whom?

Mr. GRUEN. An agreement; concessions from the standpoint of a reduction in the rates that we were to work on. With that, I then called a meeting of the importers. A good many of them were not able to come on short notice. Then the domestic movement manufacturers had three representatives. The importers' group had three representatives, representing the different types of imports. After we had arrived at the best concessions we could get from the domestic manufacturers, then we had a meeting of the importers and laid the facts before them.

Briefly the facts are these. The only nasty feature in it was this mandatory adjustment rate; any watch of 15 jewels or more must pay $3, whether adjusted or not. After much argument it was agreed that in the new proposal they would eliminate that, and then the word "unadjusted" would not have to be on the movements. They would be blank, as the American manufacturers leave theirs blank when they are not adjusted, on the lower grades. I will state at this time that the position of Mr. Strawn and the domestic manufacturers relative to adjustment is correct, in that there is a lot of cheap trash in this country marked four, five, and six adjustments, that only costs a dollar. That is a lie on the face of it. They are not adjusted. They never were and they never could be at that price, because adjusting is an expensive process. The importers of the better class of merchandise, as well as the domestic companies, have always maintained that adjustments meant something, and tried to sell it to the public on that theory.

Senator REED. Then you, as an importer, believe in using that as one of the bases for the calculation of the duty?

Mr. GRUEN. We have no objection to that, but we did not think it was fair to put an arbitrary or mandatory rate on it, and that has been eliminated.

Senator REED. We understand that. Is it fair to jump the duty per jewel when you get to 15 jewels, the way this proposal does?

Mr. GRUEN. As I say, we were not satisfied with the way the thing went, all the way through. We were endeavoring, as near as we could, to give the manufacturer the protection that he claimed

was essential, and at the same time give an opportunity for the legitimate importer to exist.

No, as to the rate——

Senator KING. You have not answered that question of Senator Reed. Do you think that arbitrary jump is fair?

Mr. GRUEN. Frankly, we contended for 7 or 8 cents, rather than 9 cents; and over 15 jewels we contended for 15 cents.

Senator KING. Instead of 18?

Mr. GRUEN. Instead of 20, as it originally was, and we comprised on 18.

Senator KING. Before you proceed, may I ask one question?

Mr. GRUEN. Certainly.

Senator KING. I understand from your statement here that you are connected with an importing house, and have been for a number of years. You represent, do you not—and I judge only from your testimony—the high grade watches which are imported?

Mr. GRUEN. No, sir. One of the members of the committee imported——

Senator KING. I am speaking of your firm.

Mr. GRUEN. Our firm imports only the better grades of merchandise, 15 jewels and upwards.

Senator KING. You do not import the lower grade watches, which most of the people might buy?

Mr. GRUEN. No. We do not import them, but we had on our committee a representative, and they were told about our proceedings, as near as we could tell them, everything that transpired. But naturally, in a couple of hours, or half-a-day conference, we could not tell what transpired in 12 days' conflict—and it was a 12-day battle, day and night, to try to iron out some of these very troublesome things, like this question of material for repair parts. Finally, one of the members of the committee hit on the idea of bringing in 4 per cent with the shipments as repair parts, and under the rates as now in the present act, the 1922 act.

Senator REED. Mr. Gruen, do you represent, in your testimony here, some of the importers of these cheap watches?

Mr. GRUEN. There are a number that have agreed to that.

Senator REED. Are they reasonably satisfied with this compromise?

Mr. GRUEN. "Reasonably" is correct. They think, likewise, that if it went to the base rate, and eliminated the jewel rate, they would be 100 per cent satisfied. We would have had all except one importer that would have agreed to it on that basis. I do not want you to think that I want to go back on what I said I would testify, but you asked the direct question, and that is what we were striving for.

So far as making any agreement that we would have a monopoly between ourselves is concerned, believe me, each one will fight for his business as hard as he ever did before. But there were troubles in the industry that I think we can help—smuggling, undervaluation, and other things that we want to take up in the future.

But, with regard to the ad valorem rate, they had it in previous bills, and it proved that it was not an effective measure, not as effective as specific rates were, due to undervaluations. Those importers that would abide by it 100 per cent were penalized, and also the domestic manufacturer.

Here is the effect of the rates under our new proposal, which is a reduction as compared with the House bill, with the exception of one item. Before I state that, I might say that since the 1922 act, due to nothing else than a desire to evade the tariff, the 6-jewel watch was created. The commercial standards as known then were 7, 11, 15, 17, 19, and 21—always an odd number. There was a flat rate of $1.25 on a 7-jewel watch. Then some bright mind discovered that by making it six jewels he would save 50 cents. That is why the rates in the proposal show a larger spread. But if we take rates on a 7-jewel basis, such as was in existence prior to 1922, you have this effect. Sixty-two per cent of the importations, in units, were in a class lower than seven jewels, which was not a commercial article prior to 1922. The rate now is $1.25, under the 1922 act. The House proposal provides a rate graduating from $1.25 to 2.50; also a dial rate of 5 cents, plus 45 per cent ad valorem.

Senator KING. On the dial, or on the entire watch?

Mr. GRUEN. On the dial itself; that is on the movement. That is one of the things we contended was very unfair, because the movement was not a complete article without a dial. That was eliminated in the new arrangement. On a 7-jewel watch this amounts to 15 cents. Therefore, it amounts to an increase of only 20 cents, over the House bill. That is the only place there is an increase.

On the pocket sizes it amounts to 35 cents, or 28 per cent, assuming nothing for the dial, and on the smallest lady's wrist watch it comes to $2.85, as against the present rate of $1.25, or an increase of 128 per cent.

Senator KING. You are fathering that now, are you—the 128 per cent increase?

Mr. GRUEN. This is the proposal. I am not personally fathering anything, because I am not interested in that. The importations between seven and eleven jewels were very few. The next important bracket was the 15-jewel group, and these comprised 34 per cent of the importations in units in 1928. The present rate is $2 flat. The proposed House bill has the same base rate: also a jewel rate of 20 cents for each jewel over seven, resulting in $1.60, and the dial rate of 5 cents, and 45 per cent. There we have three specific duties and an ad valorem duty.

Senator REED. You have eliminated the dial rate entirely in this new proposal?

Mr. GRUEN. Yes. All watches over an inch carried a mandatory rate of $3. That has been eliminated. The proposition of our committee is a base rate of the same amount; also a jewel rate of 9 cents for each jewel, or a total of $1.35 per jewel plus the base rate. It works out this way. On pocket sizes the total is $2.60, as against $2, the 1922 rate, an increase of 60 cents, or 30 per cent in that bracket. Then there is a graduated increase, in accordance with size, the smallest size carrying a total of $3.95, as against the present rate of $2.

Senator KING. That is nearly 100 per cent.

Mr. GRUEN. That is an increase of $1.95, or 97½ per cent increase. That is the group I import, so I am not taking a much lighter load than the other fellow. Therefore, the extra burden for the two largest groups of importations, 62 per cent and 34 per cent, is 28 per cent on the 7-jewel, as the lowest, and 30 per cent on the 15-jewel, for the

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lowest bracket, gradually increasing the base rate in both instances similarly, up to an increase of 128 per cent on the 7-jewel and 97½ per cent increase on the 15-jewel.

Senator KING. You mean an increase above the present law.

Mr. GRUEN. The present tariff; yes, sir.

Senator KING. So that the aggregate duty would be approximately 200 per cent or more.

Mr. GRUEN. Yes, sir.

Senator KING. Reducing it to ad valorem.

Mr. GRUEN. The ad valorem was 61 per cent the last time. Doubling it would make it 122. The 15-jewel watches are higher priced, and now carry a higher rate, so the spread, from the domestic manufacturer's cost of production, was not so great, and that was taken into account in arriving at our figures. I bring that out to show you that we accepted 97½ per cent as against 128, but we had this higher tariff to work under heretofore.

The next group is the 17-jewel class, comprising less than 3 per cent of the importations, in units. This carries a varying increase, with only temperature markings, from 52 per cent to 88 per cent. So, you will see that this group of importers also accepted similarly high rates.

The fourth group is the 7-jewel, and this comprises less than one-half of one per cent of the units, and in dollars, not a serious amount, $292,000. The House proposal shows that a reduction in this bracket is of little importance to either group, due to the number and value, and it covers a range of price that does not affect the domestic manufacturers materially.

In the final set-up of this, one domestic movement manufacturer did not want to come in at the last moment, but they were 100 per cent, at the last, on the proposal. We represent, as nearly as we can, about 75 per cent.

Here is the way we figured the jewel rate: Seven jewels and under, 5 cents a jewel, but to forestall bringing out three, four, or five jewel watches, they made a flat rate of 35 cents for all seven jewels and under; above seven jewels it carries 9 cents straight on every jewel; and everything above 15 jewels, 18 cents.

In addition, with reference to the movements of the finer type that are really adjusted, if they want to mark them so, they must pay 50 an adjustment, but they are not obligated to mark them. The very unfair provision in the bill was that it had to be stamped "unadjusted" or pay the rate.

Senator REED. As this proposal now stands——

Mr. GRUEN. That is eliminated.

Senator REED. It is possible to put in five or six adjustments and not mark it, pay no duty on the adjustments, and then mark it when you get them into this country, is it not?

Mr. GRUEN. That, I do not think, is very practical. That is not such an easy proposition as you might think, but it is possible.

Senator REED. It would be very difficult to do?

Mr. GRUEN. You have to dismantle the watch. In the case of a fine watch, I know that with our company, if we had a four-position adjustment watch, which would mean $2, it would be done at the plant, and that is what will be done. If would be taken apart and put together again at the plant. If the engraving, or the bridges

in the fine movements were marred, no watch maker would accept it. That would be what we would call a botch job. It would mean that it would cost us close to $2, and it would not be a finished-looking job.

Senator REED. You would be very likely to upset the adjustments in doing that?

Mr. GRUEN. Not necessarily that. You might take off the barrel bridge, and not disturb it.

Senator REED. You do not think it can be done?

Mr. GRUEN. I do not think it can be done to any great extent.

Senator REED. Is there much more you want to say?

Mr. GRUEN. No. I think I have covered the points I would like to bring up. If there are any questions the Senator would like to ask, I shall be very happy to answer them to the best of my ability.

Senator KING. Did you represent Mr. Vail?

Mr. GRUEN. No, I did not. He is in the clock schedule. We did not have anything to do with the clock watches. We are representing only the pocket and wrist watch people.

Senator KING. How do you account for the enormous increase in production in the United States, if there has been any considerable competition, from $30,000,000 in 1919 to nearly $47,000,000 in 1927, and a still greater increase in 1928?

Mr. GRUEN. I think those take in the manufacture of what we call pocket clocks, that is, the types like the Ingersoll, put up in the cheaper watches; not in the jeweled-watch class.

Senator KING. They are watches.

Mr. GRUEN. Yes.

Senator KING. They come under the heading of watches.

Mr. GRUEN. Yes, but what we are dealing with primarily is the jeweled-watch class, and that is the class where they claim these troubles. The nonjeweled watch is taken care of by a 40 per cent reduction on the base rate for a pocket clock.

Senator KING. There has been a general increase in the output of watches of all grades?

Mr. GRUEN. Yes, there has.

Senator KING. So that whatever competition we have had has not prevented a very healthy development in the domestic production?

Mr. GRUEN. That is what we claim.

Senator KING. And that is true, is it not?

Mr. GRUEN. I think so; to a large extent.

Senator KING. And the imports are less now than they were?

Mr. GRUEN. 1928 was less than 1927.

Senator KING. By more than $1,000,000. Then, the importations, apparently, have not threatened the domestic manufacturers?

Mr. GRUEN. The only claim is on the small watch, which is getting to be a very popular thing. They seem to require a larger spread of protection on the small type of watches. They are not equipped to manufacture them as cheaply.

Senator KING. If that is true, why should there be this great increase on the higher-grade watches, if the competition is confined largely to the lower-grade watches?

Mr. GRUEN. Not the lower grade; I said smaller and lower grade. The smaller sizes are the troublesome sizes so far as competition is concerned.

Senator KING. In the cheaper watches, or the higher grades?

Mr. GRUEN. In both.

Senator KING. Is there any competition in the higher grade?

Mr. GRUEN. In what we call the luxury class; no. That only amounts to $292,000, large and small together.

Senator KING. Do you not think that this agreement which you importers have made with the domestic people, without taking the public into what ought to have been a tripartite agreement, is going to result in disadvantage to the public, and will enable you people to charge more for your watches?

Mr. GRUEN. It is not to the disadvantage of the public. If we had not gotten together and fought this proposition out, and got some sort of a change, the rates we assumed would be still higher, and there were threats of going after still higher rates than the House bill called for. Naturally we wanted to get them on a basis on which we felt we could exist and stay in business.

Senator KING. In other words, the threats of the domestic producers to seek additional rates, higher rates than those given by the House, induced you importers to meet with them?

Mr. GRUEN. No. I take the full responsibility, Senator, because I did it on my own initiative; plus the very complicated provisions in the act, and some of the very unfair results that would be obtained. For example, they did not realize it, but I pointed out, in connection with the 12-size watch, that they sell at wholesale at $9.75, and if we were to stamp it with the same adjustment marking as one of the companies did here, we would have to pay a tariff of $9.90. You might see those things, and you might not see them. We were trying to iron out some of the administrative troubles, more than the others. We realized that we had no rate-making powers.

Senator KING. Did you hear the list of types of watches that I read to the preceding witness?

Mr. GRUEN. Yes, sir.

Senator KING. And which I said were purchased and sold——

Mr. GRUEN. Those were not correctly stated. For example, they quoted a 7-jewel watch as having adjustment rates, and charging an adjustment rate. There has never been a 7-jewel watch made that has been adjusted, and I defy the man to swear that he ever produced a 7-jewel adjusted watch. They were marked that way, but they never were made that way, because they can not be made that way.

Senator KING. How would the rates which you propose in this compromise agreement affect those types? Would they not increase them?

Mr. GRUEN. No, sir. All the rates are higher than the existing law, Senator, but the rates we have worked out between us are much lower than in the House bill, with the exception of this one item of 20 cents.

Senator KING. But they would increase the rates upon those groups of watches from 200 to 400 per cent, would they not?

Mr. GRUEN. No; I would not say it would go up to 400; nearer 200.

Senator KING. 200 per cent?

Mr. GRUEN. Yes.

Senator KING. I wish you would look at that list.

Mr. GRUEN. Here is a chart. I have it printed.

Senator KING. I mean the list I handed to the reporter. I wish you would look at that during the noon recess. I want to ask you about that.

Mr. GRUEN. Here is the chart I had printed before I ever had a meeting. It shows the rates.

Senator KING. Mr. Gruen, has there not been some talk about a consolidation between your company and the Elgin Co.?

Mr. GRUEN. There has been talk of consolidation, but we had nothing to do with it. It was some bankers trying to do something, and they came finally to us and I said: "I will sell anything; I will sell my shirt if you will give me a high enough price."

They said: "What is your price?"

I said: "Twenty to 1." That was the answer.

Senator KING. The bankers, then, were trying to bring about the consolidation?

Mr. GRUEN. Like they are in practically all industries, merely for the sake of making a profit.

Senator KING. For the sake of earning a commission?

Mr. GRUEN. Earning a commission and making a profit; but we have nothing in mind, never initiated anything of that kind or had anything to do with it.

Senator KING. You stated this morning that you were a manufacturer as well as an importer.

Mr. GRUEN. Yes.

Senator KING. What do you manufacture?

Mr. GRUEN. We manufacture the movements complete in Switzerland. We bring them over, and on the finer grades give a final adjustment at Time Hill, Cincinnati. We manufacture our cases in Cincinnati, and have a platinum shop in New York, and we fit the movements to the cases and give them final adjustments in the cases.

Senator KING. Is any considerable cost of the watches which you bring over incurred in the United States?

Mr. GRUEN. We are practically on the same basis as all other importers. I do not know whether you got the impression that we were advocating as importers an increase in our rates.

Senator KING. Your testimony was not very satisfactory on that, so far as I am concerned.

Mr. GRUEN. We only arrived at a gentleman's agreement as to what we thought we could exist under. As I stated in my statement there, I did not make any statement that we advocated that along with the domestic group, that we should be put in on higher rates. There were certain articles that could be strengthened, both for the importers of the better goods and the domestic manufacturers in that there were evasions under the last act—a number of them—and it was possible in the present House bill, because of its many different rates and applications.

What we were mostly alarmed at was the fact that they had these many specific duties which were cumulative, and bringing the rates to an excessive degree.

Senator KING. You did not answer my other question. I am informed that the cost of the articles that you manufacture—the works—in contradistinction to the case—abroad, is about 19 per cent; that is, that the material and work will be about 19 per cent of the cost of the product here when imported and finished and ready for the market. In other words, there is a great deal of labor.

Mr. GRUEN. In the making of a movement. That is absolutely correct.

Senator KING. Here in the United States.

Mr. GRUEN. Anywhere. The major portion of the cost of a finished movement is in the finishing of the materials, the raw materials, and not in the materials themselves. Is that an answer to your question?

Senator KING. What proportion of the cost of the articles which you import—that is, the works—is attributable to work here in the United States?

Mr. GRUEN. Very little. We do only on some of the grades practically 15 per cent additional. We are, as I say, on the basis of importing goods, just the same as any other importer.

Senator KING. The testimony of Mr. Vail this morning with respect to these fine clocks showed a very large per cent of the cost of the articles which they were putting out resulted from work here in the United States upon the imported works.

Mr. GRUEN. Material?

Senator KING. Works or material.

Mr. GRUEN. He brings in materials and assembles them; that is why he has the cost here. We bring in the completed movements.

Senator KING. The assembling, then, is done there in your case?

Mr. GRUEN. The assembling is done there. We bring in a completed movement.

Senator KING. Does any considerable part of the cost of those watches result from the assembling?

Mr. GRUEN. Oh, yes; quite a considerable amount; and after the assembling there is the adjusting, if the watches are adjusted.

Senator KING. The statement has been made that there were no adjustments upon 7-jewel watches.

Mr. GRUEN. Yes; I understand that.

Senator KING. Mr. Vail tells me that, if I understood him rightly.

Mr. GRUEN. I do not think he is correctly informed as to what the American 7-jeweled movement is. It is not inferior to a 7-jeweled watch that is adjusted in that sense.

Senator KING. How about clocks—those small clocks?

Mr. GRUEN. I am not qualified to talk about clocks.

Senator KING. Then you limit it only to watches.

Mr. GRUEN. I always limited my remarks to watches; and I think he should limit his to that, too, because when it comes to movements, they can be of two kinds, one that is commercially practical and one that is not. You can make a 7-jewel watch cost you $50 by making or attempting to make a number of fine adjustments, but that is not a commercial article. It is said that they import movements at a dollar having four adjustments. The markings on them are a lie, because it never could be so adjusted for a dollar.

Senator REED. If that is true of a 7-jewel watch, it is all the more true of a 6-jewel watch.

Mr. GRUEN. Absolutely. Anything under 6 jewels, or practically any watch under 15 jewels.

Senator REED. I have been given a statement showing that on a 6-jewel watch with two adjustments the duty is raised from the present figure of 75 cents to a proposed duty of $4.75 on a movement less than six-tenths of an inch.

Mr. GRUEN. That is correct.

Senator REED. That would mean an increase of 533 per cent.

Mr. GRUEN. That is correct.

Senator REED. But if, as a matter of fact, there never are two adjustments on a 6-jewel watch, that is not a very apt illustration.

Mr. GRUEN. That is the point. There never can be an adjusted watch in a 6, 7, or 8 jewel watch in the price range they have been imported at. You can deliberately make it, yes, but you can not sell it in competition with what is usually sold in that price range.

Senator KING. What would be the tariff on the grade that Senator Reed——

Mr. GRUEN. The House bill——

Senator KING. Let me complete my question, please.

Mr. GRUEN. Yes, sir.

Senator KING. The watch Senator Reed just referred to without adjustments.

Mr. GRUEN. Without adjustments. Now, referring to the House bill——

Senator KING. No; in your scheme.

Mr. GRUEN. In our scheme it would be $2.85—the smallest size. Now, this size, 16——

Senator KING. What increase would that be over the present law?

Mr. GRUEN. 20 cents.

Senator KING. In ad valorem?

Mr. GRUEN. You mean the 1922 rate?

Senator KING. Yes.

Mr. GRUEN. The 1922 rate on the 7-jewel watch is $1.25.

Senator KING. Yes; and yours is what?

Mr. GRUEN. And it would be now $2.85.

Senator KING. Then you have raised it over a hundred per cent.

Mr. GRUEN. In the House bill it is now raised over a hundred per cent.

Senator KING. Yes; and you raised it how much above the House bill?

Mr. GRUEN. It is raised 20 cents on that by changing the dial and substituting the jewel rate.

Senator KING. Have you figured out the increases over the existing law upon every form of watch?

Mr. GRUEN. Yes, sir.

Senator KING. That comes into the United States?

Mr. GRUEN. Yes, sir.

Senator KING. And upon the parts?

Mr. GRUEN. I have not figured it on that. We have a chart we were going to bring here which would show the present rates, the proposed House bill rates, and our proposal, giving the three in every combination that is possible to get out a watch movement in. We have that in course of preparation, but have not yet had time to have it typed.

Senator REED. Will you furnish that to this committee when you have it completed?

Mr. GRUEN. Yes; I will.

Senator REED. And it will be put in the record immediately after Mr. Gruen's testimony.

Mr. GRUEN. It will take us some little time still to develop that.

Senator KING. And as soon as you get it ready I wish you would send me a copy also.

Mr. GRUEN. I will be glad to. You asked some questions, as I understood you, of Mr. Strawn, that he and I get together and figure out the rates between us.

Senator KING. Yes. I was going to call Mr. Strawn with the permission of the chairman.

Mr. GRUEN. Here is the response that he makes to it, and these are the rates that actually come in the way we proposed them. [Handing a document to Senator Reed.]

Senator REED. I suggest that we put that in the record at this point, Senator, if that suits you.

Senator KING. Yes.

(The paper above referred to, submitted by Mr. Gruen, is as follows:)

I herewith return and file with the secretary memorandum handed to me by Senator King relating to comparative duty rates on watches, and have inked on the right-hand side of the page the duties these watches should carry under the new proposal if properly marked. All of these watches, with the exception of the last one, namely 879, which is a 17-jewel watch, obviously are fraudulently marked "adjusted," as at these prices it can not be done. No. 879, on account of the low cost in Switzerland, may possibly be adjusted, and for that reason the ink figure shows the four adjustments, but this duty rate of $7.56 would be a very small part of the difference in cost of production of that watch abroad and in this country.

We believe the Tariff Commission can demonstrate to you that these duties do not, in any case, equal the difference between the cost of production here and abroad.

Comparative duty rates on watches

	Cost Swiss francs	Cost net United States dollars	Duty amounts	
			Act 1922	H. R. 2667, new proposal
731. 10½ ligne, 6 jewel, 2 adjustments	—7.60 less 4 per cent	$1.41	$0.75	$3.75-2.10
751. 10½ ligne, 15 jewel, 2 adjustments	—12.00 less 3½ per cent	2.24	2.00	5.35-3.10
737. 6¾ ligne, 6 jewel, 2 adjustments	—9.05 less 4 per cent	1.68	.75	4.25-2.60
757. 6¾ ligne, 15 jewel, 2 adjustments	—12.95 less 3½ per cent	2.41	2.00	5.85-3.60
159. 5½ ligne, 15 jewel, 3 adjustments	—37.70 less 3 per cent	7.06	2.00	7.10-3.85
258. 6½ ligne, 15 jewel, 3 adjustments	—27.75 less 3 per cent	5.2.	2.00	6.85-3.60
879. 5½ ligne, 17 jewel, (Temp., 2 Positions	—45.05 less 3 per cent	8.43	3.50	8.50-7.50

These watch movements are representative of three classes, each essential to a well-balanced line, Nos. 731 and 737 representing the 6-jewel class, Nos. 751 and 757 representing the medium quality 15-jewel class, and Nos. 159, 258, and 879 representing the high quality 15 and 17 jewel class.

STATEMENT OF IRA GUILDEN, NEW YORK CITY, REPRESENTING THE BULOVA WATCH CO. AND OTHERS

(The witness was duly sworn by the chairman of the subcommittee.)

Senator REED. You represent the Bulova Watch Co. and the Knickerbocker Watch Co.?

Mr. GUILDEN. Yes, sir.

Senator REED. Did you testify before the House Ways and Means Committee?

Mr. GUILDEN. No, sir; I did not.

Senator REED. Did you file a brief there?

Mr. GUILDEN. No, sir.

Senator KING. Have you a brief prepared?

Mr. GUILDEN. I have one prepared which I will file with the committee. I would like to state for the record that I represent the Bulova Watch Co., of which I am vice president. We have plants located in New York City, Providence, R. I., and a plant located at Jersey City of an associate company. I also represent the Knickerbocker Watch Co., of which I am an official; Bayer, Pretzfelder & Mills, New York; and about 25 other watch importers and watch-supply manufacturers. These are all American firms, and they are all owned by American citizens.

Senator REED. Do you assemble clocks and watches?

Mr. GUILDEN. We are in the watch business only.

Senator REED. Do you assemble them?

Mr. GUILDEN. We assemble and manufacture.

Senator REED. What do you manufacture?

Mr. GUILDEN. Cases, watch accessories, crystals, crowns, boxes, and the various other accessories that are added to the naked movements to make a complete watch.

Senator REED. You import the movements?

Mr. GUILDEN. We import the movements.

Senator REED. From Switzerland?

Mr. GUILDEN. From Switzerland.

Senator REED. All right, sir.

Mr. GUILDEN. It appears to us to have been the intention of the House to raise the rates about 50 per cent over the 1922 rates, and I quote you from the summary of the tariff bill, House Document No. 15. This is their summary after their various comments:

> On the whole, rates have been increased on an average about 50 per cent over the two paragraphs of the 1922 rate.

These are the notes in back of the tariff bill.

Senator REED. The report made by Mr. Hawley.

Mr. GUILDEN. The report of Mr. Hawley, summarizing the work of the Ways and Means Committee.

In effect the rates have really been increased up to 533 per cent on movements and up to 3,500 per cent on watch parts for repair. We have no way of figuring the exact increase on watch parts, they have been increased so radically.

Comparing the increases in the bill and the statements of the House committee we are of the opinion that the House committee did not fully realize the extent of the increases they were recommending due to the many new and confusing bases of computing duty established in this bill.

Of course, it may have been the intention of the House committee really to raise the rates 500 per cent, although their summary did not indicate that. We feel that even a 50 per cent increase is excessive. I merely point that out as indicating that the extent of the increases by the House committee are not fully realized by them.

Senator REED. They probably did not realize what that factor of adjustments would do to the rates.

Mr. GUILDEN. Not only adjustments, Senator, but there are many other classifications based on number of jewels, and dial, and sizes of movement that increase the rates considerably.

Senator REED. Do you know of any 7 or 6 jewel watches that undergo two adjustments in regular commercial practice?

Mr. GUILDEN. A 6-jeweled movement could be adjusted to two positions.

Senator REED. Is that done in regular practice?

Mr. GUILDEN. Yes.

Senator REED. Often?

Mr. GUILDEN. In my opinion two adjustments is the regulation of a watch running upright and regulation of a watch running flat on its face. If it keeps time running upright that is one adjustment; and if it keeps time lying on its face that is another adjustment.

Senator REED. Did you ever import any 6 or 7 jewel watches?

Mr. GUILDEN. Yes, sir.

Senator REED. Did you ever import any with two adjustments?

Mr. GUILDEN. Yes, sir.

Senator REED. How many?

Mr. GUILDEN. How many adjustments?

Senator REED. How many such movements did you import?

Mr. GUILDEN. Quite a quantity. We import 15-jewel, 17-jewel, and 6-jewel movements.

Senator REED. Do you honestly believe they were adjusted twice?

Mr. GUILDEN. I think so.

Senator REED. Or that it was a fraudulent mark?

Mr. GUILDEN. No. I think they were adjusted. They kept time. We sold them under our trade name; and so we advertised them; we sell our watches under our trade-mark and they are sold under a guarantee to be as represented and our business is a considerable one.

Senator REED. Are those adjustments reflected in the price you paid for the movements, or do they cost you the same as those that do not bear that adjustment mark?

Mr. GUILDEN. Not only adjustment, but finish and workmanship enter into the cost of a watch. In other, words you may have an American 15-jewel movement made by an American manufacturer selling at one price, and you may have the same sized movement made by another factory, a 15-jewel movement, selling at another price and a higher price.

Senator REED. I quite understand that; but I wondered whether you paid more for your 6-jewel movement because they bore the stamp that indicated that they had had two adjustments.

Mr. GUILDEN. Yes, sir.

Senator REED. How much more.

Mr. GUILDEN. Well, that is a hard question to answer, Senator. The work of adjusting involves labor; and while the two watches, the one adjusted and one not adjusted, are substantially the same in appearance, and in workmanship, yet there is a difference in price.

We handle no movements that come in marked "nonadjusted" and we handle no movements cheaper than a definite quality that we are interested in, and that quality includes making the adjustments.

Senator REED. Have you been importing movements as a whole, intact, or have you been importing them in parts?

Mr. GUILDEN. We have been importing parts for repair.

Senator REED. Only for repair.

Mr. GUILDEN. Only for repair. At one time we did bring them in partly assembled, until that practice was stopped by a Treasury

decision which is now in force; but we have not since that time except for possibly a dozen or two dozen movements for experiment.

Senator REED. You speak of the movements and subassemblies being taxed at the same rate as the complete movements, and it seemed to me that there was some force in that suggestion. That would be partly met if we defined a subassembly as consisting of three or more parts, would it not?

Mr. GUILDEN. No, sir. There are certain minute parts made in three and in some instances four pieces.

Senator REED. But there are a good many more that are made of two pieces, are there not?

Mr. GUILDEN. Yes, there are a great many more made with two pieces.

Senator REED. I believe we would avoid unfair taxation on them.

Mr. GUILDEN. I believe you can find a better solution if you find a way of defining these small assembled parts.

Senator REED. But you ought not to be able to bring in a complete movement minus one wheel.

Mr. GUILDEN. We are not permitted to do that now.

Senator REED. The Treasury decision stopped that, did it not?

Mr. GUILDEN. Absolutely.

Senator REED. Go ahead, Mr. Guilden. I did not mean to interrupt you so much.

Mr. GUILDEN. I am glad to answer your questions.

We have no figures available to indicate the cost of American manufacturers. However, I believe we have a truer yardstick to measure by than any cost figure that might be submitted. The profits of the American watchmakers are significant. The American watch manufacturers are prosperous. There is no question about that.

The Elgin and Hamilton watch companies have been paying dividends at from 15 per cent to 17 per cent yearly. Their capital has been doubled since the enactment of the 1922 tariff, entirely out of earnings. They not only have paid excellent dividends, but have also added to surplus out of earnings. As a matter of fact, they are now receiving the protection of rates that were an increase of 100 per cent over those prior to 1922.

Senator KING. That does not mean they are getting it.

Mr. GUILDEN. The rates that they are receiving now are practically an increase of 100 per cent over the rates in effect before the enactment of the 1922 tariff ad valorem rates.

Senator REED. You mean the tariff rates that their competitors are paying.

Mr. GUILDEN. The tariff rates that I am now talking of.

Senator REED. They do not receive the rates.

Mr. GUILDEN. They receive the benefit of these rates; and they are 100 per cent increase over the rates in effect before the enactment of the 1922 tariff.

Senator REED. I wanted to be sure of your meaning. You did not mean that their prices were 100 per cent higher.

Mr. GUILDEN. No. They are receiving the benefit of this protection.

Senator REED. I think we understand you now.

Mr. GUILDEN. These three companies—the Elgin, Waltham, and Hamilton—have the jeweled watch business of America practically controlled.

Senator REED. Elgin, Waltham, and Hamilton?

Mr. GUILDEN. Yes, sir. They are the three real American manufacturers of jeweled movements. There are no others of any consequence.

Senator REED. How about the quality of their product?

Mr. GUILDEN. It is good; it is all right.

Senator REED. As good as the imported article which sells at the same price?

Mr. GUILDEN. There are differences of opinion about those things. Some will say it is and some will say it is not. Of course they think it is. I am not in position to pass on that.

Senator REED. It is the usual salesman's talk, I suppose, that is used by both sides.

Mr. GUILDEN. Right.

Senator REED. Proceed.

Mr. GUILDEN. I would like to make it clear to you gentlemen that there is no conflict of interests here between American and foreign interests. The Tariff Commission has estimated that only 20 per cent of the total volume of the American watch business represents imported movements and watches. This business, as well as the many millions of dollars of American manufactured cases, crystals, straps, accessories, advertising, and so forth, which is estimated at $40,000,000, is all in the hands of American companies, owned entirely by American citizens.

The figures I quote were submitted by Mr. Strawn to the House Ways and Means Committee. A good part of this business, I think 62 per cent Senator King estimated it, covers movements imported, that is noncompetives with American manufacture. That is lower in quality that the 7-jewel movements, which are 6-jewel movements, that are not manufactured by the American manufacturers. The American manufacturer apparently does not want to make the poor man's watch which is the 1 to 6 jewel watch. I think Mr. Strawn testified to that effect before the House Ways and Means Committee.

Senator REED. They do not want to make that?

Mr. GUILDEN. No. They said there was certain low-priced watches they were not interested in making. For example, the Hamilton Watch Co. makes nothing lower in quality in a watch than 15 jewels. They make nothing lower than a 15-jeweled watch in quality. The Howard Watch Co. makes nothing lower than a 15 jewel. I think the Hamilton makes some 7-jewel movements, and Elgin makes some 7-jewel movements.

Senator REED. This all leads to the conclusion that in your judgment the duty imposed in the House bill, or by this proposed compromise, is too high.

Mr. GUILDEN. Absolutely, Senator. We believe that the present rates, the rates we are paying now, are sufficiently high that the American manufacturers can sell all the movements they can make of the kind that the American public wants. That statement is amply warranted by figures given out by the treasurer of the Elgin National Watch Co., which show that in addition to adding to surplus and paying dividends, they accumulated a special reserve of a million and a half dollars.

The Hamilton Watch Co., in one year, wrote off $1,000,000 for depreciated machinery on a total valuation of $3,000,000.

Those figures certainly do not indicate any need of protection.

On the other hand, the importers represent, in my opinion, $20,000,000 minimum of American capital. My company alone has from 3,000 to 5,000 stockholders. We employ many thousands of men.

Senator REED. You employ many thousands?

Mr. GUILDEN. All the importers, Senator—not we alone, although we employ quite a number in Providence, Jersey City, New York.

I believe that to the $10,000,000 of imported movements the Tariff Commission reported for 1928, we added at least $40,000,000 in labor costs, crystals, crowns, accessories, advertising, profits, merchandizing, and so forth.

Senator REED. You have spoken about the financial condition of these American manufacturers, and I would like to get a little information about your own industry, Mr. Guilden.

Mr. GUILDEN. Certainly.

Senator REED. What is your capital?

Mr. GUILDEN. Our capital consists of 50,000 shares of preferred stock of a par value of $55.

Senator REED. $55.

Mr. GUILDEN. $55. That is a little over $2,000,000; and we have 75,000 shares of common stock, no par value.

Senator REED. What dividends are you paying on the common now?

Mr. GUILDEN. We are paying no dividends.

Senator REED. Have you paid any dividends on the common?

Mr. GUILDEN. No, sir.

Senator REED. When was this capitalization undertaken?

Mr. GUILDEN. This capital structure was completed about the 1st of March.

Senator REED. And before that what was your capital?

Mr. GUILDEN. It was a privately owned company. We had a number of subsidiary companies that manufactured cases and other accessories totaling about $3,000,000.

Senator REED. What were your earnings in 1928?

Mr. GUILDEN. 1928—last year—the earnings were a little over a million.

Senator REED. On $3,000,000 invested capital?

Mr. GUILDEN. On $3,000,000 invested capital.

Senator REED. Do you remember what the earnings were for the year or two years before that?

Mr. GUILDEN. Yes, sir. In the preceding year they were about $600,000. That is approximate only.

Senator REED. That is 1927.

Mr. GUILDEN. Yes, sir; and the year before that they were about $200,000.

Senator KING. Are those net earnings?

Mr. GUILDEN. They are net earnings. I might add this: I think that we are the outstanding success among the importers. There is one other large company. I am not making any comparisons. They are just as large as we are. They enjoy just as good a business.

Senator REED. What were your gross sales last year?

Mr. GUILDEN. I do not know.

Senator REED. Approximately?

Mr. GUILDEN. We have never made that public. I will be glad to furnish them to you privately, but I would rather not furnish them in public. We have competitors here, and I do not think it is any of their business.

Senator KING. I can see no harm in your stating the gross sales of your business.

Mr. GUILDEN. I will be glad to furnish you that information privately if you want to know it, Senator, but I would not care to furnish it publicly or for the record.

Senator REED. Just write them on a piece of paper.

(The witness wrote figures on a piece of paper and handed it to Senator Reed.)

Senator KING. This means your subsidiaries too, I suppose; all that were united.

Senator REED. This group of companies that is under common ownership.

How do you market, Mr. Guilden? Do you sell to jobbers, or retailers, or sell direct in some way?

Mr. GUILDEN. The Bulova Watch Co. sells to the retail jeweler solely. We sell to no department stores; we sell to no mail-order houses. The Knickerbocker Watch Co. has a different sales policy. They sell to the wholesale jewelers.

Senator REED. Do you own a manufacturing plant in Europe, too?

Mr. GUILDEN. Yes, sir.

Senator REED. Where, in Switzerland?

Mr. GUILDEN. In Switzerland.

Senator REED. What do they make; movements?

Mr. GUILDEN. They make movements; that is, we assemble the movements over there.

Senator REED. You buy the parts and assemble them there.

Mr. GUILDEN. We make some parts and buy some parts.

Senator REED. And those are the movements that furnish your principal source of supply for your American operations.

Mr. GUILDEN. Right, sir. Without those movements we would have no American business.

Senator REED. Then you are really in a position to testify—owning factories of your own—whether these 6 or 7 jewel watches are given two adjustments.

Mr. GUILDEN. I thought I answered that before, Senator.

Senator REED. I did not get a very clear impression.

Mr. GUILDEN. We time our watches upright; we time our watches on their face. They must keep time within certain limited variations. Just what those variations are I am not familiar with, but they are the limits which the trade considers should be applied. It is not so difficult to make 2 adjustments, but it is quite another thing when you get into 4, 5, or 6 adjustments. Then you are getting into very difficult adjustments.

Senator REED. A person might infer that you did not refer to adjustments unless a watch has as many as 17 jewels.

Mr. GUILDEN. That is not right, sir.

Senator REED. So you do not pay any more duty at present because these 6 or 7 jeweled movements have been adjusted.

Mr. GUILDEN. No, sir.

Senator REED. But you would under the House bill.

Mr. GUILDEN. It would be considerable.

Senator REED. Do you make cheap watches?

Mr. GUILDEN. We make a complete line. We make a 6-jewel movement, and we make a 15-jewel and 17-jewel movement.

Senator KING. What would be the tariff if you can reduce it to ad valorem under the scheme proposed by Mr. Strawn and these importers?

Mr. GUILDEN. From the second-hand information I have been able to gather a 6-jewel movement of less than six-tenths of an inch diameter would pay $2.85 as against 75 cents at the present time. That is about a 273 per cent increase.

Senator REED. That is an extreme case. Is not that the smallest movement that is brought in?

Mr. GUILDEN. That is the smallest movement that is brought in; but, take the other size—no, I will go to the other extreme. The American manufacturers cited a 12-size 7-jewel movement for comparison, but these movements are not brought in, because they are not demanded by the American people in any quantity. A larger size would be a man's size for wrist wear, which would be $2.10 in these new rates as against 75 cents in the 1922 tariff, or about 200 per cent, or a little over.

Senator KING. Mr. Witness, under the present law, state what difficulties are encountered in its application and enforcement, and wherein there are loopholes, if there are any, and wherein it might be improved to the advantage of the American public, as well as to the American manufacturer. That is rather a large order.

Mr. GUILDEN. I think I can answer it briefly. I do not think there are any loopholes in the present law. I think the difficulties of interpretation that arose during the two or three years following the enactment of the 1922 tariff were really due to the anxiety of the American manufacturers to cover a situation more fully than they understood in the 1922 tariff and in doing that they somewhat overreached themselves.

I was not present at the 1922 tariff controversy, but the facts are available, and I know Mr. Zolla, who has since died, and who represented the watch importers called the attention of the American watch manufacturers, I believe, to the fact that they had not provided, for example, for a 6-jewel movement. They had not provided for a 17-jewel, 2-adjustment. They tried to cover most everything else. Of course, water runs down hill, and the merchant looks to the manufacturer to buy what he can handle most economically and sell the most quickly. The importers brought in 15-jewel movements and 17-jewel movements. 2 adjustments, under their classification for a year or so, until the Customs Court finally ruled that those movements were subject to a special duty, and they were classified to pay $4 plus 45 per cent duty, and of course that immediately eliminated these movements commercially.

The American public prefers to buy American watches. There is a style tendency in watches, just as there is in automobiles. If there has been any temporary decrease in the past year or two of the American watch manufacturers, it has not been due to competition

of imported movements, but the inability of the American watch manufacturers to foresee style tendencies, and the lack of proper merchandising.

Now, coming to the question of subassemblies; there was no provision made for watches which were brought in partly manufactured; and for several months—I do not know how long it lasted—we only knew of it for about 60 or 90 days—movements were brought in that semifinished state. This practice was eliminated by a Treasury Department decision, however.

Mr. Strawn, I think, testified before the House Ways and Means Committee, and I think the same testimony was advanced here; and the Tariff Commission also states that from 85 to 95 per cent of the cost of the movement is labor. Now, the only advantage the importers had in bringing in a knocked-down movement was the fact they had built it on the other side, taken it partly down, and brought it in as material, then added the missing part, and so completed the movement; but this has been stopped. Labor being so great a percentage of the cost of the movements, importers when assembling here are in the same position as the American manufacturer when paying 45 per cent duty on parts. This 45 per cent duty on watch parts is all the protection the American manufacturers need, in my opinion.

Senator KING. You stated that $40,000,000 was the output of these organizations that you are connected with.

Mr. GUILDEN. We have no statistics.

Senator KING. That is their sales, and so forth. It meant $40,000,000 expended in the United States, did it?

Mr. GUILDEN. We have no figures available. I infer that.

Senator KING. That was the business of your companies last——

Mr. GUILDEN. No; that was the total business represented by all the watch movement importers, their sales. I gleaned that information from Mr. Strawn's testimony out of this volume here [indicating].

Senator KING. The tariff hearings in the House.

Mr. GUILDEN. Yes, sir. We have no figures available as to what the total business was, but Mr. Strawn said that the amount of the imported article was about $40,000,000 or $50,000,000, and that we represented about 60 per cent of the total business, and they did a certain volume. Adding that, you get a hundred million dollars in total sales. The imports are about $10,000,000, according to Tariff Commission figures; and we add to that the difference between the ten and the forty millions.

Senator REED. Then you are in favor of retaining the present provisions of the 1922 law?

Mr. GUILDEN. Absolutely, sir.

Senator KING. One further question with respect to parts, concerning which there was some testimony.

Mr. GUILDEN. I have not finished. I will come to that, Senator. I have not finished my statement.

Senator KING. Proceed as rapidly as you can, then.

Mr. GUILDEN. Yes. I have been cross-examined considerably.

Senator KING. Yes. Proceed.

Mr. GUILDEN. Now, I come to the section devoted to material. That has been hashed over and gone over quite thoroughly, but that is so important that I want to call your attention to the injustice of the manner in which that has been handled.

Senator REED. Material?

Mr. GUILDEN. The watch material for repair.

Senator REED. You mean the parts clause, the 65 per cent clause?

Mr. GUILDEN. Sixty-five per cent.

Senator REED. This is the question of what should be a subassembly.

Mr. GUILDEN. What should be a subassembly.

Senator REED. All right.

Mr. GUILDEN. I have here some parts. [Exhibiting parts to the committee.] These cost from 10 to 15 cents. Here is a part consisting of two pieces. Under the proposed tariff that would pay $3, $4, or $5. Take a piece of material of this kind—two pieces—they must be imported this way; they can not be used any other way.

Senator REED. If the subassembly was defined as consisting of three or more pieces——

Mr. GUILDEN. That certainly would not be satisfactory, Senator.

Senator REED. We are never going to be able to make it satisfactory.

Mr. GUILDEN. I think it can be made satisfactory.

Senator REED. How?

Mr. GUILDEN. There is a provision in the tariff right now. I refer to that clause for payment of one-half the duty applicable to a finished movement on the bridge plate only. In other words, that one piece of material, the bridge plate, would be dutiable at one-half the duty applicable to a finished movement. The parts of the movement are assembled on the plate; and labor being so great an item in the manufacturing of a watch, there is no need to be concerned about the parts, whether they consist of three, four, or five parts together to make one complete part. The American importer could not assemble them into a completed movement. Such a duty, say, of 10, 15, or 20 per cent on a bridge plate, will absolutely render the importation of semifinished movements for assembly prohibitive, and the elimination of the clause covering materials consisting of two or more pieces, not constituting a subassembly, will admit the materials necessary to repair movements at a rate that will not be confiscatory on the importers or burdensome on the American public now owning watches.

I hear that American manufacturers and some of the American importers have set aside 4 per cent of all material to be imported for repairs. I do not think it is enough, to start with, but they are looking out for their own skins, I suppose.

Senator REED. Are not we all?

Mr. GUILDEN. Yes.

Senator KING. Supposing they sold in San Francisco, New Orleans, New York, and Chicago, how would they divide up this 4 per cent among those people?

Mr. GUILDEN. That is a hard question to answer, but it would not be long before the consumer would be out of luck under this 4 per cent classification.

Senator REED. I think we have your point on the subassembly.

Senator KING. Have you anything else to submit?

Mr. GUILDEN. No, that is all. Of course, the subassembly was ruled out by this Treasury decision.

Senator KING. Senator Reed, I would like to put in the record figures regarding the dividends and earnings of the Hamilton Watch Co. and the Waltham Watch Co., and later I will submit similar figures on the Elgin Watch Co.

(Senator King submitted the following data:)

HAMILTON WATCH CO.

Earnings

Calendar years—	
1923	$1,274,835
1924	955,359
1925	1,109,854
1926	1,168,050
1927	1,328,691

Average net earnings were $1,167,358 or over four times the $288,000 annual dividend requirements for this 6 per cent cumulative preferred stock to be outstanding. The paid in capital of the Hamilton Watch Co. at its inception in 1892 was $500,000. This has since been increased without further contributions from the stockholders to $4,500,000 common stock and $409,400 earned surplus. In addition cash dividends on the common stock from time to time outstanding have been paid without interruptions since 1899, the aggregate amount being over $8,500,000. The present rate of dividend is 15.6 per cent.

Incorporated, 1892.

Earnings 1927: Net, $1,274,835; per share (preferred), $26.56; per share (common), $5.48.

These are the combined earnings of the Hamilton Watch Co. and the Illinois Watch Co. after interest, depreciation, and Federal taxes.

Capital stock: (1) Hamilton Watch Co. 6 per cent accumulative preferred—Authorized, $5,000,000; outstanding, $4,800,000. Par, $100. (2) Hamilton Watch Co. common—authorized, $5,000,000; outstanding, $4,500,000. Par $25 (change from $100 to $50 in 1921, and to $25 in 1928, two new shares issued for each $50 par share).

Dividends

1899–1907	Ranged from 5 to 65 per cent.
1908	20 per cent cash, 100 per cent stock.
1909	15 per cent.
1910–1912	30 per cent.
1913	15 per cent cash, 100 per cent stock.
1914	16¾ per cent.
1915	15 per cent.
1916–1919	16¼ per cent.
1920	18¼ per cent.
1921	13 per cent cash, 50 per cent stock.
1922–23	15⅜ per cent.
1924	14⅛ per cent cash, 16⅔ per cent stock.
1925	14⅛ per cent.
1926	15⅜ per cent cash, 14⅔ per cent stock.
1927	15⅜ per cent.
1928 (January and February)	1½ per cent each.
1928 (March)	12½ per cent.

(Moody's Manual, Industrials, 1928, p. 2832.)

WALTHAM WATCH CO.

Incorporated, 1923.
Dividends, 1927:

Prior preferred accumulative	$228,771
Preferred declared	300,000
Class A dividends declared	174,460

Earned on preferred, $20.94.
Earned on class A, $22.89.
Capital stock: (1) Waltham Watch Co., 7 per cent cumulative prior preference—Authorized, $1,700,000; outstanding, $1,170,100; in treasury, $529,900. Par, $100. Issued, 1923. (2) Waltham Watch Co., 6 per cent preferred—Authorized, $5,000,000; outstanding, $4,165,400; reacquired and in treasury, $834,600. Par, $100. Issued, 1923. (3) Waltham Watch Co., class A common: Authorized, 25,000 shares; outstanding, 25,000 shares. No par value. Issued, 1923. (4) Waltham Watch Co., class B common: Authorized, 120,000 shares; outstanding, 50,075 shares; reacquired and in treasury, 19,925 shares. No par. Issued, 1923.
Price range, 1927: Prior preference, 118 to 100½; preferred, 86 to 61; class B common, 61½ to 40½.
(Moody's Manual, Industrials, 1928, p. 1712.)

ELGIN NATIONAL WATCH CO.

Capital stock: Authorized, $10,000,000. Increased from $6,000,000 in 1923 and from $8,500,000 in 1925. Outstanding, $10,000,000. Par $25 (changed from $100 in 1920; 4 new shares issued for each old share).
Dividends. At rate of 8 per cent per annum, paid quarterly, to May 1, 1925. August 1, 1925, 2½ per cent, and quarterly thereafter to February 1, 1928.
Stock dividends: 1903, 25 per cent; 1920, 20 per cent; 1923, 25 per cent; 1925, 25¼ per cent.
Extra cash dividends: 1918, 2 per cent; 1919, 3 per cent; 1922, 4 per cent; 1923, 5 per cent; 1924-25 (January), 10 per cent; 1925 (May), 1 per cent; 1926, 25 per cent; 1927, 6 per cent; 1928 (January), 4 per cent.
Reports for 1927 show a net income of $2,071,861, after depreciation, Federal taxes and charges or the equivalent of $5.17 a share earned on 400,000 shares at $25 par. This is a net earning on the par value of over 20 per cent.

(Mr. Guilden submitted the following brief:)

BRIEF OF THE BULOVA WATCH CO. AND OTHERS

CONDITION OF THE WATCH INDUSTRY

The watch industry since the enactment of the 1922 tariff has been in a prosperous condition. There has been no unemployment and companies engaged in this industry have had uniformly prosperous years. To justify further increases, it was claimed that there are only five watch companies in the United States left out of a total of 62 watch companies who had commenced operations at various times. (See statement of Mr. Taylor Strawn, p. 2349, tariff hearings before House Ways and Means Committee, Vol. III.)
The object of this statement was, undoubtedly, to indicate a highly competitive condition in this industry. But this is not a fact. Amalgamation, merger, and natural causes—no competition from imported movements—have contributed to the elimination of the companies during the 80 years that Mr. Strawn has gone back for his data.
Furthermore, during the past quarter of a century including the period before the enactment of the 1922 tariff, the manufacture of watches in the United States has centered in the hands of the companies now in business who are seeking the increase in the tariff schedules as reported by the House Ways and Means Committee.
The Dueber Hampden Watch Co., of Canton, Ohio, in business for a great many years, was sold by the owners, because of their advanced age, to promoters whose lack of knowledge of the business resulted in its failure. This was the only failure among the American watch manufacturers in recent times and can not be ascribed to competition caused by imported movements.

FINANCIAL CONDITION OF THE AMERICAN WATCH MANUFACTURERS

The Elgin National Watch Co., the Hamilton Watch Co., with which is combined the Illinois Watch Co., and the Waltham Watch Co. control the manufacture of jeweled watch movements in America. Reports of accredited financial agencies show that the Elgin National Watch Company earned $4.80 a share on a capital stock of 400,000 shares at the par value of $10,000,000 during 1928. This is about 20 per cent on its capital stock. Continuing its uninterrupted dividend policy this company paid $3.50 on the par value stock of $25, or at the rate of 15 per cent during 1928, and, in addition, added a substantial amount out of earnings to its surplus account.

Since the 1922 tariff this company has doubled its capital stock entirely out of earnings. On the basis of its capital before the enactment of the 1922 tariff its earnings would be 40 per cent on its capital in 1919.

The financial history of the Hamilton-Illinois watch companies is similar. These companies paid dividends to their stockholders at the rate of 17 per cent last year and increased their capital stock from $1,500,000 in 1913 to $4,500,000 in 1928, $2,000,000 of which was from the period of 1922 to 1928, thereby also doubling their capital out of earnings since the enactment of the 1922 tariff.

The Waltham Watch Co. in 1928 showed net earnings of $888,873 for 1928.

The above profits were had in spite of the fact that the American watch companies have always carefully controlled and limited the sale of their product. In the past 12 months this policy of limited distribution has been made more stringent and further controlled by the elimination of several of their distributors.

These statements and facts are not intended as a criticism of sales policy or business methods of the American manufacturers. These facts are cited merely to show that the American manufacturers do not require further protection, but on the contrary, have enjoyed almost unbroken prosperity and have paid continuous dividends to their stockholders.

AMERICAN PRODUCTION

In 1914 the total value of watch movements manufactured in the United States was $6,300,000 since which time it has been steadily increasing and in 1928 the total was $21,948,842. (See Department of Commerce report on International Trade in Clocks and Watches, Trade Information Bulletin No. 585, p. 1.)

It is claimed by the American manufacturers that their maximum production capacity is 3,700,000 movements yearly and that their annual production in 1928 was 1,815,000 movements (p. 2359, Tariff Hearings, House Ways and Means Committee, vol. III, Schedule III).

In comparison with the above, however, the United States Department of Commerce statistics show the following: In 1923 maximum production of 1,980,636 jeweled watch movements; in 1925 maximum production of 2,199,334 jeweled watch movements; in 1927 maximum production of 2,281,303 jeweled watch movements. (See Census of Manufacturers 1927, p. 2.)

It is not quite clear how the American manufacturers have reached a total of 3,700,000 movements as their maximum capacity. Undoubtedly, in this total are included production for models and sizes of movements, for which there is no present day demand.

In watches as in automobiles and clothes, styles change. The consumer demands new models and new styles. That the American manufacturers sell their entire output is evidenced by their policy of selling only to those on their limited customer list which they have further reduced this year. It is our opinion that the American watch manufacturers are now operating to capacity on the style of watch the American public demands and that they are selling all the watches so manufactured by them.

In support of the above, we submit the Elgin National Watch Co's. advertisement which stated as follows: "Our sales in the past three months have been the largest in the history of the company."

The circular referred to is as follows:

TO OUR RETAIL JEWELERS:

The end of 1928 has just passed around the corner. Looking backward we can all see where lots of improvement might have been made in many of our operations. That is experience and places us in a stronger position to do better and finer work in 1929.

If we have made errors they were of omission rather than commission. Our motives have been clean. Our enthusiasm has been from the heart—and great reward has come to us. Our sales in the past three months have been the largest in the history of our company. And for this we sincerely thank you for the important part you played in this successful selling campaign.

The retail jeweler, loyal to Elgin watches and alert to the recognition of constructive Elgin policy has made our past year a happy one. We hope that our sincere endeavor has contributed something lasting that will have had some part in making yours the same.—Elgin National Watch Co., U. S. A.—Elgin watches are American made. (The jewelers' circular, January 3, 1929, p. 102.)

In an interview to Printers Ink in October, 1928, Mr. Taylor Strawn, an officer of the Elgin Nation Watch Co. said as follows:

"Many manufacturers have recently had precisely the same problem, from Henry Ford down. Industry was marching placidly along in goose-step formation of mass production and in came the public's demand for style, in lower priced manufacture, but suddenly the consumer of low-priced merchandise made style the dominant demand, and he demanded style just as decisively as had everyone else.

"On May 1, the first three styles were introduced. On September 1, three more. Their success can be told in a sentence. Parisiennes sold in greater volume than any other model of watch ever produced by Elgin in its 60 years of watchmaking. But the Parisienne success was only a part of the effect on Elgin's general welfare. Sales of all models of Elgin line increased through the Parisienne advertising. Because of the introduction of the Parisienne, one weak spot in our watches style, became one of their strongest attractions.

"Our next step was to feature the cheaper watch for men in our advertising. In July we ran an advertisement, headlined "The first time a twenty-dollar bill ever bought a strap watch of this Elgin quality."

"Style ideas that have been constructed for watches of much higher prices appear in the Legionnaire model, selling from $19 to $27.50."

THE RELATION OF IMPORTED MOVEMENTS TO THE TOTAL OF DOMESTIC MANUFACTURE.

The total value of watch movements imported during 1927 was $10,864,242. The imports for 1928 were $9,503,464, therefore showing a decrease in imports. (Tariff Information 1929, Schedule 111 compiled by the United States Tariff Commission, p. 785.)

It is the contention of the American manufacturers that the imported movement represented in its comparative effect in the American market between $42,000,000 to $56,000,000, thereby absorbing 60 per cent of the American consumption capacity for watches. (See statement of Mr. Taylor Strawn, p. 2360, Tariff Hearings before House Ways and Means Committee, Volume III, Schedule 111.)

There seem to be no statistics available covering the total volume of watch business in the United States. Accepting the figures of the American watch manufacturers, the total business would be about $100,000,000, of which the American companies importing watch movements represent about 50 per cent.

It is therefore apparent that the value of the imported movements is less than 10 per cent of the total watch business in the United States.

The United States Tariff Commission in its summary of tariff information at page 785 states that the average annual imports are equivalent to about 20 per cent of the domestic production.

The difference between the value of the imports and the $50,000,000, representing the total amount of business attributed to importers. will leave the amount spent by the American importers in American-made watch cases, watch

crystals, watch crowns, straps, watch accessories, and display boxes, all of which are manufactured in America by American labor with American capital. There is also an additional amount spent in advertising in American newspapers and periodicals. It is therefore apparent that the imported product represents but a portion of the amount which is spent in supporting many allied domestic industries.

There is no conflict between American interests and foreign interests, or between American capital and foreign capital. The entire business of American watch manufacturing and American watch movement importation, in addition to the manufacturing of the watch cases and other accessories need for imported movements as enumerated above, is almost entirely in the hands of American companies and American citizens. This identity of interests between American manufacturers and American watch movement importers and allied domestic industries should be considered.

American watch importers and their associated domestic industries represent American capital and American labor, almost exclusively. The American watch importers and their allied domestic industries have on their pay rolls between 5,000 and 10,000 persons and represent an investment of over $20,000,000. Several of the companies are corporations whose stock is publicly owned. Two of these companies have between 3,000 and 5,000 American stockholders each.

It seems to be the request of the American watch manufacturers that the $10,000,000 of imported movements, which is only 10 to 20 per cent of the total domestic production and around which is centered $40,000,000 of American manufacturers, shall be eliminated or reduced and that this business shall be transferred from the pockets of one set of American citizens to that of another—namely, the American watch manufacturers.

This in spite of the fact that the American watch manufacturers have been earning satisfactory returns on their capital, and in spite of the fact that there has been a total failure upon the part of the American watch manufacturers to show that there has been unemployment in the industry or lack of progress.

We do not believe that it is the intent of Congress to raise the tariff rates so drastically that imports are rendered prohibitive, fair competition eliminated, and established American commerce destroyed.

SCHEDULE OF THE INCREASES SUGGESTED BY HOUSE WAYS AND MEANS COMMITTEE

The following is a table of comparative rates showing the duties now assessed and the rates proposed in the House schedule. It should be noted that the increases range from 185 to 533 per cent.

Description	Present act	Rates in House					Percentage of increase
		Base rate	8 jewels at 20 cents	Dial	2 adjustments	Total	
10½ ligne:							
6-jewel movement	$0.75	$1.75		$0.25	$2.00	$4.00	433
15-jewel movement	2.00	1.75	1.60	.50	2.00	5.85	185
9¾ ligne:							
6-jewel movement	.75	2.00		.25	2.00	4.25	440
15-jewel movement	2.00	2.00	1.60	.50	2.00	6.10	201
8¾ ligne:							
6-jewel movement	.75	2.25		.25	2.00	4.50	450
15-jewel movement	2.00	2.35	1.60	.50	2.00	6.35	218
6¾ ligne:							
6-jewel movement	.75	2.50		.25	2.00	4.75	533
15-jewel movement	2.00	2.50	1.60	.50	2.00	6.60	225

MANNER OF CLASSIFICATION AND RATES IN THE PROPOSED SCHEDULE

Watch movements have been classified for duty purposes in four different ways and in some instances as many as seven.

The proposed rates set up a new and confusing method for computation for tariff purposes. The subcommittee of the House Ways and Means Committee

was of the opinion when they established their rates that the increase would average about 50 per cent over the tariff of the 1922 act. (See p. 271 of House Document No. 15, tariff bill of 1929.) As indicated by the schedule included herein the increases really range from 185 to 533 per cent.

The increases have fallen with unusual severity on the lower-priced watches, which class of watch it is admitted the American watch manufacturers do not make.

Mr. Strawn representing the American watch manufacturers stated that they do not desire to manufacture a cheap low-priced jeweled watch. This was brought out in the following examination before the House Ways and Means Committee (p. 2453):

"Mr. RAMSEYER. Do they import an inferior quality which the American consuming public wants, that you do not compete with?

"Mr. STRAWN. They certainly do, sir.

"Mr. CHINDOLOM. Could you make that kind of a watch if the market were open?

"Mr. STRAWN. We would not make that kind of a watch.

"Mr. GARNER. You do not want the American people to have the benefit of these watches that do not keep good time.

"Mr. STRAWN. I think that is true."

A large percentage of the imported movements consist of this class of watch and meets the demand of that class of the American public who must have a low-priced watch or do entirely without one. To place a high duty on this article would simply bar the importation of this watch without in any way benefiting the American manufacturers who admittedly do not manufacture this style of watch. There is, therefore, no question of competition and the American watch manufacturers can require no additional protection.

MATERIALS AND PARTS FOR REPAIRS

It is important that the situation as to watch parts and material be carefully considered. After a watch is sold it is necessary that repairs and service to the watch be available to the consumer. Parts for the repair of watches are made by each manufacturer for his own product. The same is true of the imported watches. Parts made by American manufacturers can not be used for imported watches and the parts for imported watches can not be used in American-made movements. In view of the fact that there can be no interchange of materials in the different makes of movements there seems to be no protection necessary and the duty should be assessed accordingly and not at a prohibitive rate.

The following is a specimen schedule showing comparison of duty on a few materials and parts as provided in the House bill.

Description	Value	Rate proposed	Approximate percentage of duty	Present rate, 1922 tariff	Approximate increase
				Per cent	*Per cent*
Complete pallet	$0.50	$2.00-$6.00	1,000	45	955
Balance wheel	1.00	2.00- 6.00	500	45	455
Minute wheel	.15	2.00- 6.00	3,500	45	3,455
Mainspring	.15	60 per cent	.....	45	15
Hairspring	.25	2.00- 6.00	2,000	45	1,955
Lower cap jewel	.25	2.00- 6.00	2,000	45	1,955

The present rate on materials is 45 per cent. This has been increased to 60 per cent in the House Ways and Means Committee schedule. With this additional drastic provision inserted reading as follows:

"Each subassembly (except one consisting solely of a mainspring with riveted ends) consisting of two or more parts or pieces of material joined or fastened together shall be subject to the same amount of duty as the complete movement, mechanism, device, or instrument for which intended or suitable." (Paragraph 367, Section C, division 3.)

This means virtually an increase of duty in some instances up to 3,500 per cent.

For example: A balance wheel with balance screws attached is worth 25 cents and will pay from $2 to $6 in duty under the schedule in question. The screws are attached to the balance wheels to "true" up the escape wheel so that its weight is evenly distributed and so that it can properly function in the movement. There are other watch parts which will be similarly classified. Materials sold by the American manufacturers for their own product is finished in the same way.

The reason advanced for the need of this confiscatory rate was the elimination of the practice called "subassembly." This is the importing of a movement partly assembled, classifying it as "material" and paying the material rate instead of the movement rate. This practice, however, was stopped almost immediately after its discovery by the Treasury Department (T. D. 42832, tariff information, p. 788) with the assistance of the American watch importers.

It is impossible to import any watches in this semifinished state at the present time unless the duty as a completed movement is paid.

The following schedule is a comparison of selling price of watch material for domestic and for imported watches. From this is indicated that the American manufacturers sell their material for less than the importer.

12 size	Imported			Domestic		
	Tavanes p. 922	Bulova p. 926	Gruen p. 929	Waltham p. 698	Elgin p. 550	Waterbury p. 670
Mainsprings	$0.25	$0.35	$0.25	$0.20	$0.20	$0.15
Complete pallet	1.25	2.00	1.25	1.50	1.00	.30
Balance staff	.35	.45	.45	0.25-.35	0.20-.25	.15
Stem	.55	.35	.45	.60-.65	.40	.15
Hands	.15	.20	.20	.20	.15	.15

It is also our opinion that the duty applied to bridge plates shall be amended so as to be one-tenth of the amount of duty which would be borne by a completed movement for which it is intended and which will further effectively bar subassembly. The rate proposed by the House bill (paragraph 667, C (2) that bridge plates shall pay one-half the cost of the completed movement is confiscatory. A bridge plate worth about $0.25, is merely the foundation around which the entire movement is constructed and would pay from $1 to $3 duty under this provision. This confiscatory rate is so out of line with all reason that it is impossible to see how parts and materials necessary to repair watches now in the hands of the American consumer can be imported.

The American watch manufacturers have agreed that a duty of 10 per cent on jewels used by them in the manufacture of movements and for replacement and repairs is all that is necessary. We believe that fairness requires that inasmuch as the other materials and parts which can only be used for repair are not manufactured by the American manufacturer, should be similarly assessed As indicated above, the American manufacturer does not make parts for replacement for imported movements.

It being apparent that materials and parts do not require protection, it is suggested that the present duty of 45 per cent be retained unless the same be reduced to 10 per cent as now assessed on jewels. This will enable the retail jeweler to service the watches sold by him at a fair cost and with the preceding suggestions will bar the possibility of all subassembly.

CONCLUSION

From the foregoing facts it is clear that the rates proposed in the House bill would inevitably increase prices to the consumer, destroy established American commerce, and in our opinion, result in no benefit whatever to American labor or industry.

Furthermore, it would spell ruin to that portion of the great American watch industry—owned by American citizens—which employs American labor and uses American-made watch cases, accessories, and advertising; but which

imports only the necessary and essential movements that go to make up so important a part of the watch business in the United States.

It is, therefore, respectfully requested that the rates as contained in the present tariff act be retained.

Respectfully submitted.

IRA GUILDEN,
BULOVA WATCH CO.,
New York City.
AMERICAN STANDARD WATCH CASE CO.,
Providence, R. I.
BAYER, PRETZFELDER & MILLS,
New York City.
KNICKERBOCKER WATCH CO.,
New York City.

(Twenty-five American importers of movements and watch supply manufacturers).

SUPPLEMENTARY BRIEF OF BULOVA WATCH CO. ET AL.

It was testified to before the Senate Finance Committee by Mr. George Gruen, of the Gruen Watch Makers Guild and his associated watch movement importers, that the memorandum covering rates filed jointly by the American watch manufacturers and some of the importers was an expression of 75 per cent of the American watch importers. This is not a fact. The importers generally were not informed of the conferences initiated by Mr. George Gruen individually with the American manufacturers; neither was the industry invited to any of their deliberations.

The memorandum filed is an expression of a small group of importers interested mainly in 15 and 17 jewel movements only, and they do not represent the opinion of the industry generally, who are opposed to the rates proposed in their agreement.

A careful analysis of the rates submitted in this "compromise" schedule will indicate that, whereas the increases of from 40 to 90 per cent in the 15-jewel quality that the 6-jewel and cheapr qualities are increased from 200 to 300 per cent over the 1922 rates.

The Gruen Watch Co., of Cincinnati, A. Wittenaur & Co., of New York City, and the comparatively few other importers associated with Mr. George Gruen in this attempt to compromise are interested mainly in 15-jewel and higher-jeweled movements. They do very little, if any, business at all in the lower-jeweled qualities.

SIX-JEWEL WATCHES

The statement was made in the testimony before the Senate Finance Committee that a watch manufactured with less than seven jewels had no place in the industry, was ntt required, and was not looked upon with favor. We contest this fact. Sixty-two per cent of the movements imported are manufactured with six jewels or less. This watch is the poor man's watch. This is the kind of a watch the American manufacturer does not and will not make. There is no more reason for attempting to outlaw this quality of movement by putting a prohibitive duty on it than it would be to bar the sale of movements with no jeweling at all manufactured by the millions annually in the United States. The 6-jewel movement occupies its own distinctive place in the market, and does not compete with any merchandise of American manufacture.

MATERIAL AND PARTS FOR REPAIR

The clause specifying that materials and parts for repair be limited to 4 per cent of the value of a shipment of movements, and must be inclosed with the shipment of movements, is an unfair and entirely unnecessary restriction placed upon the operation of our business. The very small quantity of material that this provision would allow to enter into the country would be insufficient to enable us to properly provide the many thousands of our American distributors with material to repair the millions of watches now being worn by the American public, and which have been bought by them over a period of many years.

This clause was written for the purpose, it was stated, of barring subassembly. This practice, however, has been commented upon elsewhere in our brief. We merely wish to point out that the effect of this 4 per cent clause would be to harrass the importer and render the importation of parts for repair prohibitive.

CONCLUSION

We respectfully request the committee to maintain the rates in effect in the present tariff covering watch movements and watch materials. Under these rates the American manufacturers have prospered. The American importers of watch movements have succeeded in building and creating an accessory manufacturing industry that provides watch cases, etc., to complete the imported movement that contributes annually upwards of $40,000,000 to American commerce. American labor is fully employed and we believe that any increase in duty would reflect in increased costs to the American consumer, destroy established American commerce and disturb American labor now fully employed.

Respectfully submitted.

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BULOVA WATCH CO.,
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New York City.

(Twenty-five American importers of movements and watch-supply manufacturers.)

STATEMENT OF WILLIAM I. ROYALL, REPRESENTING THE PERPETUAL SELF-WINDING WATCH CO. (INC.), NEW YORK CITY

(The witness was duly sworn by the chairman of the subcommittee.)

Senator REED. You also wish to speak on the watch paragraph 367?

Mr. ROYALL. Yes, sir.

Senator REED. Did you testify before the House, Mr. Royall?

Mr. ROYALL. I did not, sir.

Senator REED. Did you file a brief?

Mr. ROYALL. I filed a brief, sir, but just the latter part of last week.

Senator REED. What particular item do you appear on?

Mr. ROYALL. Paragraph 367, subdivision 5, line 6.

Senator KING. You want to limit your testimony to that item, do you?

Mr. ROYALL. Yes, sir.

Senator REED. What is line 6?

Mr. ROYALL. It is a paragraph penalizing self-winding watches with extra duty.

Senator REED (reading):

Or if self-winding, or if a self-winding device may be incorporated therein.

Mr. ROYALL. Yes, sir.

Senator REED. Additional duty $1.

Mr. ROYALL. Yes, sir.

Senator REED. You import those articles?

Mr. ROYALL. Yes, sir. The self-winding watch operates by the use of a pendulum which is pivoted to the winding barrel, and by moving upward and forward due to the change of position of the arm this pendulum winds the mainspring.

Senator REED. Where is your factory—Switzerland?

Mr. ROYALL. Switzerland. We own the patents covering this watch. We are not American manufacturers. I think our laboratory has filed about 50 patents covering the self-winding feature, and we think we have it so well protected that no other company can make it. I do not know whether or not our patents can be gotten around, but I very much doubt it, especially in view of the patents we have obtained on the releasing mechanism which prevents the mainspring from becoming wound too tight, or stripping of the gears.

Inasmuch as ours is not a competitive article in any sense of the word, because there is no other self-winding watch made, we can not conceive why we should be penalized with the extra duty and not treated just as an importer and paying on the same basis as any other importer, and paying the same duty as any other importer, because we are importing, primarily, a wrist watch.

As far as duty on watches as a whole go, I have talked to Mr. Fred Gruen, who represents, I think, about 75 per cent of the importers, and I have left entirely in his hands the matter of the application of duty as a whole and I only want to talk about this particular product.

Senator REED. Was that Mr. George Gruen you talked with?

Mr. ROYALL. Yes. I said Fred Gruen, but I meant George Gruen.

Senator KING. Would this proposed duty be an advantage or disadvantage to the buyer of the watches?

Mr. ROYALL. That is to the disadvantage of the buyer; it will unquestionably increase the price to the American public. Although the compromise duty, I think, is about 10 per cent over the present duty, that is going to be passed on to the American buyer.

Senator KING. When you speak of compromise duty, do you mean a duty agreed on by Mr. Gruen and the manufacturers, that they get together and ironed out their difficulties?

Mr. ROYALL. Yes. Here, Senator, is one of the self-winding watches. [The witness demonstrated the watch to the committee.]

Senator KING. I am curious to know why there should be an additional tariff on a movement of the character you have described. I can understand why there should be a tariff upon watches——

Mr. ROYALL. On the watch as a whole; yes.

Senator KING. And I do not object to a reasonable duty, but I do not see why they should place an additional duty on that.

Mr. ROYALL. That is what we want to know. An increase in the duty means a greater burden to us, and our watches are not competitive with any similar watches manufactured here in America. For instance, our 15-jewel chromium-plated watch will retail for $50. The American manufacturers are able to retail a similar watch at between $30 and $40.

Senator REED. You are talking about the self-winding watch now?

Mr. ROYALL. Yes; I am talking about the self-winding watch. The cheapest watch we manufacture is $35 and it will retail for $50. The American manufacturer can retail a watch of that class between $30

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and $40. So we are not interfering with any of the business of any American manufacturer. It is not only on this self-winding feature——

Senator REED. What does that cost in Switzerland?

Mr. ROYALL. We pay $7.50 for this movement, and exactly the same movement without the self-winding feature would cost only $3.50. So the incorporation of the self-winding movement is sufficient penalty alone.

Senator REED. What you import is the movement only; you do not import the cases.

Mr. ROYALL. No, sir; we buy cases here. The movement represents about 20 per cent of the value of a watch.

Senator REED. All right, sir.

Senator KING. Do you know what reason is assigned for suggesting this extra duty? There must be some reason.

Mr. ROYALL. There is no reason I know of, with the exception that possibly some manufacturers feel this watch will become more or less popular and they think they might be able to put a crimp in it and stop the thing.

We have no idea of controlling the world rights on this watch or anything of the kind. This is really an experiment to demonstrate whether it will be a success. We have put about $1,000,000 into the experiment, and once its success has been proven, if the American manufacturers can not get around our patterns, we are perfectly willing to license them. We do not intend to control the world, or anything of that sort; and I do not see any reason why we should be penalized.

Senator REED. All right, Mr. Royall. You have a brief?

Mr. ROYALL. Yes.

Senator REED. Your brief will be filed immediately following your testimony.

Mr. ROYALL. This is a copy of the brief. I have already submitted the original. The original was sworn to. This is a copy of it.

Senator REED. The statements made in the brief are correct, are they?

Mr. ROYALL. Yes, sir.

Senator REED. That is sufficient. We will put your brief in the record, and it will be printed.

(Mr. Royall submitted the following brief:)

BRIEF OF THE PERPETUAL SELF-WINDING WATCH CO. OF AMERICA (INC.)

In paragraph 367 (5), line 6 of the new revenue bill, the following appears: "Any of the foregoing shall be subject to an additional duty of $1 each, if constructed or designed to operate for a period in excess of 47 hours without rewinding, or if self-winding, or if a self-winding device may be incorporated therein."

As our company, and its parent company, is the only company in the world making a self-winding wrist watch, this paragraph evidently, unless put in by mistake, refers directly to us and therefore in our opinion is discriminatory. We are not in competition with any American manufacturer, nor can we have this watch made at the present time by any American manufacturer. This watch operates by the use of a pendulum which is pivoted to the winding barrel and by moving upwards and forward due to the change of position of the arm, this pendulum winds the mainspring. There is a patented device

releasing the pendulum when the mainspring becomes fully wound. With this patent and subsequent patents which we have filed, we believe that it will be impossible for anyone to make this self-winding watch without an infringement upon our patent or patents unless we license them to use same.

As we understand the tariff law it is protection of American Industries, and as there is no American manufacturer making a self-winding wrist watch or clock of this type, and therefore there is no one to protect with regard to this article, we would like to recommend to the Finance Committee that this paragraph be removed from the tariff law, as it is obviously unfair.

In witness whereof I have hereunto set my hand this 27th day of June, 1929.

WILLIAM L. ROYALL,
Chairman of the Board of Directors.

STATE OF NEW YORK,
County of New York, ss:

On this 27th day of June, 1929, before me personally appeared William L. Royall, to me known and known to me to be the individual described in and who executed the foregoing instrument and who swears that the above statement is true and accurate to the best of his knowledge.

[SEAL.]

ISABEL K. GAIR,
Commissioner of Deeds, New York City.

PREPARED STATEMENT OF HON. EMANUEL CELLER, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF NEW YORK, ON BEHALF OF THE PERPETUAL SELF WINDING WATCH CO. OF AMERICA (INC.)

Paragraph 367a, subdivision 5, of the Hawley bill provides for an additional duty on watches that are self-winding. The watches turned out by the Perpetual Self Winding Watch Co. of America (Inc.), with place of business at 0 West Forty-seventh Street, New York City, are the only self-winding wrist watches in the world. These watches do not come into competition with any watches made by any American manufacturer. There is, therefore, no element of protection involved.

It is my firm belief that this particular clause was inserted to take care of self-winding clocks and other time-indicating or time-measuring mechanism or devices, other than watches.

The Perpetual Self Winding Watch Co. of America (Inc.), ever since its inception, has been endeavoring to have the movements of its self-winding watch made in this country. It has importuned some of the prominent watch companies to make the movements for them; but to no avail.

Everything in this self-winding watch is made in this country except the movements.

The company desires to spend a great deal of money in building machinery and plants but are not desirous of investing too much capital until they know that the perpetual self-winding watch will be a success. The watch is quite new. It differs fundamentally from all other first-class wrist watches in that it has an automatic winding device instead of the ordinary winding stem. Through the elimination of the winding stem there is eliminated the majority of watch disorders.

This company has already invested $600,000 and is committed to put in $50,000 more in the manufacture of the watch to the end that it may be tested out as to its practicability.

Out of every dollar which is spent, approximately 60 cents is spent in this country for cases, watchmakers' salaries, advertising, rent, clerical hire.

The members of the board of the company are prominent citizens, including Edward R. Tinker, former president of the Chase Security Co., and now owner of the Knox, Dunlop, Long stores; George Armsby, vice president of Blair & Co.; Oscar R. Ewing, partner of Hughes, Schurman & Dwight; R. Lawrence Oakley, member of the New York Stock Exchange; Truman Handy, vice president of the Hearn's Department Store.

It is to be hoped that a differentiation will be made in self-winding clocks and perpetual self-winding watches, which are usually worn in the form of wrist watches, and is wound by the motion of the arm, and that this distinction be incorporated in paragraph 367–a, subdivision 5, by which the addition of the words "except self-winding watches."

STATEMENT OF H. D. STEEL, REPRESENTING THE HERMAN D. STEEL CO., PHILADELPHIA, PA.

(The witness was duly sworn by the chairman of the subcommittee.)

Senator REED. You represent the Herman D. Steel Co.?

Mr. STEEL. Yes, sir. It is a partnership.

Senator REED. What business is that company in?

Mr. STEEL. We import watch and clock parts which we sell principally to the watch and clock manufacturers.

Senator REED. You are a dealer in parts, then?

Mr. STEEL. Yes, sir.

Senator REED. You do not assemble yourself?

Mr. STEEL. No.

Senator REED. Did you testify before the Ways and Means Committee?

Mr. STEEL. No, sir.

Senator REED. Did you file a brief there?

Mr. STEEL. No, sir.

Senator REED. All right, Mr. Steel, proceed.

Mr. STEEL. Our problem has practically been solved by what has been suggested here, that subassemblies be defined to mean three or more parts. We have been particularly interested in hairsprings. This has been collected, which means that this is a piece of steel and a piece of brass in the center and it is attached to the staff—or a piece of phosphor bronze and a piece of brass. So, if you make subassemblies three or more pieces, our problem is solved so far as the subassembly is concerned, to a certain extent.

Senator REED. You will concede, of course, Mr. Steel, that there is a fairness in putting some limit on the number of pieces that should go into a subassembly and still call it a part.

Mr. STEEL. Exactly.

Senator REED. You can not allow a finished movement to come over here minus one gear wheel or balance wheel and call it a part.

Mr. STEEL. Certain not. The hairspring with its collar is a unit the same as the mainspring with its T end is a unit; and the mainsprings have been already excepted.

Senator KING. Suppose a small part having four or five component pieces should come in.

Mr. STEEL. If it makes a unit it should have an exception.

Senator REED. Of course you will understand that this is only a suggestion of changing the definition and it is merely my suggestion. I do not know whether the subcommittee will agree with me, or whether the whole Finance Committee will agree with me; and nobody knows what the whole Senate will do. But, to finally dispose of hairsprings, you feel that a rate of duty of 65 per cent is too much on hairsprings?

Mr. STEEL. On parts.

Senator REED. The present duty is 45.

Mr. STEEL. The present duty is 45, and even with 45 per cent we have not been able to get a large part of the hairspring business that there is to be had in this country. We can not compete even with our foreign materials and pay a duty of 45 per cent.

Senator REED. Who makes hairsprings in this country?

Mr. STEEL. I know of two concerns in New England. One is Peck and one is Manross; and there may be others.

Senator REED. Do the large watch companies such as Hamilton, Waltham, and Elgin, make their own hairsprings?

Mr. STEEL. I can not speak for Hamilton, but I believe that Elgin and Waltham make their own hairsprings.

Senator KING. That is true, Mr. Strawn, is it, with respect to Elgin?

Mr. STRAWN. That is true; yes, sir.

Senator REED. You sell, then, mostly to assembly plants?

Mr. STEEL. No, we sell mostly to manufacturers.

Senator REED. American manufacturers?

Mr. STEEL. To American manufacturers; very few jobbers.

Senator REED. Do these same people buy all their parts from abroad, or do they manufacture some of them?

Mr. STEEL. No, some of them, most of them make most of their own parts. We sell to some people who make hairsprings as well, and yet they give us a large part of their business.

Senator KING. Because of superior quality?

Mr. STEEL. Yes, sir.

Senator REED. Where do your hairsprings come from?

Mr. STEEL. Germany.

Senator REED. From Germany?

Mr. STEEL. Yes, sir, that is the phosphor bronze and steel colletted springs come from Germany. The very fine steel hairsprings would come from Switzerland.

Senator REED. And you think the 45 per cent duty enough?

Mr. STEEL. Yes, sir.

Senator REED. To protect the American manufacturer of hairsprings.

Mr. STEEL. Yes, sir.

Senator REED. I do not think there is any witness or representative from either of those hairspring manufacturers here who can tell us, so I will ask you: Do you know whether they are properous?

Mr. STEEL. I do not know.

Senator KING. Are you interested in any other parts except hairsprings?

Mr. STEEL. Yes, sir, in balance wheels, which have been previously mentioned bimetallic balance wheels and solid balance wheels. A bimetallic balance wheel has screws in it and, of course, would be more than two pieces joined or fastened together.

Senator REED. Yes, we have a sample before us here left by Mr. Guilden which shows from 17 to 23 pieces in a balance wheel.

Mr. STEEL. Yes, sir; and the balance wheel is a unit the same as the mainspring is a unit, or the same as a hairspring is a unit.

Senator KING. What would that little piece just exhibited to the committee be called?

Mr. STEEL. That would be a subassembly.

Senator KING. A subassembly?

Mr. STEEL. Yes, sir.

Senator KING. And what rate would that take?

Mr. STEEL. Under the House bill this would pay the price of a finished watch.

Senator KING. Of a finished watch?

Mr. STEEL. Yes.

Senator REED. What do you call those screws that are set in around the rim of the balance wheel?

Mr. STEEL. We call those balance screws; and some balance wheels have two other screws that we call time screws, and some balance wheels have four time screws.

Senator KING. Take one of these that Senator Reed just called attention to. I think you said it had 17 parts, did you not?

Mr. STEEL. Yes. That could have 12 screws, 14 screws, or 16 screws.

Senator KING. Would that little piece you hold in your hand if it had 12 or 15 screws, under the House bill, bear the full duty of a finished watch?

Mr. STEEL. That is my understanding of it.

Senator KING. If it is composed of three parts it would bear the same duty?

Mr. STEEL. According to my understanding it would also bear the tariff of a finished movement.

Senator KING. Did you intend to express to the committee your approval of the provision of the bill if it were amended as Senator Reed suggested to be three parts?

Mr. STEEL. No, sir. It was my intention to suggest that units such as balance wheels shall be accepted the same as mainsprings are accepted as a unit.

Senator REED. I get your point. You would like to have us take the subparagraph dealing with parts and make it read "parts not constituting a subassembly and mainsprings with or without riveted ends, and balance wheels with or without balance screws and time screws such and such a per cent"?

Mr. STEEL. Yes, sir; and colletted hairsprings. That would be covered by your "three or more pieces."

Senator KING. Where would you draw the line on what you call a subassembly after which it would take the higher duty?

Senator REED. I think he gave us that; anything that consists of three or more pieces ought to be considered a part excepting the mainspring and balance wheel.

I might call your attention to the fact that we have recently had a demand from small manufacturers not capable of producing it themselves or perfecting it in this country for a vibrating balance wheel; in other words, a balance wheel with its staff, its roller, its pin, and the hairspring attached to it, finished abroad, so that they can take it and put it in their movement. Now, there we come into a combination of five or six articles, and if we are going to maintain the subassembly I do not know how that would be handled.

Senator REED. I think it would be going pretty far to except all that.

Mr. STEEL. The hairspring is not yet attached to that. That is four parts there.

Senator REED. And the screws?

Mr. STEEL. No; counting the screws and the balance as one part.
Senator KING. If each screw was a separate part, there would be six?
Mr. STEEL. Oh, yes.
Senator KING. And the cost of that would be how much?
Mr. STEEL. That would cost abroad anywhere from 15 to 30 cents or 40 cents.
Senator KING. And under the House bill the tariff would be several dollars?
Mr. STEEL. Yes, sir.
Senator REED. All right, Mr. Steel; thank you, sir.
Mr. STEEL. Thank you.

STATEMENT OF EDGAR L. VAIL, REPRESENTING THE JAEGER WATCH CO., NEW YORK CITY

[Including automobile clocks, speedometers, etc.]

(The witness was duly sworn by the chairman of the subcommittee.)
Mr. VAIL. Senator, I am here on behalf of my company. We manufacture 8-day watches.
(The witness spread a display of timepieces and parts before the committee.)
Senator REED. You call those watches, do you, Mr. Vail?
Mr. VAIL. Technically, they are watches.
Senator REED. Where do you draw the distinction?
Mr. VAIL. It is a very difficult thing to draw the line of demarcation between a watch and a clock, inasmuch as the customs department have ruled that these are clocks and come in under the classification of clocks, we may call them clocks. I am referring to them as watches, but "watches" or "clocks" at your convenience. The new bill provides that anything worn on the person or in the pocket is a watch. Under the interpretation of the present law the customs department rules that unless it was worn in the pocket it was a clock, which, of course, is incorrect, because a wrist watch under those conditions would be a clock. A frail thing like that [exhibiting a very small wrist watch] would be called by them a clock.
Senator KING. Do you classify that as a clock?
Mr. VAIL. No, sir. They would not classify it as a clock, but I mean if you accepted their definition literally it would be a clock. In other words they rule that anything not worn in the pocket is a clock.
Senator KING. Nevertheless, they did not hold it to be a clock.
Mr. VAIL. That is true, quite true.
Senator KING. They ruled as to that that it was a watch instead of a clock.
Mr. VAIL. Yes, sir. These clocks, or timepieces which we produce are used principally in automobiles and aircraft. We bring in the parts only, the machined parts, not assembled. The foreign value of the parts represents about 38 per cent of the cost of the complete item.
Senator REED. You do not manufacture any parts yourself?

Mr. VAIL. Practically none with the possible exception of main springs which can be produced in this country cheaper than we can buy them abroad.

Senator KING. You are a domestic manufacturer?

Mr. VAIL. Yes, sir.

Senator KING. And what is your company?

Mr. VAIL. The Jaeger Watch Co.

Senator KING. Where do you operate?

Mr. VAIL. New York City.

Senator KING. What do you really manufacture?

Mr. VAIL. We manufacture the complete article. The principal cost in producing a clock, or a watch, is in its assembly. It must be carefully assembled. The balance must be carefully poised. The hair spring must be carefully placed in position, and the watch then regulated for position and adjusted so that it will keep time; and we get what is known as a jeweled clock, and we sell them and guarantee they will run and keep time within two minutes a week which, of course, indicates that they must be a quality product.

Under the proposed bill the domestic manufacturers have very subtly arranged with the House whereby the parts provision, if accepted literally, would cause us to pay a difference on an article of that kind [exhibiting a small part of a watch movement] of several dollars. That part costs, foreign value, perhaps a cent. That is pretty evident in their paragraph wherein they state—

Senator REED. Do I understand you to say that the duty on that watch would be several dollars?

Mr. VAIL. Yes, sir; according to our interpretation of this law. They speak of subassemblies.

Senator KING. What paragraph are you reading from, Mr. Vail?

Mr. VAIL. Paragraph 368 or 367, which is the same—paragraph 367.

Senator KING. What subdivision?

Mr. VAIL. Subdivision (c), subparagraph 3.

Senator REED. Page 103.

Mr. VAIL. Page 85, please.

Senator REED. It is page 103 in our bill, line 5:

> Each subassembly, except one consisting solely of a main spring with riveted ends, consisting of two or more parts or pieces of metal joined or fastened together, shall be subject to the same amount of duty as the complete movement for which intended or suitable.

Mr. VAIL. The part I showed you is made of two pieces. There is a stamping and a turning, and the turning is pressed into there.

Senator KING. What paragraph would fix the duty upon that little mechanism?

Mr. VAIL. That is the point, Senator. It would be impossible for the appraiser to determine. In other words, the appraiser would look at that and say: "Is that intended for a 21-jewel 5-position watch adjusted to three positions and temperature, or is it just an ordinary six or seven jeweled watch without any adjustment"?

Senator REED. It might be for either.

Mr. VAIL. You are correct.

Senator KING. I am told that some of these little parts carry a duty of over 3,500 per cent under this proposed bill.

Mr. VAIL. It is possible that that is true. If you take that particular piece there, it costs less than a cent. It is possible that the duty would work out where we might have to pay $5.10 or $5.15 according to the way I figure it out, so that percentage might be possible.

It is our opinion that it was not the intention of the House to be put into the position of having written such a bill which could be interpreted in that manner; and if you accept it literally it can not be interpreted otherwise. We believe that particular point should be qualified because the appraiser of the customs division otherwise would be obliged to make all these deductions.

(The witness displayed several little parts on the table before the committee.)

Senator KING. You call attention to some other little parts. Would they come in the same category?

Mr. VAIL. This particular piece is of two pieces, Senator.

Senator KING. Yes. I notice that.

Mr. VAIL. That is composed of two pieces. If you wanted a center wheel for the watch you would expect to receive a center wheel with the staff and pinion that goes with it and you would not expect to pay $6, $7, or $8 for a piece like that which does not cost more than a cent and a half or two cents.

Senator KING. Proceed as rapidly as you can, please.

Mr. VAIL. All the parts entering into an entire clock——

Senator REED. I think you have illustrated the point.

Mr. VAIL. You must bear in mind that these parts are brought in and assembled by us. For example the balance, which is made of more than one part as you see it there is not of importance, but that balance must be installed into the movement, very carefully poised, and the hair spring must be placed in position and the balance must be put in so it will keep time and not vary more than 10 seconds a day. That is quite an operation.

Sixty-two per cent of all the skilled labor that goes into the making of the complete watch is American labor.

These parts are made on automatic machines abroad and brought into the country.

As regards main springs—they talk about measuring the tariff—we are not concerned about the complete article; I do not care what change they ask for, we have our own opinion on what ought to be put in, but we are not concerned about that.

Senator REED. What is your opinion? If you are not concerned that makes your opinion more valuable.

Mr. VAIL. From our experience, Senator, in our competition, the clock manufacturers have always, in our opinion, had a great deal more protection than they deserved on a clock, for example——

Senator REED. You are a clock manufacturer, are you not?

Mr. VAIL. I mean a complete clock coming in.

Senator REED. But you make that which competes with it.

Mr. VAIL. Yes; we are clock manufacturers, so that as American clock manufacturers we say that the clock manufacturers have received more protectior than they had any right to have—45 per cent plus $4 each on a 7-jewel clock. Now, there is no reason why jeweled clocks should receive the protection they receive, in our opinion.

Senator REED. Are any of them imported?

Mr. VAIL. Oh, yes; yes, quite a number.

Senator REED. So, the duty is not enough to keep them out.

Mr. VAIL. Well, I mean there is quite a few.

Senator KING. Is the importation comparable to the domestic production?

Mr. VAIL. That I do not know. The clock protection as applied to the cheap alarm clock perhaps, yes; they should be given the protection they have had, but as applied to jeweled clocks, no.

Senator KING. I find by reference to the tariff summary here that on complete clocks and movements, and clock materials, the domestic production in 1927 was $33,000,000; starting in 1919 it was $26,000,000; and it has increased to $33,913,029. So, there has been a progressive increase; and if there have been importations, they do not seem to have materially affected the domestic production.

Mr. VAIL. They are not of any consequence, not sufficient to cause anybody any great worry.

Senator REED. All right, sir.

Senator KING. And the value of the imports seem to have been only $1,139,000. The value of the exports of clocks and parts from the United States were, in 1928, $1,452,000. The exports were larger than the imports.

Mr. VAIL. We have always heard that under the tariff act of 1922 the domestic manufacturers of watches or clocks have been prosperous; they have all made money; yet they come here and they ask you for an increase in duty on complete watches.

As far as we are concerned we can see no reason for an increase in the duty from 50 per cent to 65 per cent on parts. Our experience would indicate that they do not require that protection.

I think that anyone, any technician of a watch or clock company would tell you that the most difficult part to produce for a good timepiece, clock or a watch, is the mainspring, because of the care with which you have to prepare the steel, but principally the care with which it is shaped and heat treated. The tempering has to do with the quality of the spring. You could take that spring, temper it, have it perfect and respond properly to tests with various instruments and yet when it comes to putting the blueness on it if the man in making it blue happens to hold any part of the spring over the fire too long it is spoiled at that particular part so that you get an irregular movement throughout the spring and it will jump at that point. The main spring is probably the most intricate part of the watch to produce. These other parts are mostly made from standings. These mainsprings can be and are manufactured in this country and we buy them from the other fellow at a profit at 20 per cent less than they were costing us in Switzerland. The duty on clock springs is 50 per cent; and to show you the ridiculousness of it, it is only 45 per cent on a watch under the present bill.

Senator KING. Do I understand you to mean that you have to pay more for the imported article than you can buy the domestic article for?

Mr. VAIL. Yes, sir; we can buy them for 20 per cent less here.

Senator KING. Is the imported article superior to the domestic?

Mr. VAIL. No, sir.

Senator KING. Then why do you import it?

Mr. VAIL. We are not going to import it. We have stopped importing it; but I only point that out as an instance. Why should they ask for 65 per cent as against 50?

Senator KING. To what extent are those parts to which you refer as being cheaper, being imported into the United States?

Mr. VAIL. These particular parts [indicating]?

Senator KING. Yes.

Mr. VAIL. I think we are unique in our position in the sense that as far as I know we are the only people in this country who manufacture 8-day watches, or watches from the article broken down in its entirety, just the stuff as it comes from the machines, and assemble it into a complete article.

Senator KING. May I ask this question: What proportion of the parts of the clocks do you manufacture and which are manufactured by other in the United States, are machinemade?

Mr. VAIL. What proportion?

Senator KING. Yes.

Mr. VAIL. I do not know of anything that is made by hand.

Senator KING. You have exhibited a clock here (picking up one of the timepieces).

Mr. VAIL. Yes, sir.

Senator KING. What parts of this clock, from the case down, are not handmade?

Mr. VAIL. You mean the parts only, not the assembly?

Senator KING. Yes.

Mr. VAIL. Not any.

Senator KING. They are all machine made?

Mr. VAIL. Yes, sir.

Senator KING. Are all the parts that you have exhibited here machine made?

Mr. VAIL. Yes, sir.

Senator KING. Have you made an investigation of the comparative cost abroad and in the United States of the various parts which go to make up the finished product?

Mr. VAIL. As applied to the main springs, yes; as applied to cases, yes; and very recently as applied to plates which they in this bill make prohibitory—in other words, that [producing a part] is a plate for a clock. That is the top part which goes to make up a complete movement; that is where the wheels are assembled and put together.

Senator KING. Is this made by machinery?

Mr. VAIL. Yes, sir; every bit of it. American manufacturers have machines that will take a plate like that and do more than 100 operations on it without being touched by a human being.

Senator KING. You were going to point out something when I interrupted you.

Mr. VAIL. I was going to point out to you those plates. I want to give you an idea what a plate looks like; that is just a plate in itself [indicating]. The tariff proposed provides that the plate shall not be brought in.

Senator REED. Where does it provide that?

Mr. VAIL. I say it provides it although it does not in exact terms, but it provides that it shall carry half the duty of the complete article. What is there difficult about manufacturing that? We, in our opinion, from our investigation, can produce that in this country cheaper than we can import it; but it simply means we have to go to Switzerland and spend five, six, or seven thousand dollars in Switzerland for machines, because those machines are not made in the United States.

So the prohibitive duty on that is not helping the American machine makers at all. We will buy the machines in Europe and have one man operate two or three machines and produce them here cheaper than we now import them.

Senator KING. I presume that each clock maker has what you might call a style of his own.

Mr. VAIL. They are not interchangeable.

Senator KING. The parts are not interchangeable.

Mr. VAIL. No, sir.

Senator KING. So that whereas the Elgin, or some of the other companies—the Hamilton and the Waltham—might produce these various parts which you have indicated they would be from different dies or of a different character and would not be suitable for the particular clocks which you turn out.

Mr. VAIL. That is right. This is an assembling business.

Senator REED. Mr. Vail, we are pretty well pressed for time.

Mr. VAIL. I would like to speak briefly on this subassembly business. We believe it will be a very simple matter to correct that paragraph. You will find in that paragraph that they have excepted main springs with riveted ends so as to avoid any possibility of main springs; and the American interests are dependent upon Switzerland for certain types of main springs, the small type, particularly. They are also dependent on Switzerland for certain types of jewels.

Senator REED. The House bill provides that main springs with or without riveted ends shall carry 65 per cent.

Mr. VAIL. Yes, sir, and jewels 10 per cent. That is specifically stated there. In other words they are working around to try to put us out of business. Why should they? We use nothing but American skilled labor.

Senator KING. Are you acquainted with the Sangamo Co.?

Mr. VAIL. Only in a general fashion.

Senator KING. I have an advertisement here which appeared in the Saturday Evening Post recently in which it states that it was so successful in its business that its output is increasing and they are making exports to South America, Canada, England, and that even far off Switzerland is buying the products of his company.

Mr. VAIL. Yes.

Senator KING. So, apparently, they are shipping to Switzerland and selling in competition with the Swiss.

Senator REED. That is a specialty is it not?

Mr. VAIL. It is; correct.

Senator REED. Very well; let us proceed.

Mr. VAIL. So far as that paragraph is concerned we believe that the paragraph can be rewritten very easily and so as to eliminate

at subassembly reference. We believe that it was not the inten-on of the House to put it in there.

Senator REED. I have been told that some of the importers and ome of the manufacturers have been working together in an effort submit a revision of this whole portion of the bill. Have you en a party to that?

Mr. VAIL. I have not; no.

Senator REED. I have not seen it myself.

Senator KING. Since the Senator mentioned it, I was told that it as only a limited number of the importers that had composed their ifferences with the manufacturers, but that a large number had t been consulted, or at least had not agreed to this composition.

Mr. VAIL. The American manufacturers have agreed, I think, at we ought to get a certain quantity of repair parts for people ho buy foreign made watches; that we ought to provide for a mall percentage of parts to come in for repair purposes. If it be mited to that, so far as we are concerned we will be very adversely ected. We are not importers; we are manufacturers. Sixty-two r cent of the skilled labor in our watches is American labor. If eir suggestion were adopted that it be limited to 10 per cent we ould have to bring in 10,000 watches, and then we could bring in 00 sets of parts and use American labor for assembling the 1,000, e other 10,000 being assembled in Switzerland.

Senator REED. I think we have got your point.

Mr. VAIL. Might I be permitted to submit a recommendation or ggestion for a change in that paragraph?

Senator REED. Certainly.

Senator KING. And file a brief, too.

Senator REED. Anybody may submit a suggestion.

Mr. VAIL. Here is a chronograph which is principally used in iation. It has a stop watch feature, as you can see. It is a very portant instrument. It is the only method of determining accu-tely the speed of an airplane, or the rate of climb, or the time ent at the landing field, in the air, and the like. It is so impor-nt that the United States Navy uses it. We import that com-tely assembled because it can not be made in this country; there is thing like it; it never has been made; the demand is not very large. e sold only about 150 chronographs last year, or at the most maybe). That is a complete stop watch and 8-day clock incorporated and a very important thing on an airplane. We can not assemble this this country. The stop watch mechanism must be made in Swit-land. The stop watches put out by the Waltham Co. are not ade in this country but the mechanism is imported from Switzer-nd. They can not make it here. At the present time we pay ap-oximately 100 per cent duty on this instrument.

Senator REED. Why can it not be made here?

Mr. VAIL. Because it is a very complicated instrument, Senator.

Senator REED. Notwithstanding that, we make complicated instru-nts here.

Mr. VAIL. I will not say that it can not be made here, but so few e sold—not over 500 or 1,000 a year—that there is not sufficient antity to support such an industry here. Everybody is more or airminded and anxious to further the interest of aviation and

help aviation and we feel that it would not be doing too much to put them on the free list at least for two or three years or until a sufficient demand was created to justify the establishment of such an American industry.

Senator KING. Under what paragraph of the proposed bill would that be?

Mr. VAIL. Three hundred and sixty-eight.

Senator KING. Which subdivision, clocks?

Mr. VAIL. Yes, clocks; and that particular instrument is an 11-jewelled instrument. The foreign value cost is approximately $8. We pay $11.50 duty on it.

Senator KING. What do you call that?

Mr. VAIL. A chronograph.

Senator REED. A dollar a jewel—$11.

Mr. VAIL. Yes, approximately. If I remember correctly we pay $11 and something duty because we pay a specific duty; we pay 25 cents for each jewel; there are 11 jewels, and a lot of other monkey business, so that when we get through we have paid something over $11.

Senator REED. What does it retail for?

Mr. VAIL. At the present time and under the present duty we pay about $11.50 duty and we sell them for $60 wholesale subject to a discount of 50 per cent—we sell them for $28, and sometimes as low as $25; and the cost is around $18 something.

Senator REED. Then they retail to the ultimate consumer at about $112?

Mr. VAIL. $60 is the list price; that is the retail price.

Here [indicating another instrument] is the same type chronometer that gives the elapsed time. There is the same instrument, at the same price; it costs the same to produce; but it shows the elapsed time. For instance, with one of these instruments on board the aviators now over the Atlantic on the way to Rome can at a glance tell how many hours have elapsed since their take-off from New York or Old Orchard, Me. What we want to do is to combine the two instruments. If we do, it will cost us approximately $12 or so in Europe, and on it we would pay about $18 duty, which means $30. You do not sell many of them. We would have to wholesale them for about $60, and we ought to be able to wholesale them to the aviation industry for $20 or $22. It does not hurt anybody in the country, does not affect any domestic manufacturer, because there is none.

Senator REED. All right, sir.

Senator KING. Have you a brief?

Senator REED. If you have a brief, you may file it.

Mr. VAIL. I have a brief. I also filed a brief in the House.

Senator REED. Is this a different brief from that filed in the House?

Mr. VAIL. Yes, sir.

Senator REED. It will be placed in the record.

(Mr. Vail submitted the following brief:)

BRIEF OF JAEGER WATCH CO. (INC.)

To the COMMITTEE ON FINANCE,
United States Senate, Washington, D. C.

GENTLEMEN: This company is engaged principally in the manufacture of automobile watches or clocks from imported material, i. e., "parts" which are dialed, assembled, cased, regulated, and adjusted into the finished article at our plant in New York City.

RE PARTS OF MOVEMENTS

Our imported material or "parts" constitute 51 per cent (includes 50 per cent duty) of the cost of the finished movement, the other 49 per cent being represented entirely by the American labor employed by us in assembling and adjusting them. The American labor which we employ the year around to dial, assemble, case, regulate, and adjust these movements should entitle us to consideration as domestic manufacturers.

Subparagraph (c) of paragraph 368, H. R. 2667, provides:

"(c) Parts of any of the foregoing (except dials, cases, containers, and housings) shall be dutiable as follows:

* * * * * * *

"(3) each subassembly consisting of two or more parts or pieces of material joined or fastened together shall be subject to the same amount of duty as the complete movement, mechanism, device, or instrument for which intended or suitable."

That provision was doubtless enacted at the request of the domestic manufacturers of watches and clocks to make absolutely prohibitive the importation of foreign movements in so-called knocked-down or partly assembled condition; but if the language used be literally interpreted and applied it would in effect actually bring within its scope almost every single "part" which we import, including wheels, studs, uprights, wheels with pinions, balance staffs, balances, bushings, and even the hands, all of which are commonly and universally regarded in the trade as single units or "parts" in clock and watch construction. For example, the balance is a unit many times needing replacement, and is made up of several parts, viz: There are screws upon the rim of the balance wheel used as counterweights; the balance staff itself is made up of more than one part; the balance also includes a hairspring. The balance or staff is the portion of the watch that is usually broken or knocked out of poise when a watch is dropped, as it is probably the most delicate portion of the watch and, because of its delicacy, requires skilled labor done upon it when assembled into the movement and also when replaced. Whether originally installed or replaced, it is necessary that the balance be poised and the hairspring set in proper position before regulating to keep time. The importation of the balance complete does not displace the use of skilled labor in America, for the regulating, poising, timing, etc., of the balance is done when the balance is assembled into the movement or replaced in the event of repair made necessary by breakage. (The samples and photographic representations which we submit herewith amply illustrate this.)

A great many watch and clock "parts" are thus made up of two or more pieces pressed or staked together in making them into finished units, but as thus constituted they are uniformly bought and sold in the foreign and domestic trade as "parts" of clocks or watches. They are never regarded as subassemblies nor anything but a single unit in the trade.

Who would regard a clock hand as anything but a single unit or part of a clock? Yet it is made up of two pieces—the flat part, which is stamped out, and the circular bearing or bushing at the hole and, by means of which it is fastened to the hour or minute wheel of the movement, which is firmly and permanently pressed into the round hole in the end of the hand.

Who would regard a wheel as anything but a single part of a clock or watch movement? Yet it also in some instances has a similar bearing or a pivot, staff, or pinion firmly and permanently pressed into the center, and thus actually consists of more than one piece.

Subparagraph (3) refers to "two or more parts or pieces of material joined or fastened together." This probably was intended as referring to complete standard "parts" of clocks, as known and recognized in the trade; but literally applied it may mean any part or piece of such a well-recognized "part" of a clock.

Again, the paragraph says "joined or fastened together." This probably was intended to refer to the usual trade method of joining or assembling together the well-recognized "parts" of clocks by means of screws or nuts and studs. Yet literally applied it may mean any method of joining or fastening together the pieces that go to make up the standard "parts" of clocks by means of pressure or welding in the making of such "parts."

We respectfully submit, if it was the intention in said subparagraph (3) to refer only to the joining or fastening together of two or more finished standard "parts" of clocks to constitute a "subassembly," that language to accomplish that purpose should be used. To that end we suggest that the provision read as follows:

"(3) Each subassembly consisting of two or more *standard* parts or pieces of *clock movement* material joined or fastened together *with screws, or studs and nuts, or any substitute for such method of joining or fastening them*, shall be subject to the same amount of duty as the complete movement, mechanism, device, or instrument for which intended or suitable." (Italicized part new.)

In the consideration of subparagraph (3) it seems rather inconsistent and unjust to make any two of the small "parts" of clock movements, when fastened together, dutiable at the same amount of duty as a complete movement, when the preceding subparagraph (2) makes an entire front or back plate of a movement, or both such, if imported together, dutiable at only one-half of the amount of duty which would be borne by the complete movement.

It will be noted that subparagraph (1) makes "parts (except front and back plates of the movement, and jewels) not constituting a subassembly" dutiable at 65 per cent ad valorem. Clearly, the word "parts" as there used is intended to mean standard, commercial "parts" of movements. Hence it would seem to follow that the same meaning was intended to be given to the word "parts" when used in subparagraph (3).

Jewels, as above noted, are excepted from the "parts" referred to in subparagraph (1), obviously because "Jewels, suitable for use in any movement, mechanism, device, or instrument dutiable under this paragraph or paragraph 368," are provided for in paragraph 367 (d) at 10 per cent ad valorem. However, jewels are imported in two forms—plain and mounted in a brass bushing. Under a literal interpretation of subparagraph (3) of paragraph 367 the latter class of jewels would be a "subassembly," as they are composed of two pieces of material joined or fastened together, and would then each be subject to the same duty as the complete movement for which they are intended or suitable. Such an application of subparagraph (3) as now written would, of course, be absurd.

This same absurdity would result in its application to a great many of the recognized standard "parts" of clock movements which we import, which, in fact, as above pointed out, are made up of two or more pieces usually firmly and permanently pressed, staked, or riveted together. These "parts" cost us anywhere from as low as $0.01 each to $0.174 each, most of them under 5 cents each. As "parts" of movements they would be dutiable under subparagraph (1) at 65 per cent ad valorem. If treated as "subassemblies" under subparagraph (3) they would each be dutiable at the same amount of duty as the complete movement for which they were intended or suitable—which would result in an increase in duty of many thousands per cent. We respectfully submit that such an absurdity could not have been intended in subparagraph (3).

The increase in duty on "parts" of clock movements in the pending bill is already 15 per cent in excess of the rate to which they are subjected under the present act—from 50 per cent to 65 per cent; which would seem to be the increase in duty actually intended to be made on such "parts" in the new tariff act. Then why should said subparagraph (3) not be amended, as above suggested, to prevent the possible classification of such "parts" as "subassemblies"?

It is interesting to note that such of the domestic interests as suggested this prohibitive duty upon subassembles who depend largely for their supply of small mainsprings upon the imported article have been very careful to see

that these articles do not fall within the classification of "subassembles." Mainsprings are also made of two parts or pieces joined or fastened together, and would doubtless fall within that classification if they had not been specifically provided for in paragraph 367, viz:

"(1) Parts * * * not constituting a subassembly and mainsprings *with or without riveted ends*, 65 per cent ad valorem.

"(3) Each subassembly (*except* one consisting solely of a mainspring *with riveted ends*) consisting of two or more parts or pieces of material joined or fastened together, etc."

This group of domestic interests have therefore carefully excepted mainsprings from the operation of the term "subassembly" by the above-quoted exception in subparagraph (3) of paragraph 367, and expressly provided for them as "parts," at 65 per cent ad valorem, "with or without riveted ends," in subparagraph (1) of said paragraph, thus clearly showing that it was their intention subsequently to claim that subparagraph (3) of paragraph 368 should be construed so as to make standard "parts" composed of two or more pieces which were pressed, fastened, or riveted together, other than mainsprings, classifiable under said subparagraph (3) as "subassemblies."

From the foregoing it is manifest, if subparagraph (3) of paragraph 368 classifies "parts" of movements which are made up of two or more pieces of material firmly fastened together in the making as "subassemblies," that then there will be very few "parts" indeed which will find classification under the provision for "parts" in subparagraph (1) of said paragraph at 65 per cent ad valorem. In fact, it would almost deprive said subparagraph (1) of any operation whatever.

In closing this section of our brief we wish to point out the utter impossibility of equitably or reasonably putting into effect the "subassembly" provisions in both paragraph 367 and paragraph 368.

It is provided that a "subassembly" shall be subject to the same amount of duty as the complete movement for which intended or suitable.

If a "subassembly" consisting, say, of a large and a small standard wheel fastened together, which are not "intended" for any particular movement, are imported as mere repair material, then it will have to be determined for what kind of a movement it is "suitable."

But if this "subassembly" is "suitable" for use in several kinds of movements, subject to different rates of duty, which rate of duty will be applied to it?

Under paragraph 368 the specific duty may be anywhere from 55 cents to $4.50, plus 65 per cent ad valorem, or plus 25 cents for each jewel contained in the movement. Which duty will be put upon a "subassembly"?

Under paragraph 367 the specific duty may be anywhere from $1.25 to $2.50, plus 20 cents for each jewel in excess of seven (or less 40 per cent if having no jewels, or only one jewel); or plus $1 for each "adjustment" of whatever kind; or plus $1 if constructed or designed to operate for a period in excess of 7 hours without rewinding. Which duty will be put upon a "subassembly"?

The utter absurdity of the provision is illustrated in the case of a "subassembly" which is "suitable" for use in a watch movement, which identical movement may be "adjusted" to one position or five positions, depending upon the desire of the manufacturer of the movement (without in any way changing the mechanism of the movement), and which would add from $1 to $5 to the duty applicable to the respective movements. Which duty will be put upon a "subassembly"?

This group of watch and clock manufacturers, for whose benefit these new watch and clock schedules apparently have been enacted, have succeeded in obtaining a special privilege over all other domestic manufacturers of watches or clocks by securing a very low duty upon the parts which they import, viz, watch jewels and mainsprings, and a prohibitory duty of many thousands per cent upon the parts which they manufacture here. People naturally will hesitate to buy a watch or a clock which can not be economically repaired in this country; so that by this "subassembly" provision it is clear they have in effect also practically prohibited the importation of watches and clocks because the balance and other "parts" are very often broken and necessarily need replacement. The duty upon each of these replacement parts, classified as a "subassembly," is the full duty upon the watch or clock which it is intended for repair, which duty, as aforesaid, amounts to many thousand times the value of these "parts"; hence they could never be imported.

The duty upon watch and clock movements has been increased enormously by the House bill, and in addition to this increase the importation of repair parts has been practically prohibited. We submit that this will completely wipe out our business, as well as that of all other manufacturers of watches or clocks in this country who use imported material, other than the favored group who have instigated this tax, and who have carefully excepted the parts which they import from this prohibitory duty. We suggest that Congress has no intention of so completely advancing the interest of one group of American manufacturers, and completely eliminating another group of American manufacturers who have not the cohesive organization apparently required to obtain such a privilege.

RE SPEEDOMETERS, TACHOMETERS, CHRONOGRAPHS, ETC., FOR AIRPLANES, MOTOR BOATS, AND AUTOMOBILES

We also import some of the above devices in a finished condition, and they would fall within the general provisions in paragraph 368 for "any mechanism, device, or instrument intended or suitable for measuring time, distance, speed, * * * or similar uses," at a specific rate (according to value) of from 55 cents to $4.50 each, plus 65 per cent ad valorem.

We submit that the following shows that the domestic interests do not in fact need this high protection, and that chronographs and time-of-flight chronographs for airplanes, which are not manufactured at all in the United States, should in fact be free of duty.

Speedometers for automobiles are sold by at least three domestic manufacturers for less than $2.50 complete with flexible shaft and casing.

The Jaeger Co., of Paris, manufacture speedometers for the European trade, but we could not compete with them in this country, even if allowed free entry, owing to the service organization required, like that maintained by the American manufacturers.

An imported speedometer valued at $2.40 would pay a specific duty of $1.50, plus 65 per cent ($1.56), which totals $3.06 duty, making a landed cost of $5.46, whereas the domestic manufacturers sell a similar article at less than $2.50, presumably at a profit. This situation speaks for itself.

We import complete two types of chronographs for airplanes; one will enable you to time your speed in fifths of a second; the other shows elapsed time (time-of-flight model).

Similar instruments are not manufactured in the United States, and there is not enough demand to justify anyone in this country entering into their manufacture, nor is the qualified personnel available here. They are imported complete owing to the impracticability of manufacturing them in this country and the limited demand for them.

These chronograph mechanisms, to indicate time in fifths of a second, or elapsed time, when attached to or made integral with an 8-day timepiece mechanism, causes the complete article to be very expensive, but it is very desirable and in many cases necessary in flying.

While we are all more or less willing to contribute to the furtherance of aviation, the airplane instruments above described pay 96.40 per cent ad valorem under the present tariff ($7.50), but would pay 151.70 per cent ad valorem under the proposed tariff ($11.80).

Chronographs (with stop watch or elapsed-time indicator, or both features) and their respective 8-day timepiece movements should, we submit, therefore, be specifically provided for in a separate paragraph, and, since they do not and will not compete with any domestic industry, should be free of duty. This would enable us to sell these instruments to airplane manufacturers for less than $20 for the timer model, or the elapsed-time model, and less than $30 if both features are in one instrument.

Chronographs are used extensively on mail, transport, and military airplanes and experimental airplanes in checking the time passed at various stops, the time required for a given run, the rate of climb, speed, and other information useful and necessary to airplane development and operation. They are used by the United States Army and Navy and by many of the test pilots, laboratories, etc.

We think that the foregoing reasons demand a special paragraph to cover time of flight and speed of motion chronographs.

Respectfully submitted.

JAEGER WATCH COMPANY (INC.),
By E. L. VAIL, *Vice President.*

SUPPLEMENTAL BRIEF OF JAEGER WATCH CO. (INC.), NEW YORK CITY

NEW YORK, *July 10, 1929.*

COMMITTEE ON FINANCE,
United States Senate, Washington, D. C.

GENTLEMEN: At the hearing before this committee on the subject matter of the main brief filed by the undersigned, held on July 9, 1929, several matters were brought up and discussed, which make the filing of this supplemental brief necessary.

The new paragraphs 367 and 368 in the bill as passed by the House are long, involved, complicated, and an utter departure from the language used in said paragraphs in the tariff act of 1922 and other previous tariff acts. In fact, some of the members of this committee stated at the hearing that, while they had carefully read the new provisions, they were at a loss to understand them.

It is a settled procedure in tariff legislation to stick to language of the prior tariff act, as far as possible, which has been litigated and construed by the courts during the life of that act, only making such changes in or additions to the former language as are deemed necessary to cure defects in the former language, or to meet decisions which have been adverse to the presumed congressional intent under the old act, by reason of the language adopted which apparently did not expressed the intended congressional intent, or to meet new conditions which have arisen since the enactment of the old act. In other words, the construed structure of the old provision is usually retained, as far as possible, and only such changes or additions are made to it as may be necessary, as above outlined.

In accordance with this policy, we suggest that the main structure of paragraphs 367 and 368 of the act of 1922 be retained as far as possible, because almost all of the difficulties of construction which arose under them have been judicially litigated and construed. One or two such difficulties still remain unsettled, but these can well be taken care of by way of amendment to the existing language of said paragraphs in the old act. For instance, it has not yet been judicially determined how many parts of a movement, if any, may be present upon importation to constitute the importation not a movement, but cause it to fall within the classification of parts of watches or clocks. This can well be taken care of by way of amendment to the existing paragraph by distinctly defining what shall constitute parts of watches or clocks.

Again, it has not been judicially settled when, from the standpoint of size, a movement ceases to be a watch movement and becomes a clock movement. This can also be easily remedied by prescribing a size (ligne number) limiting the size of movements to be classified as watch movements, as has in fact been done in the House bill.

The provisions for "subassemblies" in both paragraphs 367 and 368 of the House bill came in for a good deal of discussion at the hearing, and the consensus of opinion seemed to be that they were unreasonable and impossible of application without causing absurdities and injustices.

It was conceded that if these provisions as now written were literally construed and applied they would impose many thousands per cent ad valorem duty upon many single standard parts of a movement, which parts themselves are made up of a number of pieces fastened or staked together to make such parts.

It is therefore respectfully submitted that the subassembly provisions should be amended as indicated at page 4 of our main brief, and further that the words "or pieces" and the word "material" should be stricken from the paragraphs, so that they would read:

"(3) Any two or more parts of *clock (or watch) movements* joined or fastened together *with screws, or studs and nuts, or any substitute for such method of joining or fastening them*, shall be a subassembly subject to the same amount of duty as a complete movement, mechanism, device, or instrument for which intended or suitable." (Italicized part new.)

The provisions, as thus worded, would limit subassemblies to the joining together by the means named of two or more parts of movements (as they are uniformly joined), and would not include such parts themselves which are in some

instances made of two or more pieces of material fastened together in the making to form such parts.

On the question of the rate of duty to be imposed upon these "parts" of movements, it seemed to be the consensus of opinion at the hearing that it should be sufficient only to cover the difference in cost of production of such parts in the foreign country and in the United States.

In order to determine this equitably and scientifically the committee can call for the production of the foreign cost of production of such parts and the American cost of production of similar parts, and figure the necessary amount of duty to cover the difference.

In the House bill the rate of duty on "parts" is 65 per cent on both watch and clock parts. In this connection it is very interesting to note that the domestic watch interests at the recent hearing before this committee conceed that 45 per cent is a sufficient rate on watch parts. Why this recession is their demands? Can it be possible that the difference in cost of production has dwindled 20 per cent since they urged their claims before the Ways and Means Committee about two months ago? Or have they realized that they overstepped the bounds of reasonable demand before the House Committee in this regard as well as in many other respects? Whatever may be the reason, they now apparently concede that 45 per cent is a sufficient rate of duty on parts, which is the same rate applicable to them under the tariff act of 1922, and we therefore submit that the rate should be no higher under the new act.

As previously stated in our main brief, we manufacture complete clock movements from machined parts manufactured in Switzerland.

We maintain, and it is an accepted fact in the watch and clock industry of the United States and elsewhere, that the assembling of and finishing of a complete timekeeping movement from parts, as illustrated, entails the most expensive and the most skilled labor.

There has been complaint by the domestic manufacturers of the importation of a movement approximately 98 per cent assembled (one or two parts missing) which was classified as "parts." This, in our opinion, is already remedied in the subassembly paragraphs which make any two or more parts of movements fastened together with screws, or studs and nuts, or any substitute for such method, subject to the same amount of duty as the complete movement for which intended or suitable.

Respectfully submitted.

JAEGER WATCH CO. (INC.),
By E. L. VAIL, *Vice President.*

STATEMENT OF EUGENE EDELSTEIN, ELGIN, ILL., REPRESENTING THE NATIONAL WATCHCASE MANUFACTURERS AND THE AMERICAN WATCHCASE ASSOCIATION

[Watch cases]

(The witness was duly sworn by the chairman of the subcommittee.)

Senator REED. Did you testify before the House Ways and Means Committee?

Mr. EDELSTEIN. I did.

Senator REED. And did you file a brief?

Mr. EDELSTEIN. I did.

Senator REED. All right, sir.

Senator KING. You desire to address yourself to watches first?

Mr. EDELSTEIN. Watchcases.

Senator REED. Let us get straightened out here.

Mr. EDELSTEIN. That is in paragraph 367.

Senator REED. On page 104, Senator King, you will find the subparagraph that deals with cases.

Mr. EDELSTEIN. Paragraph 367, subdivision (f).
Senator REED. Are you interested in the importation of these ıings, or in the manufacture of them?
Mr. EDELSTEIN. In the manufacture of them entirely. All that I ish to do at the moment is to say that the Ways and Means Com- ıittee tariff, while it does not carry what we hoped for, will be——
Senator REED. I have not heard any witness yet say that he got hat he hoped for.
Mr. EDELSTEIN. I do not want to be the exception; but all we wish do at the moment is to leave a memorandum to clarify some of ıe language that was used in that section.
Senator REED. You do not think you are going to get off as easily that, do you? Under the present law you have a duty of 45 per ınt?
Mr. EDELSTEIN. Yes, sir.
Senator REED. And the House has raised that by adding a specific uty of 75 cents on gold or platinum cases?
Mr. EDELSTEIN. Yes, sir.
Senator REED. Forty cents on silver cases, and cases that are partly gold, silver, or platinum?
Mr. EDELSTEIN. Yes, sir.
Senator REED. Forty cents on those set with stones, and 20 cents on ıe cheaper quality?
Mr. EDELSTEIN. Yes.
Senator REED. And an additional duty of 15 per cent on enameled ıses. Now, sir, tell us why that should be done.
Senator KING. Why not go back to the old tariff rate?
Mr. EDELSTEIN. Because—I can show you some exhibits if you ısh to look at them. I think the Tariff Commission also has other hibits which we deposited. I will show you how the schedule erates at the present time. Do you wish me to exhibit them?
Senator REED. Yes, please. Imports of watchcases appear to be clining.
Mr. EDELSTEIN. They are not, Senator. They are increasing.
Senator REED. The Tariff Commission shows that they have gone wn from nearly $6,000,000 in 1924 to about a million and a half st year.
Mr. EDELSTEIN. I think there is something wrong there. That obably includes watch parts or something. Here are the figures om the Tariff Commission. I will have to cite you values on the st few years, because up to a little later date they were quoted in und weights: 1922, $144,000 worth; 1923, $231,000; 1924, $349,000; 25, $375,000; 1926, $603,000; 1927, $767,000.
can give you the quantities on some of the later years, since the ulation has been changed in that way.
n 1926 the number of cases imported was 778,030, of an average ue of 77 cents per case.
n 1927 the number of cases imported was 1,160,283, of an average ue of 66 cents per case.
n 1928 there were imported 1,133,927 cases, of a total value of 5,623, or an average value of 55 cents per case.
Senator REED. Those are all base-metal cases; are they not?

Mr. EDELSTEIN. No, sir; those are all cases—there is no separate record available of the base-metal cases.

Senator REED. The value indicates that there can not be very many of those made of gold or platinum.

Mr. EDELSTEIN. An overwhelming majority of these cases are undoubtedly base-metal cases, and our prime protection lies in the base-metal cases. I will explain to you about each group if you wish. Prior to 1922—I have not the figures before that—but, looking back, I think you will find that the importation of cases was less.

Senator REED. It was less?

Mr. EDELSTEIN. I think so. I have no figures to substantiate that.

Senator REED. The Tariff Commission mixes up the figures of watch cases and parts of watches so that we can not tell.

Mr. EDELSTEIN. Yes, sir; but you can tell in the last three years. From 1926 on they have them separate.

Senator KING. What proportion of the $1,608,855 watchcases and parts of watches, except dials, imported in 1928 do you say are cases?

Mr. EDELSTEIN. I say that 1,160,283 are all watchcases—not dials and watch parts, and so forth. They are all watchcases.

Senator KING. Where do you get your data?

Mr. EDELSTEIN. Through the Tariff Commission.

Senator KING. Well, now, assume that that is true: The domestic production for 1927—and I understand it has increased in 1928—was $14,636,000.

Mr. EDELSTEIN. Oh, no!—the domestic production was 14,000,000?

Senator KING. Fourteen million.

Mr. EDELSTEIN. Of watchcases?

Senator KING. No; dollars.

Mr. EDELSTEIN. Oh, dollars!

Senator KING. $14,636,000. If we attribute all of the watchcases and parts of watches, except dials, to watchcases, it was only $1,608,855 in value as against $14,636,563 of domestic production.

Mr. EDELSTEIN. What year was that?

Senator KING. 1927.

Mr. EDELSTEIN. I can not verify your figures here—$14,000,000 of all watchcases?

Senator KING. $14,636,563.

Mr. EDELSTEIN. Fourteen million?

Senator KING. Fourteen million.

Mr. EDELSTEIN. We estimate the production at 11,000,000. That is about as close as we can get it, covering all the shops we know of.

Senator KING. Who is "we"?

Mr. EDELSTEIN. The American Watchcase Association and the National Watchcase Manufacturers.

Senator REED. Then the imports are about 5 per cent, according to your figures?

Mr. EDELSTEIN. No. I should have to figure these numerically, because it is in the cheap grades of cases that we are most affected; and the total volume of cases produced, in round figures, was about 5,000,000.

Senator REED. Five million cases?

Mr. EDELSTEIN. Five million units. Now, of the 5,000,000 units, I hink you will find the exports will run about 20 per cent; will you ot?

Senator REED. More than that in the last year; but in terms of alue the invoice value of the imported cases was about 5 per cent f the value of the American production.

Mr. EDELSTEIN. Now, let me look at that again. There was $767,-0 in 1927, and $625,000 in 1928. There is a declining value in the Swiss cases per unit.

Senator REED. Most of these cases come from Switzerland, do ey?

Mr. EDELSTEIN. Practically all; I should say 95 per cent or mor

Senator REED. How comes it that they can make them so much eaper than you can?

Mr. EDELSTEIN. That I can not explain to you definitely. They ar nade over there in a good many small shops and some large ones.

Senator KING. Before proceeding to that, if the Senator will par-on me, I find, Mr. Edelstein, that in 1923 the importations of watch-es and parts of watches, except dials, amounted to $3,296,120.

Mr. EDELSTEIN. That must contain many other things beside atchcases, because my figures are $231,822.

Senator KING. The point I am trying to get at is that in 1923 th mports were a great deal more of all of those——

Mr. EDELSTEIN. No; a great deal less.

Senator KING. I am reading from the tariff figures here. The ariff figures show that in 1923, under the head of "watchcases and arts of watches, except dials"——

Mr. EDELSTEIN. Parts of watches.

Senator KING (continuing). The value of the importations was ,296,000; in 1924, $5,789,387; in 1925, $3,276,554; and for 1928 it as only $1,608,855. So there has been a decrease.

Mr. EDELSTEIN. No, no, no, no!

Senator KING. You say there has not been a decrease in those alues?

Mr. EDELSTEIN. No; there is a constant increase in watchcases. he figures you are reading, Senator, I believe include many other ings that far exceed the value of the watchcases. There have ver been so many watchcases imported.

Senator KING. Have you figured the number of watchcases that ve been imported? Do you know?

Mr. EDELSTEIN. I know this from the only information available, ough the customs, and I believe through the Tariff Commission. e gathered this information; we have been gathering statistics as as we can go. It shows here, for instance, that before 1926 they ere bulked; they were weighed up, assessed by the pound, so I can give you the figures; only the values.

Senator KING. The value of the parts would be greater than the lue of the cases; would it not?

Mr. EDELSTEIN. What parts? These are watch parts.

Senator KING. You have been talking about watch parts.

Mr. EDELSTEIN. No; I am talking about watchcases.

Senator KING. Will you answer my question?

Mr. EDELSTEIN. Yes, sir.

Senator KING. You are ascribing these values in part to parts of watches?

Mr. EDELSTEIN. Parts of watches.

Senator KING. Now, would the parts of watches be of more value than the cases?

Mr. EDELSTEIN. I do not know to what extent, how many parts of American watches are imported.

Senator KING. Then how do you know how much to ascribe to parts of watches and how much to ascribe to cases?

Mr. EDELSTEIN. It is impossible that so many watchcases could have been consumed or used or brought into this country.

Senator KING. That is a mere deduction. If you have no data, say so, and proceed to the next item.

Mr. EDELSTEIN. But this is the data that I have, that is accurate data.

Senator KING. Where did you get your figures showing the number of watchcases?

Mr. EDELSTEIN. I will look this all up and give you that.

Senator KING. No; you are on the stand now. Do you know the number of cases that were imported last year?

Mr. EDELSTEIN. Yes; from the information that I had here, that I got from one of the department sheets. You can find it here. They have the same thing.

Senator BARKLEY. They do not separate watchcases and parts of watches.

Mr. EDELSTEIN. They did. I had one. Unfortunately, I have not got it here with me. I had that sheet. (Addressing Mr. Leonard:) Can you enlighten us on that at all, or help us on the importation of watchcases—your separate sheet?

Mr. LEONARD. I can give all of the breakdowns that are available I have not them with me, unfortunately.

Mr. EDELSTEIN. But you have them? They are available at your office?

Mr. LEONARD. They are at my office.

Senator REED. All right; we will get that later. Go ahead, Mr. Edelstein.

Mr. EDELSTEIN. This memorandum that I wanted to file is devoted simply to the change of phraseology. Would you like to have me read it?

Senator KING. Before proceeding, what company do you particularly represent?

Mr. EDELSTEIN. I am with the Illinois Watchcase Co. of Elgin, Ill., and also represent the two watchcase associations.

Senator KING. Take the Watchcase Co. of Illinois: Are you a director in it?

Mr. EDELSTEIN. The Illinois Watchcase Co. of Elgin, Ill.

Senator KING. All right; are you a director in it?

Mr. EDELSTEIN. Yes, sir.

Senator KING. Are you the president of it?

Mr. EDELSTEIN. No, sir.

Senator KING. How long have you been connected with the company?

Mr. EDELSTEIN. Forty-two years.
Senator KING. Have you had any stock dividends?
Mr. EDELSTEIN. Not very frequent ones lately.
Senator KING. How often—every year?
Mr. EDELSTEIN. This year we have paid one dividend of 4 per cent.
Senator KING. A stock dividend of 4 per cent?
Mr. EDELSTEIN. No.
Senator KING. I am asking for stock dividends first.
Mr. EDELSTEIN. No; we have never had stock dividends.
Senator KING. When was your last stock dividend?
Mr. EDELSTEIN. We have never had any.
Senator KING. What is your capital?
Mr. EDELSTEIN. Our invested capital is about $3,000,000.
Senator KING. How much did you actually invest?
Mr. EDELSTEIN. Forty-two years ago?
Senator KING. At any time when it was organized.
Mr. EDELSTEIN. Well, I do not know exactly; I can not give you
at; not very much—fifty or sixty thousand dollars.
Senator KING. Has there been any investment since except such
has resulted from the earnings?
Mr. EDELSTEIN. Yes.
Senator KING. Has any new capital been put into it?
Mr. EDELSTEIN. Well, that capital was put in about, I should say,
or 20 years ago.
Senator KING. No new capital has been put in since then?
Mr. EDELSTEIN. No.
Senator KING. How much have you taken from your earnings and
urplus and added to capital during the past 18 years?
Mr. EDELSTEIN. We have not drawn anything out of that busi-
ess—I have to explain it in my own way——
Senator KING. No, no; you can answer. How much have you added
capital during the past 18 years?
Senator REED. Let him answer.
Mr. EDELSTEIN. At that particular time, about $200,000.
Senator KING. Eighteen years ago?
Mr. EDELSTEIN. Eighteen years ago.
Senator KING. How much since then?
Mr. EDELSTEIN. None; nothing added, but there was a surplus
umulated, an increase in investment, more equipment, more tools,
re machinery——
Senator KING. That is what I am trying to get at.
Mr. EDELSTEIN. But no money.
Senator KING. How much have you added from your surplus or
d from your surplus for the expansion of your business?
Mr. EDELSTEIN. Only that which the business accumulated by rein-
stment—reinvestment in our own plant.
Senator KING. Did you issue stock for that reinvestment?
Mr. EDELSTEIN. No.
Senator KING. You have the same amount of stock now that you
d 18 years ago?
Mr. EDELSTEIN. Yes.
Senator REED. Do you make anything else than watchcases?

Mr. EDELSTEIN. Yes.

Senator REED. What do you manufacture?

Mr. EDELSTEIN. Cigarette cases, powder boxes, and such allied items as that.

Senator REED. I should like to get some idea of the present prosperity, or lack of it, of your industry. Can you tell us something about that?

Mr. EDELSTEIN. I can tell you very briefly that for the past five years our earnings in two years show a slight loss, one year about 5½ per cent, and the other two years about 1½ or 2 per cent.

Senator REED. On your invested capital?

Mr. EDELSTEIN. On the invested capital.

Senator KING. What is the value of your products? That is to say, have they increased or diminished during the past few years?

Mr. EDELSTEIN. The value of our product may have increased in volume, numerically, but not in value, because of cheapening along the lines of merchandise.

Senator KING. Do you know whether Poor's Manual or Moody's Manual carries a statement of your company?

Mr. EDELSTEIN. Any of the commercial agencies carry it—all of them, in fact; they carry a detailed statement of it.

Senator REED. Now go ahead, Mr. Edelstein.

Mr. EDELSTEIN. H. R. 2667, paragraph 367, subdivision (f), covers cases for time-keeping mechanisms of the character designed to be worn on the person.

The bill as passed by the House of Representatives contains provisions for cases made of gold, platinum, silver, and base metal, but fails to contain any catch-all clause or to levy a rate of duty on cases of any other material.

Senator REED. What other metal could there be?

Mr. EDELSTEIN. Well, that is problematical. We do not know. There may be aluminum; there may be any one of the metals.

Senator REED. That would come in under the base-metal clause.

Mr. EDELSTEIN. It probably would; but this is a suggestion. It is very brief.

We suggest, therefore, that the words "or other material" be added to the provision of subparagraph (4) of subdivision (f) at the same rate of duty as the base-metal cases. We have submitted herewith, through the representatives of the American watch manufacturers, a suggested amendment to paragraph 367 as passed by the House of Representatives.

Senator REED. So as to make that read "if of base metal or other material"——

Mr. EDELSTEIN. "Other material."

Senator REED (continuing). "And not containing gold, silver, or platinum"?

Mr. EDELSTEIN. Yes, sir.

No. 2. Parts of watch cases are not provided for in the House bill. This omission offers opportunity for evasion. We suggest, therefore, that all parts, except backs, bezels, and centers, be made dutiable at 60 per cent ad valorem, and that backs, bezels, and centers be made dutiable each at the specific rate applicable to a complete case of the same material. It is very necessary to have a provision for parts in

his portion of the schedule, as otherwise the specific duties contained herein could be completely evaded.

Senator REED. If we put in the first line of subparagraph (f), fter the words "All cases, containers, or housings," the words "or arts thereof," would not that catch it?

Mr. EDELSTEIN. No.

Senator REED. Why not?

Mr. EDELSTEIN. Because "parts thereof" is where the greatest ifficulty would arise. The tariff would be very simply evaded by ending parts in here and having them snapped together or joined ogether.

Senator REED. Well, each separate part is going to have to pay a uty according to this rate.

Mr. EDELSTEIN. I have not got the wording of that particular para- raph in mind.

Senator REED. You have suggested in your brief the language ou would like to have used; have you?

Mr. EDELSTEIN. Yes, sir. It was our intention, and we believe it as the intention of the Ways and Means Committee of the House of epresentatives, to put a duty on these cases whether they contain movement or not. In order that this intention may be thoroughly larified by the language used we suggest the addition to paragraph f) of the words: "whether or not containing such movements, nechanisms, devices, or instruments." That is simply to clarify that paragraph. It may be construed that watch cases are not dutiable.

Senator REED. I think that is an excess of caution, because the anguage is "all cases * * * suitable for the inclosure of any the foregoing movements."

Mr. EDELSTEIN. But this paragraph begins considerably in ad- ance. All the watches precede the "if." That is a subsection; d in the general preamble at the beginning they mention the atch movements, but no mention is made of cases specifically.

Senator REED. Proceed.

Mr. EDELSTEIN. The House bill failed to except from the rates duty provided for cases, containers and housings—I can explain at to you quicker than I can read it—the little boxes that these atch movements are packed in. We wanted to clarify the situation, at they are not subject to duty; they are merely packing material.

Senator KING. Do you want to subject them to duty?

Mr. EDELSTEIN. No, sir; of course not.

Senator REED. Thank you, sir.

(Mr. Edelstein submitted the following brief:)

BRIEF OF NATIONAL WATCHCASE MANUFACTURERS' ASSOCIATION AND AMERICAN WATCHCASE ASSOCIATION

(1) H. R. 2667, paragraph 367, subdivision (f) covers cases for time-keeping echanisms of the character designed to be worn on the person.

The bill as passed by the House of Representatives contains provisions for ses made of gold, platinum, silver, and base metal, but fails to contain any tch-all clause or to levy a rate of duty on cases of any other material.

We suggest, therefore, that the words "all other material" be added to the vision of subparagraph (4) of subdivision (f) at the same rate of duty the base metal cases. We have submitted herewith through the representa- es of the American watch manufacturers a suggested amendment to para- aph 367 as passed by the House of Representatives.

(2) Parts of watchcases are not provided for in the House bill. This omission offers opportunity for evasion. We suggest, therefore, that all parts, except backs, bezels, and centers, be made dutiable at 60 per cent ad valorem, and that backs, bezels, and centers be made dutiable, each at the specific rate applicable to a complete case of the same material. It is very necessary to have a provision for parts in this portion of the schedule as otherwise the specific duties contained therein could be completely evaded.

(3) It was our intention, and we believe it was the intention of the Ways and Means Committee of the House of Representatives, to put a duty on these cases whether they contain a movement or not. In order that this intention may be thoroughly clarified by the language used, we suggest the addition to paragraph (f) of the words, "whether or not containing such movements, mechanisms, devices, or instruments."

(4) The House bill failed to except from the rates of duty provided for cases, containers, and housings, those containers of light-weight metal, such as tin, or very thin brass and aluminum usually and ordinarily used for the sole purpose of facilitating the transportation of movements. Importers have called our attention to the fact that the phraseology of the paragraph might include the levying of a duty of 20 cents each specific, plus 45 per cent on these containers. It is not our intention to so request, nor is it our belief that it was the intention of the Ways and Means Committee in drafting this bill. We, therefore, suggest that there be added to subdivision (f) of paragraph 367 the following words, "except such containers as are used for shipping purposes only."

While the House bill does not contain the rates originally requested by us, we believe that the rates contained in the bill as passed by the House of Representatives will go far toward equalizing the present unsatisfactory basis of competition with imported cases, and that any inequalities which may show up in the operation of the bill may be corrected under a flexible provision, provided the said flexible provision is not less elastic than the present one.

Respectfully submitted.

NATIONAL WATCHCASE MANUFACTURERS, *New York.*
AMERICAN WATCHCASE ASSOCIATION, *Elgin, Ill.*
By EUGENE EDELSTEIN.

Sworn to before me this 6th day of July, 1929.

ETHEL G. MEARS,
Notary Public, Bronx County.

CLOCKS

[Par. 368]

STATEMENT OF HERMAN MILLER, REPRESENTING THE HERMAN MILLER CLOCK CO., ZEELAND, MICH.

(The witness was duly sworn by the chairman of the subcommittee.)

Senator REED. You represent the Herman Miller Clock Co., I believe?

Mr. MILLER. Yes, sir. We make our clock cases. We import our movements unassembled. We do our own assembling. We have an abundant supply of labor. Formerly our movements were brought in set up; but at this time, for the last year, they have come in unassembled, which gives work to American labor.

Senator REED. How many men do you employ?

Mr. MILLER. About 200.

Senator REED. What are your annual sales?

Mr. MILLER. About $350,000.

Senator KING. What is your company?

Mr. MILLER. The Herman Miller Clock Co.

Senator BARKLEY. Is that in dollars?

Mr. MILLER. Yes, sir.

Senator REED. You sell the completed clock, do you?

Mr. MILLER. Yes, sir. We make the cases, assemble the movements, and fit the movements in the cases.

Senator REED. What kind of cases—metallic?

Mr. MILLER. No; wood.

Senator REED. And what is your hope with regard to this tariff—that the new section will go in, or that the old section will remain?

Mr. MILLER. The old section.

Senator REED. What will this do to you?

Mr. MILLER. The new section? It will put us out of business.

Senator REED. Otherwise, it is all right? [Laughter.] You will be subject to the duty on parts, I presume?

Mr. MILLER. Yes, sir.

Senator REED. In section (c) (1)?

Mr. MILLER. Yes, sir.

Senator REED. And will pay 65 per cent instead of 45 per cent, as at present?

Mr. MILLER. Yes, sir.

Senator REED. Will the provision about subassembled interfere with your business, too?

Mr. MILLER. Yes; it will.

Senator REED. If we should change that definition so as to make a subassembly consist of three or more pieces, would that help you?

Mr. MILLER. Yes; it would help some.

Senator REED. All right; go ahead.

Senator KING. Who are the principal clock manufacturers in the United States? I notice here that the production in the United States of complete clocks and movements in 1927 was $28,397,403, and clock materials, and so forth, $5,515,626, or a total of $33,913,029; and that the imports of clocks and parts of clocks and cases amount to only a little over a million dollars, and the exports in 1928 amounted to $1,452,003.

Mr. MILLER. Yes.

Senator KING. Is there any competition to speak of from foreign importations, in view of that ratio of imports to domestic production?

Mr. MILLER. I do not think so.

Senator KING. Can you give me the names of some of the largest clock manufacturers in the United States?

Mr. MILLER. Seth Thomas, New Haven; Gilbert——

Senator KING. Gilbert Bros.?

Mr. MILLER. Gilbert Clock Co., Waterbury——

Senator KING. Proceed with your statement.

Mr. MILLER. I want to refer to the statement of Example 1, found on page 2408 of the House hearings, where the statement is made that Westminster chime clock movements are imported into this country at $10.60 each, and that a similar movement made in this country cost $18.50 each. I can prove to you that that entire clock, fitted with a mahogany case, is sold in this country at $18.75.

Senator REED. With a domestic-made movement in it?

Mr. MILLER. With a domestic-made movement and case—a similar movement to that which we import from abroad. There must be some mistake here, because if a movement costs to produce in this country $18.50, the entire clock can not be sold for $18 75.

Senator REED. That would seem to be obvious. Who sells it at $18.75?

Mr. MILLER. The New Haven Clock Co. Their movement is somewhat similar to the Westminster chime movement.

Senator KING. Is their representative here?

Mr. MILLER. I do not know.

Senator REED. He is not scheduled.

Senator KING. Did any representative of these clock companies appear before the House committee?

Mr. MILLER. I guess they did; yes.

Senator KING. Did you appear before the House committee?

Mr. MILLER. No. Our secretary did.

Senator REED. Did he file a brief?

Mr. MILLER. Yes. Now, it would cost at least $6 to make the mahogany case, plus selling expense and a small margin of profit.

Senator REED. We have got that point all right.

Senator KING. Proceed.

Mr. MILLER. Our claim is this—that the German manufacturers can not export cheap alarm clocks into this country at the present tariff on account of American competition. The Western Clock Co. make 20,000 clock movements a day, and their methods are not excelled by anyone in this country nor abroad.

Senator KING. The Western Clock Co.? You did not give me that name; did you?

Mr. MILLER. No; I did not. That is one of the largest ones.

Senator KING. Where is that located?

Mr. MILLER. In La Salle, Ill. American clocks are being sold to-day in Paris and London. I was over last year and saw a large display of American clocks in London and also in Paris.

Senator KING. At cheaper prices than they were charging in the United States?

Mr. MILLER. No.

Senator KING. The same prices?

Mr. MILLER. About the same prices.

Senator KING. Were they sold in competition with clocks of European manufacture?

Mr. MILLER. Yes.

Senator BARKLEY. I saw a clock recently—this has not anything to do with the tariff, but just for my own information—that has to be wound only once every 400 days; and instead of having a pendulum that goes back and forward it is suspended and revolves around somewhat like the governor of an engine.

Mr. MILLER. Yes.

Senator BLAKLEY. Where is that clock made?

Mr. MILLER. I think that is made in Germany.

Senator BARKLEY. It is a very fine clock.

Mr. MILLER. It is.

Senator REED. I have one of them. It is admirable except that is loses about 15 minutes a day. [Laughter.]

Mr. MILLER. That is about all I have. We claim that the present tariff is sufficient to cover the wants.

Senator KING. Do you care to file a brief?

Mr. MILLER. I have filed one.

Senator REED. That is already printed in the House record?

Mr. MILLER. Yes, sir.

BRIEF OF THE CLOCK GROUP, NATIONAL COUNCIL OF IMPORTERS AND TRADERS (INC.)

Hon. REED SMOOT,
Chairman Committee on Finance,
United States Senate, Washington, D. C.

The members of the clock group of the National Council of American Importers and Traders desire to call the attention of the committee to the fact that statistics do not indicate that there is any "demoralization" of the American industry on account of importations. Practically all clocks which are sold in the United States in any great volume are made in this country, while those that are imported consist chiefly of the novelty items diversified as to type, which, relative to the domestic production, come over in very moderate quantities.

The production figures of the domestic manufacturers for the year 1927 are not obtainable, but, judging from previous years, they will amount to 12,000,000 pieces against 1927 imports of 545,000 pieces. The production figures of American manufacturers of clocks, movements, etc., during 1923 and 1925, are as follows:

	Quantity manufactured	Value
1923	*Pieces*	
Clocks	10,417,361	$21,605,818
Clock movements	436,784	672,571
Time-recording devices	29,710	2,946,867
Clock materials and parts, including cases	.....	1,179,115
Total	10,883,854	26,404,371
1925		
Clocks	10,972,594	22,904,050
Clock movements	591,728	1,098,173
Time-recording devices	40,381	2,745,579
Clock materials and parts, including cases	.....	628,571
Total	11,604,703	27,376,373

These figures show a substantial increase in American production, and, such production has undoubtedly increased in even greater proportion since 1925. The value of clocks imported in 1927 was $1,058,698; of parts of clocks, $112,488. It seems clear that the present tariff affords ample protection to the American clock manufacturer, for, under the tariff act of 1922, staple clocks, such as ordinary alarm clocks and 8-day half-hour-strike clocks in walnut and mahogany cases have practically been excluded. Clocks of the type of the nickel-plated top bell alarm clock can not be imported at all, as even the present rate is prohibitive. The plain alarm clock, which sells in the United States at 55 cents costs in Germany 42 cents and the present duty of 45 per cent ad valorem and 35 cents each totals 128 per cent, which is equivalent to an embargo on such clocks. There is certainly no justification for an increase in this duty, in fact, the duty as it now stands is excessive.

At any rate, importation of low-priced novelty clocks should not be entirely prevented, and we therefore suggest making special provision for clocks costing up to 60 cents apiece abroad. We suggest that the duty be provided as 45 per cent ad valorem plus 15 cents each. This would not be detrimental to the manufacturers of American metal alarm clocks, which are mass production articles, and would permit a limited importation of novelty clocks of entirely different character and construction. It is a well-known fact that whenever imported novelty clocks of this description find a sufficiently large sale here to warrant mass production, American industry has invariably been able to supply the domestic demand at prices lower than those at which such novelty items were originally imported. Importations of novelty clocks may therefore be considered experimental "tryouts" of the domestic market, the full benefit of which, if the items find public favor, will finally be secured by the American clock manufacturers.

Kitchen clocks were originally imported as novelty items, but the more staple forms of these clocks are now manufactured in America in great volume and at prices below foreign competition. In many instances the American producers have imported the individual parts in order to turn out the finished product here.

Importations of incomplete clock movements and parts of clocks have increased in the past two years. Such importations have quite often been assembled in connection with other material of American make and mounted with American-made dials as far as kitchen clocks are concerned.

Clock parts for mantel chime and hall clocks were also brought over to be assembled and placed into American-made wooden cases, cases which have been "seasoned" stuitably for our climate. This method of production has led to the marketing of a large variety of clocks which could not have been imported complete, but for which there is a steady demand.

Importations of this character should not be discouraged, for, as pointed out, they frequently serve as tryouts of public demand and when that demand is sufficiently large, their manufacture by plants in the United States almost invariably follows.

In view of the above facts it is particularly objectionable that the House bill H. R. 2667 should provide in subparagraph 3 of paragraph 368 for high rates of duty on subassemblies of parts of clock movements. The provisions call for a duty equal in amount to that applying on the complete movement for which such part is intended. Certain subassemblies of parts may be suitable for clock movements of various prices—so that the question of what price complete movement the part is intended for will frequently cause difficulty. But the provision that "subassemblies consisting of two or more parts or pieces of material joined or fastened together shall be subject to the same amount of duty as the complete movement, mechanism, device, or instrument for which intended or suitable," is particularly objectionable on another ground. A large part of the component pieces of any particular movement consists of subassemblies of two or more pieces. Not only, therefore, would it practically become impossible to import such subassemblies for assembling purposes in this country, even on the part of American manufacturers who desired to use them, but it would even become practically impossible to import such subassemblies for repair purposes.

If American wholesale and retail merchants, who deal in imported clocks, were unable to supply the consumers with the necessary repair parts for the imported clocks now in use all over the country, this would work a great hardship on the consumer and actually, in final analysis, would lead to an embargo against all import clocks whatever.

We recommend that the duty on clocks and clock parts remain substantially as provided in the present law, but that the wording of the section in question be simplified and that under paragraph 368–A an additional provision be made before subparagraph No. 1, for a duty on clocks, if valued at not more than 60 cents apiece, of 15 cents each, subject to an additional duty of 45 per cent ad valorem.

Clock watches: So-called clock watches, common watches for pocket or wrist use, without jewels or with only one jewel, are manufactured mainly by clock manufacturers, both in this country and abroad, and are covered by paragraph 367. The importation of nonjeweled watches complete or nonjeweled watch movements alone is practically prohibited by the 1922 tariff act, paragraph 367, which provides as follows:

"Watch movements, whether imported in cases or otherwise, assembled or knocked down, if having less than seven jewels, 75 cents each."

The same paragraph provides for watchcases alone 45 per cent ad valorem. Low-priced watch movements without jewels or with only one jewel should certainly not be assessed the same specific duty of 75 cents per movement as those with six jewels. We recommend that watches of this description be especially provided for and suggest an ad valorem duty of 45 per cent on watch movements with not more than one jewel, with or without cases or parts thereof.

Respectfully submitted.

GEO. C. WURTHMANN, *Chairman.*

Sworn and subscribed to before me this 17th day of July 1929.

G. H. HAUSSEL,
Notary Public, Kings County.

Commission expires March 30, 1930.

BRIEF OF THE DETEX WATCHCLOCK CORPORATION, NEW YORK CITY

[Watchmen's time detector]

COMMITTEE ON FINANCE,
United States Senate, Washington, D. C.

GENTLEMEN: We are interested in paragraph 368 of the tariff bill as passed by the House of Representatives in its application to watchmen's time detectors. A watchman's time detector, also known as watchman's clock or watch clock, is a device used to register or record the movement of the watchman. It consists of a recording or registering mechanism by means of which the watchman makes a record of his visits to the various stations in the premises patrolled upon a paper disc which is rotated by a clock movement, all contained in a metal case and carried in a leather pouch. It got its name "watchman's time detector" from the fact that by its record it detects the failure of the watchman to perform his duty.

Watchmen's time detectors come under the above paragraph of the tariff bill because they contain clock movements. In the 1909 and 1913 laws they were specifically included as time detectors.

We estimate that there are about 100,000 watchmen's time detectors in daily use in the United States, that the number sold annually is 6,000, and that the imports of watchmen's time detectors, movements and parts, amount to about 240,000 per year.

This industry is over 50 years old. Time detectors, movements, and parts have always been imported from Germany and Switzerland. Some have been produced here by adapting movements made for another purpose, to wit, automobile clock. Fully 80 per cent of the time detectors sold annually and of those now in use are of foreign manufacture.

No one has ever equipped a factory for the manufacture of time detectors in the United States, because the number sold, when divided among the several companies and types of clocks, would not warrant the investment in machinery, tools, and equipment that would be necessary to manufacture them in accordance with American manufacturing practice. There has been no substantial increase the number of time detectors sold in the United States in the past five years and there is, therefore, no prospect of the industry increasing to such an extent as to warrant the equipment of such a factory.

There are in the United States but few manufacturers of movements of the quality required for time detectors and it has been our experience with them that they are not interested in manufacturing time detector movements because the small number required.

The life of a time detector is about 15 years. While in use it from time to time requires repairs and the parts for making these repairs to the eighty to ninety thousand of foreign manufactured detectors now in use must be secured from the manufacturers abroad.

The proposed tariff law must, therefore, be considered in its operation: (*a*) to complete time-detector movements, and (*b*) as to repair parts.

The average watchman's time detector movement contains 11 jewels and is valued at $6.

Under the proposed act, paragraph 368, subparagraph (a) (1), being valued at more than $5 and not more than $10 each, a duty of $3 would be imposed; under subparagraph (a) (2) an additional duty of 65 per cent ad valorem, or $3.90; and under subparagraph (a) (3) containing 11 jewels an additional cumulative duty 25 cents for each such jewel or substitute $2.75, making the total duty $9.65.

Under the 1909 law, time detectors were specifically included by name in paragraph 192 at $1.35 each.

Under the 1913 law, they were likewise specifically included by name in paragraph 163 at 15 per cent ad valorem.

Under the 1922 law, they were not specifically named but come under the classification of clock movements in paragraph 368 and are dutiable at 45 per cent ad valorem plus $4 if having more than four jewels.

Based on a cost of $6 for an 11-jewel movement, the duty under the proposed and preceding acts would be as follows:

Proposed act	$9.65
1922 act	6.70
1913 act	.90
1909 act	1.35

A watchman's time detector in daily use requires overhauling and repairs about every two years. During the 15 years that the foreign manufactured time detectors that are now in use will continue to be used, the number of repair parts that will be required will be considerable. It is impossible to secure these except from the foreign manufacturers. These parts would come under the provisions of paragraph 368, subparagraphs (c) (1) and (3), parts not constituting a subassembly are dutiable at 65 per cent ad valorem and each subassembly consisting of two or more parts or pieces of material joined or fastened together at the same amount of duty as the complete movement, mechanism, device or instrument for which intended or suitable. This definition of a subassembly would include practically every part of a time detector movement, for even a steel pinion with its bronze wheel would be a subassembly. Thus, each repair part, though its cost were not more than 10 cents, would be dutiable at $9.65 and the cost of the parts for practically any repair job would exceed that of a new time detector.

We respectfully submit that time detectors should be removed from the general classification of clock movements in paragraph 368 for the following reasons:

1. That there is no American industry to protect.
2. That a duty of more than 150 per cent of cost is excessive and places an unreasonable cost upon the user.
3. That it makes the cost of repair parts prohibitive and thus destroys the value of all foreign time detectors now in use.

We further respectfully submit that time detectors should be specifically provided for as are taximeters in the proposed act and that a duty upon the same of 50 per cent would be reasonable and sufficient for revenue purposes, and suggest that a paragraph be added as follows:

"(i) Watchman's time-detector movements and parts thereof, 50 per centum ad valorem."

Respectfully submitted.

DETEX WATCHCLOCK CORPORATION,
PHILIP H. HASELTON, *President.*

TIMING MACHINES

[Par. 368]

BRIEF OF THE AMERICAN RACING PIGEON UNION

STATE OF OHIO,
Hamilton County, ss:

Walter Schmitt, being first duly sworn, says that he resides in the city of Cincinnati, Ohio; that he is president of the American Racing Pigeon Union, an organization composed of about 7,000 members engaged in the sport of flying racing pigeons; that he is also president of the joint committee representing three international organizations fostering this sport, namely, American Racing Pigeon Union, the International Federation of American Homing Pigeon Fanciers, and the National Association of Homing Pigeon Fanciers, and that the total membership of the organizations composed of racing pigeon fanciers is about 15,000 scattered through the entire United States.

Affiant further says that these fanciers in the conduct of their sport use a timing machine for registering the time of arrival of the bird; that these timing machines are all imported from abroad for the reason that none are manufactured in the United States; furthermore, several manufacturers of clock movements who have been asked to engage in the manufacture declined to do so for the reason that it would not be a profitable venture.

Affiant further says that this sport is and has been fostered by the United States War Department because of the emergency value to the Army of the great number of homing pigeons now being maintained by civilian fanciers throughout the United States, and affiant attaches hereto letter dated May 29, 1929, signed by George S. Gibbs, major general, Chief Signal Officer of the Army, in support of this statement.

Affiant further says that if it had not been for this large body of civilian fanciers at the time of the entrance of the United States into the World War the Army and Navy would have been seriously handicapped because of the necessity for the

use of these birds in the Signal Department; that the records of the War Department are replete with the noble deeds performed by these birds which were furnished to the United States Government by these civilian fanciers in time of need. Affiant attaches hereto a pamphlet entitled "History of the Pigeon Service American Expeditionary Forces: France During World War," containing the records of birds furnished by civilian fanciers and also a list of the civilian fanciers who became a part of this pigeon service.

Affiant further says that he believes that these civilian fanciers are entitled to have the duty on such timing machines used exclusively for timing in racing pigeons exempted from the tariff for two reasons: (1) That there is no home industry to protect; (2) because of the reasons stated in the letter of Major General Gibbs, showing the potential emergency value to the Army of these civilian fanciers.

Affiant suggests that the exemption can be accomplished by amending paragraph 368 (a) so that the exception contained in parenthesis in that paragraph would read as follows: "Except the articles enumerated and described in paragraph 367 and mechanisms and devices used in timing racing pigeons."

Affiant further believes that no manufacturer interested in paragraph 368 (a) could conscientiously object to the exemption of timing machines used in timing racing pigeons.

WALTER SCHMITT.

Sworn to before me and subscribed in my presence this 25th day of June, 1929.

L. ALVIN KREIS,
Notary Public, Hamilton County, Ohio.

LETTER FROM THE CHIEF SIGNAL OFFICER, WAR DEPARTMENT, WASHINGTON

MAY 29, 1929.

Mr. HARRY C. BURKE,
President International Pigeon Federation,
2435 Thirty-third Street SE., Washington, D. C.

MY DEAR MR. BURKE: The Signal Corps recognizes the potential emergency value to the Army of the great number of homing pigeons now being maintained by civilian fanciers throughout the United States.

I concur in your belief that the best type of pigeon timer for racing purposes is that known as the continuous running timer.

In this connection I would like to suggest that I believe the concerted action of all organizations of pigeon fanciers will do more to bring about the tariff reduction on timers than anything I can do. If you so desire you may indicate that I concur in the advisability of tariff reduction on these articles.

Should I be called upon to express my opinion in the matter, it will be as indicated above.

Very truly yours,

GEO. S. GIBBS,
Major General,
Chief Signal Officer of the Army.

TACHOMETERS

[Par. 368]

STATEMENT OF GEORGE S. ANDREWS, REPRESENTING R. W. CRAMER & CO., NEW YORK CITY

(The witness was duly sworn by the chairman of the subcommittee.)

Senator REED. You want to speak about tachometers?

Mr. ANDREWS. Yes.

Senator KING. What are tachometers?

Mr. ANDREWS. They unfortunately come under 368, for some reason.

Senator REED. That is your main trouble.

Mr. ANDREWS. There was no brief or testimony submitted to the House committee——

Senator KING. What are tachometers, Senator?

Senator REED. Instruments suitable for measuring speed, right at the beginning of the paragraph.

Mr. ANDREWS. Speed, distance, and so forth.

Senator REED. What is the difference between a tachometer and any other mechanisms used to record distance, speed, or fares?

Mr. ANDREWS. There is no difference, except in its calibration. A tachometer has a dial which says "r. p. m.," which means revolutions per minute, and the speedometer is calibrated in miles per hour, and usually a speedometer has a counter which shows how many miles you have gone.

Senator REED. Both of them are speedometers.

Mr. ANDREWS. They are speedometers. "Tachometer" means "speedometer." But in order to differentiate between the aviation application and the motor-car application, it is called, from the Greek, "tachometer," and the other is called "speedometer" in the English.

Senator REED. If it is fair to put a taximeter in this paragraph, why is it not fair to put these in?

Mr. ANDREWS. Because the taximeter is a sort of counting machine. It gives the fares, the idle mileage, and the live mileage—that is, the amount of mileage they get paid for in fares, and the amount of mileage that they are roaming around the street. It is, as I say, a counting machine. The speedometer is applied in industry, quite aside from motor cars and aircraft. All these big presses that put out newspapers have tachometers so as to show the operator the rate of production. In fact, in an industry where the quality, or the rate of output depends upon speed, if they are well-run shops they ought to have a tachometer, and most of them do.

We did not file any brief nor give any testimony before the House committee. I direct this particular department of R. W. Cramer & Co., and I felt that we were so effectively kept out under the 1922 bill that I did not really believe that anyone would come forward and ask for more. As a matter of fact, no one has. It is simply because originally speedometers were unjustifiably included under paragraph 368, and we were carried along every time the clock makers got a boost.

Senator REED. I still do not understand why your problem should be differently treated from the ordinary speedometer or taximeter, or any other.

Mr. ANDREWS. A speedometer is not a taximeter. A taximeter does not show speed.

Senator REED. I understand that, but it has a clock mechanism actuated by a shaft from your wheel or driving shaft.

Mr. ANDREWS. Correct.

Senator REED. So has this.

Mr. ANDREWS. Certainly, but it shows an entirely different thing. It shows speed. You could never tell how fast you were going with a taximeter. So far as clock making is concerned, that is applied

the telegraph tape, which travels along at a rate of speed proportionate to time, but it comes under paragraph 453, and carries ly 40 per cent ad valorem.

Senator KING. Under what section are you carried in the old law?

Mr. ANDREWS. Three hundred and sixty-eight.

Senator KING. Under the old law?

Mr. ANDREWS. Under the 1922 act; yes, sir.

Senator KING. Under paragraph 368 of the Fordney-McCumber ct you were kept out.

Mr. ANDREWS. Practically. We have very little business.

Senator REED. This instrument you have here is made where?

Mr. ANDREWS. Switzerland.

Senator REED. Does it have the place of origin marked on it?

Mr. ANDREWS. Yes, sir; in several places, on the dial as well as on e base, and on the plates inside.

Senator KING. What duty did it bear?

Mr. ANDREWS. Forty-five per cent ad valorem plus a specific of $3.

Senator REED. So you do not like the present law, and you like the ie House bill still less. That is what it amounts to.

Mr. ANDREWS. Infinitely less, for two reasons. One is that it boosts ie duties unjustifiably. There is no competition. There are about 000,000 speedometers and tachometers made in this country. Last ar we sold about 150, and I think all the imports were around .000. I have put in 10,000 to make sure. There are no available atistics on that, because they come under clock parts. Paragraph 3 was intended to protect clock manufacturers.

Senator REED. A great many of these are made by the Warner Co., e they not?

Mr. ANDREWS. Yes.

Senator REED. You say you imported only about 150 last year?

Mr. ANDREWS. Yes.

Senator REED. They are used by the thousands in motor boats and planes.

Mr. ANDREWS. Absolutely. The only reason we can get in on the arket at all is that certain users require, or think they require, mething that is reliable. We have not a chance in the world to ll those applications I mentioned earlier, such as to newspaper achines and industry. In aircraft, which is practically our only plication, there are two schools of thought or opinion as regards craft instruments. One school says, 'Well, so long as it works, is all right, so long as it shows something." The other school is at when it is working it must be reliable and the pilot must be le to depend on it, and if something is broken or worn out it must p working. This falls into that classification. Quite aside from at, of course, the quality enables us in some cases to sell against ie domestic article. The domestic article is much less in price than irs.

Senator KING. This is magnetically actuated, is it not?

Mr. ANDREWS. No, sir. This is chronometric.

Senator BARKLEY. What is the selling price of that instrument?

Mr. ANDREWS. The list is $65, and it sells to the aircraft manuturer, when it does sell, for about $42. The highest price, or the se price of the American producer, in infinitely larger quantities

than we sell, is $27, but the bulk of them are sold under $25, and there are some now at $10 list.

That [indicating] has a universal swivel joint.

Senator KING. Is there much competition among domestic producers?

Mr. ANDREWS. No.

Senator KING. Who are the domestic producers?

Mr. ANDREWS. The Pioneer Instrument Co., which is now a part of General Motors; the Consolidated Instrument Co., which is a combination of several producers of aircraft instruments and equipment; the Elgin Watch Co.; the Hamilton Watch Co., Those two companies, by the way, get all of the Army business. The Stewart-Warner Co., of course; the A. C. Speedometer Corporation; and there are probably a dozen. The Waltham Watch Co. used to make a tachometer, but they gave it up because the design was no good.

Senator REED. You say this is very accurate?

Mr. ANDREWS. I do not want to indulge in sales talk, but we claim that.

Senator REED. It shows 150 revolutions a minute right now.

Mr. ANDREWS. That is characteristic of the chronometric tachometer. When you play with it, you turn the mechanism without completing its cycle of operation, and that simply moves the point up. In actual practice that pointer would be either at the actual speed or at zero.

Senator REED. One of our difficulties about this 1922 act is that with respect to taximeters the President found it necessary to raise the tariff 50 per cent.

Mr. ANDREWS. Yes, sir.

Senator REED. Do you know anything about the competitive conditions in regard to taximeters?

Mr. ANDREWS. Only slightly. I know that for all practical purposes there is only one manufacturer in this country, who has the bulk of the taximeter business.

Senator KING. What company is that?

Mr. ANDREWS. That is the Ohmer Fare Register Co., in Dayton, Ohio. They also make other things.

Senator REED. The Pittsburgh Taximeter Co. thinks it makes——

Mr. ANDREWS. I think three or four years ago there were three or four companies making them. Ohmer was always the biggest. The others were absorbed by that company. Of course, that is not my line. I do not know why the Ohmer felt constrained to seek protection which would rule out foreign taximeters, so I can not speak on that.

I should like to bring up the subdivision of 368, in connection with subassemblies. That has been threshed out rather thoroughly, but I only want to add my statement to it.

Here is a part [indicating] that is the drive gear of that instrument, and the first thing that wears out. This is working all the time the aircraft engine is working. That costs about 19 cents.

Senator REED. It is made of three parts.

Mr. ANDREWS. Two parts, the gear and the spindle. The duty on that, under the proposed House bill, would be something like 11,000 per cent. You might say "Well, why not make it here and

avoid that?" If we could get into any quantities, naturally that would be the thing to do, but we can not get into quantities. From our prices you can see that we have not a chance in the world to compete with the big American manufacturers.

The imports of all these things, including speed instruments for measuring the speed of shafting, a purely test proposition, is about two-tenths of 1 per cent of the domestic production.

Senator KING. I am interested in what you said about taximeters. Were there any imports that would justify the increase in the tariff?

Mr. ANDREWS. On taximeters?

Senator KING. Yes.

Mr. ANDREWS. I can not say. That is quite outside my line. As a matter of fact, the firms who make taximeters do not make speedometers.

Senator KING. And the Ohmer Co. of Dayton, Ohio, is the principal manufacturer of taximeters?

Mr. ANDREWS. The only one.

Senator KING. Now they have a monopoly.

Mr. ANDREWS. Yes; and I understand that the most important item in their line of taximeters, which is the fare-registering and receipt-issuing taximeter, is not sold, but rented, which means a perpetual income.

Senator BARKLEY. I did not get that.

Mr. ANDREWS. They are not sold. They are rented to the taxicab companies.

Senator KING. They will not sell them?

Mr. ANDREWS. I do not know whether they will sell them. That is their sales policy, to rent them only. I believe you can not buy one. I have been told that by one of their agents.

Senator KING. I want the Tariff Commission to make an investigation of that and let us know, because if that is a monopoly we ought to address ourselves to it in the coming bill.

Mr. ANDREWS. Gentlemen, even if you were to put us under the classification of taximeters, it would be cheaper for us than to put us under 368, with the provisions of the House bill as it is to-day.

Senator KING. What is your recommendation with respect to it?

Mr. ANDREWS. My recommendation is that a new subdivision be inserted in 368, covering speed and distance measuring instruments, and that they shall not carry specific duty. We feel that that is not asking——

Senator KING. You mean ad valorem?

Mr. ANDREWS. Ad valorem.

Senator KING. How would you describe it?

Mr. ANDREWS. I have it in my brief, as a special subdivision to paragraph 368; paragraph 368 (i).

Senator KING. What would you call the commodities or articles that are to be embraced within the proposed amendment which you have suggested?

Mr. ANDREWS. "Speed and distance measuring instruments and repair parts for same."

Senator KING. How would you treat the repair parts?

Mr. ANDREWS. With an ad valorem duty, the same as the completed instrument.

Senator BARKLEY. Is there any reason for having a different rate upon a part that goes into the whole than on the whole?

Mr. ANDREWS. None that I can see. There have been no evasions. There is practically no business in this country. If you were to eliminate any duties whatever, we would still be higher than the best, or the most expensive domestic product, which gets more than 99 per cent of the business—in fact, gets all but two-tenths of 1 per cent.

Senator KING. Are those who manufacture the domestic product here, or were they before the House committee clamoring for these changes?

Mr. ANDREWS. No, sir. No one has asked for a change on speedometers. No one is suffering from it except the importer who is trying to get a foothold.

Senator KING. And the consumer?

Mr. ANDREWS. Yes. We sell to one aircraft company, which will not give us all their business——

Senator BARKLEY. There are not many people to assume the burden.

Mr. ANDREWS. The aircraft industry is a growing industry, and the more reliable instruments we have, the safer the development will be. We sell to one manufacturing company producing airplanes, but we do not sell them for all their planes, because in some of the cheaper models they can not afford to put our tachometers on them.

Senator KING. Do you state, in your brief, the domestic manufacturer or manufacturers producing this instrument?

Mr. ANDREWS. I do not mention them by name, but I can.

Senator KING. I wish you would do it.

(Mr. Andrews submitted the following list:)

Stewart Warner Speedometer Corporation.
A. C. Speedometer Corporation.
General Motors Corporation (subsidiary).
Barbour Stockwell Co.
Elgin Watch Co.
Hamilton Watch Co.
Pioneer Instrument Co.
Consolidated Instrument Co.
Corbin Lock Co.
Johns-Mansville Speedometer.

Senator KING. Is there anything else you want to speak of?

Mr. ANDREWS. Not outside of that. I want to carry my point with regard to spare parts and the fact that these instruments are nowhere near the precision of the scientific instruments, which are getting 40 per cent ad valorem. There is no justification for putting them in clockwork.

Senator REED. All right, Mr. Andrews. We are much obliged to you.

(Mr. Andrews submitted the following brief:)

BRIEF OF GEORGE S. ANDREWS, REPRESENTING R. W. CRAMER & CO., NEW YORK CITY

I am a sales agent for imported speedometers, tachometers, and other speed and distance measuring instruments. The total imports of all such goods during 1928 amounted to less than 10,000 units, as compared with more than 5,000,-

000 units manufactured in the United States during the same period. In other words, the total imports comprised less than two-tenths of 1 per cent of total American production.

The American-made product ranges in price from $3 to $27; whereas the price range of the imported products is much higher—from $4 to over $75.

These products are used as speedometers on motor cars and trucks, as tachometers on airplanes and motor boats, and in industry for measuring the speed of shafting.

Even without any duties on such products, their importation can never be but an infinitesimal portion of the domestic production, as domestic manufacturers are working under mass-production methods on types having the greatest market and are not bothering to supply the small demand of American industry for special types. Protection would be no aid to the domestic manufacturer and is therefore not needed. The American producers are in such a strong position that most of them are even able to sell abroad and have sales agents in most European countries. The duties called for in the existing tariff could be entirely eliminated without affecting any domestic producer's business one iota.

Under the existing tariff, the combined specific and ad valorem duties paid on my importations represent 65 per cent of the cost of the goods; under the proposed rates, it would amount to 95 per cent. In both tariff bills such products are unjustifiably covered under paragraph 368.

Moreover, under subdivision C 2 and C 3 of paragraph 368 of the proposed tariff bill, the duties on repair parts would range from 575 to 10,880 per cent. Manifestly this provision is unfair. The conclusion is inescapable that it was intended to exclude rather than protect. If it be retained, it will mean the practical extinction of my business, as without repair parts I could not give service on any goods sold. Moreover, it would mean the scrapping of instruments already in use.

Under the proposed increases, even the present small business would be practically wiped out, working a hardship not only to the revenue-paying importer but on certain American industries as well, who have a small but definite need for the special types not supplied by the domestic producers.

I claim it an injustice that such products are included under paragraph 368, which is obviously intended to protect the clock industry. I ask that a special subdivision of paragraph 368, as paragraph 368 (1), be provided for, to cover speed and distance measuring instruments and repair parts for same; and that this new subdivision call for an ad valorem duty only.

Respectfully submitted.

G. S. ANDREWS.

ELECTRIC METERS

[Par. 368]

STATEMENT OF HERBERT NEHLS, REPRESENTING LANDIS & GYR (INC.), NEW YORK CITY

(The witness was duly sworn by the chairman of the subcommittee.)

Mr. NEHLS. Mr. Chairman and gentlemen, I am vice president and general manager of Landis & Gyr (Inc.), a corporation organized under the laws of the State of New York and having its principal place of business at 104 Fifth Avenue, New York City.

Senator REED. Did you testify before the House committee?

Mr. NEHLS. No. I just filed a brief, but only on the foreign valuation.

This corporation is an importer of electricity meters and kindred instruments and devices. The meters and instruments so imported and sold comprise the master instruments, and other fine and relatively expensive mechanisms, such as are used in electrical central and distributing stations, but the great bulk of these devices are the ordinary service type and house meters, one or more of which are

installed in most of the dwellings or apartments, however humble, throughout the entire United States.

Senator KING. Could you not speak without your brief, because that will go in the record?

Mr. NEHLS. What I was going to say to the committee had reference mainly to the statement made by the Ways and Means Committee with reference to the new paragraph 353, for electrical machinery and apparatus. The Ways and Means Committee states:

> The products of this important group of industries are now dutiable under two paragraphs. Transformers, wiring devices, control apparatus, and so forth, are assessed at 40 per cent, as manufacturers of metal, n. s. p. f. under paragraph 399, whereas generators and motors, which are more expensive and difficult to manufacture and more susceptible to competition, are assessed at only 30 per cent, as machines n. s. p. f. under paragraph 372. Furthermore, litigation over the meaning of the term "machine," as applied to electrical equipment, has resulted in transferring some products to the machinery paragraph and leaving similar products classified under paragraph 399. The industry is of such importance that separate classifications of its products are warranted, which is done by this bill.

Senator REED. What is the product in which you are interested?

Mr. NEHLS. I am just coming now to my instruments.

Senator KING. I do not understand what you are driving at.

Mr. NEHLS. This paragraph of the committee report states that the following conditions under the law of 1922 should be changed or rectified:

First. Under that very generic classification, two rates were charged, namely, 40 per cent and 30 per cent, the devices classified under the lower rate being "more expensive and difficult to manufacture and more susceptible to competition."

Second. Litigation under the classification of the 1922 bill caused "similar products" to be classified, one under the 30 per cent rate and another under the 40 per cent rate, thereby obviously working practical discrimination and injustice.

As to remedial objectives:

Third. One of the chief stated aims of the present bill is to insure that "similar products" shall be classified under the same tariff rate.

Fourth. Specific classification of electrical devices, for the accomplishment of the objects stated, is provided in the present bill.

Senator KING. If you will tell me what you are driving at, and what you want, I will be very glad to hear it.

Mr. NEHLS. I claim now that similar products, not only taking these products under the old paragraphs 372 and 399, but also part of the products under 368, including electricity meters——

Senator KING. I wish you would tell us just what you want. I do not understand what you are driving at.

Senator REED. Let us listen to it for a moment longer.

Senator BARKLEY. The trouble is that a lot of things were combined in this paragraph that were included in other paragraphs in the present law.

Senator KING. I understand he contends that paragraph 353 is in conflict with one of the other paragraphs, including optical instruments, machinery, clocks, and so forth.

Mr. NEHLS. Yes.

Senator REED. You are interested in electric meters?

Mr. NEHLS. Yes.

Senator REED. Very good. Clearly, an electric meter is a mechanism, device, or instrument intended for measuring the flowage of electricity.

Mr. NEHLS. Yes.

Senator REED. And therefore is within paragraph 368.

Mr. NEHLS. Yes; but is wrongly classified under paragraph 368, because——

Senator REED. All right. Clearly, also, it is not an article for producing, rectifying, modifying, controlling, or distributing electrical energy. It does not do any of those things.

Mr. NEHLS. Oh, yes. It is used in the distribution of electrical energy. You would not control and distribute electrical energy without a meter.

Senator REED. That is true; but that is equally true of wires. This does not modify the current, or control it, or distribute it. It merely measures it.

Mr. NEHLS. It controls it to a certain extent, and distributes it.

Senator REED. Not if my understanding of a meter is correct.

Mr. NEHLS. I want to show that this is not a clock. Why is it in the clock paragraph? It has been put in the clock paragraph. Does that mean to say that the classification established shall be continued as correct?

Senator REED. We are trying to get a description here first.

Mr. NEHLS. This is not a clock. This [indicating] is a motor. You have your electromagnetic fields here, your potential, your series——

Senator REED. It is a motor with a register on it, that shows the number of revolutions it has made.

Mr. NEHLS. The number of revolutions that the disk makes.

Senator REED. As I read this bill, it would come under paragraph 368, and not under 353. You want it put under 353, is that right?

Mr. NEHLS. Yes; and I want to argue——

Senator REED. Until we find out what you want to argue. You are willing to pay the 40 per cent ad valorem that a generator would pay.

Mr. NEHLS. Yes; or that a motor would pay.

Senator REED. Yes; but you do not want to pay the scale of duties provided for clock mechanisms over in paragraph 368?

Mr. NEHLS. No.

Senator REED. That is a long paragraph, Senator, and it puts in a lot of compound duties. Mr. Nehls's reason for wanting to get out of that paragraph and into the other is very plain. He would pay less duty.

Now, tell us why you should come out.

Senator KING. Are you exhibiting to us an article suitable for producing, rectifying, modifying, controlling or distributing electrical energy?

Mr. NEHLS. Yes.

Senator KING. You are not producing an instrument dealing with electrical, telegraph, telephone, signal, radio, et cetera?

Mr. NEHLS. No.

Senator REED. No; it measures the flowage of electricity. Let me put it to you this way: If it is right to put a water meter or a gas

meter, or a taximeter under paragraph 368, why isn't it correct to put this sort of a meter there?

Mr. NEHLS. I do not know whether it is right to put these other meters under paragraph 368. In the same way, why don't you put any machine having a revolution counter under paragraph 368? You don't do that either.

Senator REED. What we come down to finally is that you claim it is not right to put any sort of meter in with a clock.

Mr. NEHLS. No.

Senator REED. Why not?

Mr. NEHLS. Because it is not a clock.

Senator REED. If we are going to put one kind of a meter in with clocks, it is fair to put all kinds in, is it not?

Mr. NEHLS. If a mistake has been made once, there is no reason to continue that mistake.

Senator REED. I grant you that.

Senator KING. You contend that this new paragraph, 353——

Mr. NEHLS. Was created for the electrical industry.

Senator KING. That is all right?

Mr. NEHLS. That is all right; yes.

Senator KING. You are appearing now in defense of this new paragraph 353?

Mr. NEHLS. 353; yes.

Senator KING. Prior to this new paragraph, the articles embraced within it would all have been found in paragraph 368?

Mr. NEHLS. No, they would have been found in three paragraphs: 372, 399, and 368.

Senator REED. You think it is all right to put in 368 a machine that measures time, but not one that measures gas?

Mr. NEHLS. No. It is all right to put in clocks and clock movements, but that [indicating] is not a clock movement. That has a motor with it.

Senator REED. A clock has a motor propelled by a spring, has it not?

Mr. NEHLS. Not exactly.

Senator BARKLEY. A clock does not generate anything.

Senator REED. Neither does an electric meter.

Senator BARKLEY. If it is a combination, it would; if it has a motor in there——

Senator REED. How are the bearings of this motor lubricated?

Mr. NEHLS. They are lubricated probably once when they are put in there.

Senator REED. What are the bearings? Are they jewels?

Mr. NEHLS. No. There is a spring wire bearing on top and one jewel at the bottom.

Senator REED. So that this mechanism works on a jewel just like a clock or watch.

Mr. NEHLS. So do many other mechanisms besides clocks.

Senator REED. I believe I have your point. Go ahead.

Senator KING. Let me ask this question: Are there many articles and commodities of the character which would come under this reformed paragraph 353?

Mr. NEHLS. Yes; a great number.

Senator KING. Are there telephone, telegraph, signaling, radio, welding, ignition, wiring, therapeutic, and X-ray apparatus, instruments, and devices that come under paragraphs that you think ought to be brought within this paragraph?

Mr. NEHLS. I am not familiar with that line of the industry. I could not say.

Senator KING. Are there any large electrical instruments suitable for controlling or distributing electrical energy?

Mr. NEHLS. Yes; motors.

Senator KING. And large generators?

Mr. NEHLS. Motors and generators; yes. They come under paragraph 353 now.

Senator KING. Under what paragraph of the existing law would they come?

Mr. NEHLS. I think 399 or 372.

Senator KING. Go on. What else do you want to say? Is there very much importation of these instruments?

Mr. NEHLS. Not much.

Senator KING. Are they manufactured in the United States?

Mr. NEHLS. They are manufactured in the United States. I get them from Switzerland.

The gist of the principal points in the present argument may be briefly and preliminarily stated as follows:

Under paragraph 353 of H. R. 2667, "All articles suitable for producing, rectifying, modifying, controlling, or distributing electrical energy" are included at a tariff rate of 40 per cent ad valorem.

Absolutely "similar products" to those thus broadly classified under paragraph 353, that is to say, "any mechanism, device or instrument intended or suitable for measuring * * * the flowage of electricity" are classified with "clocks, clock movements," etc., under paragraph 368 (a) of the bill.

Senator KING. Under existing law, what rate of duty would that bear?

Mr. NEHLS. More than 100 per cent.

Senator KING. Under the present law?

Mr. NEHLS. Under the present law; at present 45 per cent, but under the new bill——

Senator KING. If you will listen to my question, please—under the existing law?

Mr. NEHLS. 45 per cent.

Senator KING. The House has reduced it to 40 per cent.

Mr. NEHLS. 40 per cent, yes.

Senator KING. Was there any opposition to that action in the House?

Mr. NEHLS. No; not that I know of. There has been no opposition to it at all.

Senator BARKLEY. If there had been, there would not have been any opportunity for it to be expressed.

Senator KING. If there was no opposition to it in the House, what are you here for?

Mr. NEHLS. Meters are classified under paragraph 368, which carries now a duty of more than 100 per cent.

Senator REED. He did not know the House was going to do that, you see.

Mr. NEHLS. They also classified electricity meters first as subject to a fixed rate based on value, and second, to an additional duty of 65 per cent ad valorem. The practical inequity of the duty on meters as compared with that on similar products will thus be obvious.

The classification provision or clause just quoted from paragraph 368 (a) covers all kinds of electricity meters, apparently upon the supposed principle that they are "similar products" to "clocks, clock movements," etc., and are not "similar products" to the almost identical devices classified under the first clause of paragraph 353 of the bill.

We propose to show that electricity meters are "similar products" to those classified under paragraph 353 and are not "similar products" to those classified under paragraph 368 (a).

Senator REED. What is the invoice value of these?

Mr. NEHLS. Of this specific meter? It is 15.50 Swiss franc, or about $3.50.

Senator REED. It is not much?

Mr. NEHLS. Yes.

Senator REED. It is about $3.10.

Mr. NEHLS. Yes.

Senator REED. That is the invoice value.

Mr. NEHLS. Yes.

Senator REED. What does it sell for over here?

Mr. NEHLS. At $6.50.

Senator KING. That does not include the duty.

Mr. NEHLS. Yes, including the duty.

Senator BARKLEY. Is that the wholesale price?

Mr. NEHLS. Yes. There is really no retail price. They are all sold to utility companies.

Senator REED. That 15.50 francs includes the American duty, does it?

Mr. NEHLS. Oh, no. That is over at the factory, with no packing.

Senator REED. What is the landed cost in America, under the present law?

Mr. NEHLS. It would cost landed less than $6.

Senator REED. And you sell them for $6.50?

Mr. NEHLS. Yes.

Senator REED. About a 10 per cent commission?

Mr. NEHLS. Yes; about 10 per cent profit.

Senator REED. Landis & Gyr are a Swiss concern?

Mr. NEHLS. Yes. We are incorporated under the name Landis & Gyr.

Senator REED. I understand; but the parent company is a Swiss concern.

Mr. NEHLS. It is not exactly the parent company. We use the name here because their product is very well known.

Senator REED. Anyway, the concern of Landis & Gyr is a Swiss concern, with a manufacturing establishment at Zug, in Switzerland?

Mr. NEHLS. Yes.

Senator REED. What else do they make besides electric meters?

Mr. NEHLS. Their main manufacturing is meters.

Senator REED. What else do they make?

Mr. NEHLS. Hand switches, and all electrical apparatus.

Senator REED. Do they make electrically wound clocks?

Mr. NEHLS. Yes; in conjunction with meters.

Senator REED. And the same workmen who make the meters sometimes make clocks, do they not?

Mr. NEHLS. Not exactly. We need specialists for making clocks.

Senator REED. Naturally, specialists are concerned in all this. But, take the gearing that is involved in the registering mechanism of this meter. That is made by clock makers, is it not?

Mr. NEHLS. Not necessarily.

Senator REED. Not necessarily, but as a matter of practice, it is, is it not?

Mr. NEHLS. I do not know whether the clock makers make these gears or not. I do not think they do.

I have here another type of meter. That [indicating] is just like a revolution counter.

Senator REED. That is just the same thing, with another indicator on it.

Mr. NEHLS. They have a register like this [indicating].

Senator REED. That is the same thing in principle.

Mr. NEHLS. They make clocks in different factories from the factories in which they make these meters, and they make clocks in different factories than they make these registers.

Senator REED. And the two are side by side, in the same town.

Mr. NEHLS. They are in the same city; yes, sir.

Senator REED. All right, Mr. Nehls. I think we have your point.

Senator KING. As I understand it, so that there will be no controversy, you think that there might be some question that these meters should come under paragraph 368.

Mr. NEHLS. They are at present under 368. They should come under 353.

Senator KING. Paragraph 368 would carry a much higher duty.

Mr. NEHLS. Yes, sir.

Senator KING. What is the language in 368?

Mr. NEHLS. "Any mechanism, device, or instrument intended or suitable for measuring the flowage of electricity."

Senator KING. Where is that?

Mr. NEHLS. 368 (a).

Senator REED. Page 107, line 7.

Mr. NEHLS. These meters are a necessity. They are not a luxury Everyone has to use a meter.

Senator KING. I would like to ask the representative of the Tariff Commission here whether, in paragraph 353, aside from the articles referred to by this witness, there are other articles that would come under 368 (a), or any of the subdivisions of paragraph 368.

Mr. LEONARD. It is difficult to say, because there are so many different items included in both paragraphs. If this paragraph 368 had no definite provision in it for electric meters, I assume that they would be classified now under the new paragraph 353.

Senator KING. Let me ask you this: Are there any items such as portable tools, furnaces, heaters, ovens, ranges, washing machines, refrigerators, signs, etc., found in lines 17 to 20 of the bill now before us, in paragraph 353, embraced within paragraph 368?

Mr. LEONARD. Not to my knowledge.

Senator KING. "All the foregoing, and parts thereof, finished or unfinished, wholly or in chief value of metal, and not specially pro-

vided for, 40 per centum ad valorem," is the language found in lines 21 to 23 in the House bill now before us. Are any of those found in paragraph 368?

Mr. LEONARD. Not to my knowledge.

Mr. NEHLS. Under paragraph 353 many of those articles not specially provided for include switches, which may be part of time switches, which are now classified under paragraph 368.

Senator KING. Where do you find switches in 353?

Mr. NEHLS. It includes all articles manufactured of metal. That includes all switches, all articles suitable for producing, rectifying, modifying, controlling, or distributing electricity. That takes in switches also.

Senator KING. That would take in switches.

Mr. NEHLS. That would take in switches. With that they have time switches, used for the same purpose, except that they work automatically. They are found in paragraph 368.

Senator KING. Then, according to your contention, there is a very clear conflict between 353 and 368.

Mr. NEHLS. Considerable conflict; yes. There should be a very good clarification between the two paragraphs.

Senator KING. Is there any conflict except as to instruments—I am using that word in the broad sense—relating to the control of electricity?

Mr. NEHLS. Senator, I can not make any statement oustide of my own line. I do not know. I do not think there are any other instruments which are of such importance——

Senator KING. However, you are appealing only for electrical instruments.

Mr. NEHLS. Yes, sir; and mainly meters.

Senator REED. All right, sir. I think we have your point now.

Senator KING. Just file your brief, and it will be printed in the record.

Mr. NEHLS. I was just going to say that we have special clock meters, of course, separately. I have an instrument there that I I can show you. Still, we feel that if the committee thinks that the clock manufacturers need protection on account of meters having a clock movement, we would leave those meters with the clock movements in paragraph 368, and ask only that the meters without the clock movements be put in paragraph 353.

This industry does not at all conflict with the clock makers' industry. There is no clock makers' industry making meters.

Furthermore, what I was going to bring out is that the exports in the electrical industry were $110,727,121 in 1928. The importations were only $2;789,994.

Senator KING. The Westinghouse Co. and the General Electric Co. are the chief manufacturers of electrical appliances and instrumentalities consumed in the United States, and a large amount is exported.

Mr. NEHLS. Yes, sir.

Senator KING. Are there any other manufacturers of those products?

Mr. NEHLS. There are a number of manufacturers of electrical products.

Senator REED. All right. Thank you.
(Mr. Nehls submitted the following brief:)

BRIEF OF LANDIS & GYR (INC.)

Hon. REED SMOOT,
Chairman Finance Committee,
United States Senate, Washington, D. C.

DEAR SIR: The writer is a citizen of the United States, a resident of New Jersey, and vice president and general manager of Landis & Gyr (Inc.), a corporation organized under the laws of the State of New York, and having its principal place of business at 104 Fifth Avenue, New York, N. Y.

This corporation is an importer of electricity meters and kindred instruments and devices. The meters and instruments so imported and sold comprise the master instruments, and other fine and relatively expensive mechanisms, such as are used in electrical central and idstributing stations, but the great bulk of these devices are the ordinary service type and house meters, one or more of which are installed in most of the dwellings or apartments, however humble, throughout the entire United States.

Landis & Gyr (Inc.), sells the meters and instruments mainly directly to public utility corporations throughout the United States, and the great bulk of these are installed by the utility companies for the use of their customers. It is unnecessary of course, to point out to your experienced committee that the cost of this electrical equipment comes back ultimately on the individual consumer, and this cost is therefore borne in a very large proportion—in fact, almost completely—by American workingmen and their families, inasmuch as the instrument cost for each customer is substantially the same regardless of the actual amount of current consumed.

Your committee, therefore, in considering the fixing of tariff duties on imported meters and instruments of this kind, must have in mind, on the one hand, the welfare of workers, and manufacturers engaged in the production of such devices in the United States, and equally, on the other hand, the welfare and protection of the users of such devices throughout the United States. In other words, we are considering here not a luxury, not a product which is utilized by only a small proportion of the population, nor by a class which is financially better off than the average, but we are dealing here with universally necessary devices which must be paid for largely by wage earners and their families. We have no doubt that your committee, in considering these matters, will bear in mind both these aspects of the question of fixing just and reasonable tariff rates upon this class of mechanisms.

The report of the Ways and Means Committee of the House (71st Cong., 1st sess., H. Doc. No. 15) states, at page 272, with reference to this classification of imports, as follows:

"ELECTRICAL MACHINERY AND APPARATUS

"The products of this important group of industries are now dutiable under two paragraphs. Transformers, wiring devices, control apparatus, etc., are assessed at 40 per cent as manufactures of metal n. s. p. f. under paragraph 399, whereas generators and motors, which are more expensive and difficult to manufacture and more susceptible to competition, are assessed at only 30 per cent as machines n. s. p. f. under paragraph 372. Furthermore, litigation over the meaning of the term 'machine' as applied to electrical equipment has resulted in transferring some products to the machinery paragraph and leaving similar products classified under paragraph 399. The industry is of such importance that separate classifications of its products are warranted, which is done by this bill."

In summary, this paragraph of the committee report states that the following conditions under the law of 1922 should be changed or rectified:

1. Under that very generic classification, two rates were charged, namely, 40 per cent and 30 per cent, the devices classified under the lower rate being "more expensive and difficult to manufacture and more susceptible to competition."

2. Litigation under the classification of the 1922 bill caused "similar products" to be classified, one under the 30 per cent rate and another under the 40 per cent rate, thereby obviously working practical discrimination and injustice.

As to remedial objectives:

3. One of the chief stated aims of the present bill is to insure that "similar products" shall be classified under the same tariff rate.

4. Specific classification of electrical devices, for the accomplishment of the objects stated, is provided in the present bill.

It is clear that no reasonable exception can be taken either to the correctness or adequacy of these stated objectives of the Ways and Means Committee. We wish to emphasize that this present brief is based fully and unconditionally on the adequacy, correctness, and justice of those objectives, and our purpose is to point out wherein the actual provisions of the bill fall short of, and depart from, the objectives stated by the committee.

We propose to demonstrate that in the actual provisions of H. R. 2667, as reported by the committee and passed by the House, very serious and inequitable departures have been made from the objective of classifying "similar products" under the same tariff rate.

The gist of the principal points in the present argument may be briefly and preliminarily stated as follows:

1. Under paragraph 353 of H. R. 2667, "All articles suitable for producing, rectifying, modifying, controlling, or distributing electrical energy" are included at a tariff rate of 40 per cent ad valorem.

2. Absolutely "similar products" to those thus broadly classified under paragraph 353—that is to say, "any mechanism, device, or instrument intended or suitable for measuring * * * the flowage of electricity"— are classified with "clocks, clock movements," etc., under paragraph 368 (a) of the bill. As so classified, electricity meters are subject (1) to a fixed rate based on value and (2) to an additional duty of 65 per cent ad valorem. The practical inequity of the duty on meters as compared with that on similar products will thus be obvious.

3. The classification provision or clause just quoted from paragraph 368 (a) covers all kinds of electricity meters, apparently upon the supposed principle that they are "similar products" to "clocks, clock movements," etc., and are not "similar products" to the almost identical devices classified under the first clause of paragraph 353 of the bill.

4. We propose to show that electricity meters are "similar products" to those classified under paragraph 353 and are not "similar products" to those classified under paragraph 368 (a).

If we are correct in our position that the classification of the present bill is erroneous, we may take for an example any ordinary electricity meter having a value of $4. If correctly classified under paragraph 353, the duty would be 40 per cent, or $1.60. As erroneously classified under paragraph 368 of the House bill, the duty would be (368–1) $1.50, plus (268–2) 65 per cent ad valorem (or $2.60), making a total duty of $4.10, or more than 100 per cent total duty. These meters are paid for by every individual householder using electricity, and the cost would be as great for the poorest laborer as for the capitalist, as the same meter is used for a small user as for a large user of electricity.

The first clause under paragraph 353 includes "All articles suitable for producing, rectifying, modifying, controlling, or distributing electrical energy." It will be shown that electricity meters are "similar products" to these both in structure and in function.

This quoted clause from paragraph 353 includes electric generators, motors, and other devices having approximately the same structure and function. These devices have as their essential elements a plurality of electromagnets, and a member which is rotatably mounted and is rotated by the magnetic field created by the electromagnets, This function is utilized either to create electrical energy from work or power exerted, or to produce work or power from electrical energy supplied.

A meter is just precisely such a machine, on a smaller scale. It has electromagnets, and a member driven by the magnetic field created by said magnets, and having just sufficient power to operate a register, which is calibrated to register the energy consumed. In other words, a very slight quantity of the current delivered to a customer is used to drive an electricity meter (having the essential construction of an electric motor, which is classified under the first clause of paragraph 353) to measure the total current delivered to the customer. There can be no reasonable question but that meters are similar products to those covered by the first clause of paragraph 353.

From the facts and conditions of commercial production and distribution of electricity, meters would naturally fall under the classification of this first clause of paragraph 353 were it not that they are specifically and erroneously included in paragraph 368 under the language "any mechanism, device, or instrument intended or suitable for measuring * * * the flowage of * * * electricity." It

is impossible commercially to control and distribute electrical energy (par. 353, first clause), without using a meter. Nowhere in the United States will there be found an electrical controlling or distributing system which in turn is not controlled by electricity meters. Obviously, therefore, from the acknowledged standpoint of similar products in the same art, the meters should be specifically included under paragraph 353.

It will be equally clear from the foregoing that meters are not "similar products" with clocks, clocks movements, and the like. Clocks and clock movements consist essentially of a series of intergeared wheels moving under the impulsion of a spring or weight, and under the timed control of a pendulum or balance wheel. Certainly these essential features of clocks and clock movements are not found in an electricity meter.

There is no sound or valid reason in the organization or principles of the mechanic arts or of commercial practice justify the classification of electricity meters with the entirely dissimilar products of paragraph 368 (a).

It is true most, or many, electricity meters have a register, which consists of a plurality of intermeshing gear wheels driven from the rotating member of the electricity meter, these gear wheels operating either a series of number wheels, or a series of little hands, each hand moving over its own little dial, merely to show the sum total of the consumption of electricity. This is neither a clock, a clock mechanism, nor a similar product.

This registering mechanism is not different either in structure or function from the common counting devices which are applied to hundreds of different kinds of machines. They are used on the shafts of steam engines, printing presses, stamping machines, and on practically every type of machine. There is no more just or logical warrant for classifying an entire electricity meter under paragraph 368 than of classifying an entire printing press thereunder, or an entire steam engine thereunder, because it has a revolution-counting register.

Furthermore, were it granted for argument's sake that a meter register is a "clock movement" (which it is not) the cost of the register is not more than 10 per cent of the entire cost of the meter, and it would be grossly injust to charge a fixed duty plus a 65 per cent ad valorem duty on the entire value of the electricity meter, 90 per cent of the total value of which falls justly and rationally under paragraph 353, which imposes a 40 per cent ad valorem duty.

Furthermore, the inclusion of electricity meters under paragraph 368 does absolutely nothing to remedy the alleged disadvantages under which manufacturers of watches and clocks are laboring, as stated on pages 270 and 271 of the report of the Ways and Means Committee.

The manufacturers of electricity meters and the manufacturers of clocks and clock movements or watches are not in competition with one another in any sense. The inclusion with clocks and clock movements of so foreign a class of devices (that is, so dissimilar a product) as electricity meters would, therefore, give no help or relief whatsoever to the manufacturers of clocks and clock movements, other than they would secure were electricity meters omitted from paragraph 368 (a). In other words, the additional protection given to clock and watch manufacturers by paragraph 368 would not be affected by either the inclusion or omission of electricity meters.

The registers of electricity meters are not clock mechanisms, they are not made by the manufacturers of clocks or clock movements, and are not capable of being used for the same purposes as clocks and clock movements. Clock movements move according to their own regulation or law, to give a time period indication or effect, whereas the register of an electricity meter is merely a revolution counter like that of a steam engine or any other machine.

If the House committee included electricity meters under paragraph 368 because an electricity meter often includes a register, then, on the same principle, every adding, subtracting, or other computing machine and every machine having a register would necessarily be included therein.

Unless a deliberately unjust, illogical, and discriminatory classification is adopted for paragraph 368 (which, of course, is unthinkable), there must be included, on the one hand, every device containing intermeshing gears operating in a given ratio to produce a quantity indication or result, or, on the other hand, electricity meters should be transferred to paragraph 353. The first alternative would be ruinous and absurd. Therefore, by the same logic, it is necessary that electricity meters should be taken out from the classification of paragraph 368 and placed under paragraph 353, where they belong.

We believe it has been clearly shown that, by reason of the unrelated sources of manufacture, any increase in the rates on electricity meters would be of nc

assistance whatsoever to manufacturers of clocks and clock movements. There is nothing in the report of the Ways and Means Committee, nor elsewhere, so far as we know, which indicates that domestic manufacturers of electricity meters require any additional protection over that given them by the law of 1922.

Certainly there is nothing in the known facts which will warrant the imposition of a substantially 100 per cent duty on electricity meters (as was shown in the illustrated case of the $4 meter hereinbefore). The import and export figures for the year 1928 show that the exports of electrical equipment, including meters, was $110,729,121, as against imports of $2,789,994. Thus the exports were about forty times the value of the imports. (See Electrical World of Feb. 9 and Feb. 16, 1929.) Of course, this does not cover electricity meters alone, but from our knowledge of this branch of the business (for the last 16 years) we feel warranted in stating that the proportion of imports to exports of meters should be still larger.

It is furthermore significant that under the old schedule, approximating very closely the new, domestic manufacturers have exported their meters and sold them in other countries at less prices than they are sold in the United States—in fact, at prices which are 25 per cent less in the foreign countries than at home. These statements are made from positive information, and while the proofs are not available immediately, they can be produced if the committee so desires.

It is quite true that under section 368 of the law of 1922 electricity meters were included in the same paragraph as clocks and clock movements. This classification was just as illogical in the present law, from the technical standpoint, as in H. R. 2667. In the present law, however, this misclassification wrought no great financial or trade injury, as under this misclassification in the present law electricity meters of all kinds paid only 45 per cent ad valorem, whereas other electrical devices paid either 30 or 40 per cent ad valorem. It is only under the circumstances of framing the present bill (with the avowed purpose of classifying together similar products to effect equity and uniformity in the tariff rates) that the question of misclassification becomes of imperative and vital importance, in that under the present bill, as passed by the House, it is proposed to tax "similar products" to electricity meters 40 per cent ad valorem, whereas electricity meters, because misclassified with clocks and clock movements, must pay substantially 100 per cent total duty, as shown by the illustrative case of the $4 meter. The fact that clocks and clock mechanisms and electricity meters were grouped in paragraph 368 of the law of 1922 should not serve to impose an unnecessary and penalizing duty on electricity meters, which duty is unjust and discriminatory as compared with that on other electrical products, simply because clocks and clock movements need higher duty protection than was accorded under the 1922 law.

We submit, therefore, that paragraph 353 of H. R. 2667 should be rewritten as follows:

"PAR. 353. All articles suitable for producing, rectifying, modifying, controlling, distributing, or *measuring* electrical energy, *including intergrating, indicating, or recording electricity meters not having clock movements;* electrical telegraph, telephone, signaling, radio, welding, ignition, wiring, therapeutic, and X-ray apparatus, instruments, and devices; and articles having as an essential feature an electrical element or device, such as electric motors, fans, locomotives, portable tools, furnaces, heaters, ovens, ranges, washing machines, refrigerators, and signs; all the foregoing, and parts thereof, finished or unfinished, wholly or in chief value of metal, and not specially provided for, 40 per centum ad valorem."

It is true that certain types of electricity meters contain clock movements, and this fact has been kept clearly in mind throughout the preceding argument. That argument is directed entirely to electricity meters having registers such as are used for counters on all kinds of machines, but which do not contain clock movements, the great majority of such meters being those which are used by the private consumer.

If your committee feel that it is essential for the welfare of the American clock and watch making industry, in the manner set forth on pages 270 and 271 of House Document No. 15, to increase their tariff protection, we submit that this can be effected even to the completest and most ultimate degree by establishing a line of classification whereby electricity meters will be included in paragraph 353, and electricity meters containing clocks or clock movements are left under paragraph 368. Certainly this classification would far more nearly meet the purposes of the Ways and Means Committee as stated in the report than does H. R. 2667 as it now stands. We therefore submit the following redraft of paragraph 368 (a) with this in view:

"PAR. 368 (a) Clocks, clock movements, including lever movememts, clockwork mechanisms, timekeeping, time-measuring, or time-indicating mechanisms, devices, and instruments, synchronous and subsynchronous motors of less than one-fortieth of one horsepower, and any mechanism, device, or instrument intended or suitable for measuring time, distance, speed, or fares, or the flowage of water, gas, electricity *having a clock movement*, or similar uses, or for regulating, indicating, or controlling the speed of arbors, drums, disks, or similar uses, or for recording or indicating time, or for recording, indicating, or performing any operation or function at a predetermined time or times, all the above (except the articles enumerated and described in paragraphs *353 and* 367), if completely assembled, whether or not in cases, containers, or housings."

(Remainder of paragraph 368 to remain as in the House bill.)

Respectfully submitted.

HERBERT NEHLS,
104 Fifth Avenue, New York, N. Y.

ELECTRICAL TIME-SWITCHES

[Par. 368]

STATEMENT OF H. J. BLAKESLEE, REPRESENTING THE STATES CO., HARTFORD, CONN.

(The witness was duly sworn by the chairman of the subcommittee.)

Senator KING. Were you a party to the striking out of the whole of section 368 under the old law and putting in the new language?

Mr. BLAKESLEE. No, sir.

Senator REED. Mr. Blakeslee, did you testify before the Ways and Means Committee?

Mr. BLAKESLEE. No, sir.

Senator REED. Or file a brief?

Mr. BLAKESLEE. No.

Senator REED. You represent the States Co., of Hartford?

Mr. BLAKESLEE. Yes.

Senator REED. Is that a manufacturer?

Mr. BLAKESLEE. We manufacture the majority of the articles that we sell.

Senator KING. Do you import any?

Mr. BLAKESLEE. We have for the last two and a half years imported a line of Swiss appliances which include time switches and motor-operated valves which are controlled both by time or by temperature, water level, pressure, and similar things.

Senator KING. What objection did you have to the old act of 1922? Wherein was it defective?

Mr. BLAKESLEE. I think we have no particular objection to the old law.

Senator REED. Have you an objection to the House bill?

Mr. BLAKESLEE. Yes.

Senator REED. Paragraph 368?

Mr. BLAKESLEE. Yes; we have.

Senator REED. What are your objections to that?

Mr. BLAKESLEE. We have several objections to it, because of confusion in it, and the possibility of classifying the apparatus which we import wrongly, and of certain interpretations which we are

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apprehensive may be made in the classification of the apparatus by the customs authorities.

Senator REED. When you come to a time switch, for example, you have a combination of a clock and an electrical switch?

Mr. BLAKESLEE. Yes, sir.

Senator REED. And it may fall either in this clock paragraph or in the electrical-switch paragraph?

Mr. BLAKESLEE. Not according to the House bill; it would fall in paragraph 368.

Senator REED. What is the number of the other paragraph—the electrical paragraph?

Mr. BLAKESLEE. No. 353.

Senator KING. You insist that "time-measuring or time-indicating mechanism" all come under the head of "clocks"?

Mr. BLAKESLEE. The latter part of that paragraph says:

Performing any operation or function at a predetermined time or times.

Senator REED. So that you have a specific reference to your time switches, for example?

Mr. BLAKESLEE. Yes, sir.

Senator REED. Or pressure switches?

Mr. BLAKESLEE. Or valves. It would not matter, under that reading of that paragraph, whether it operated an electric switch or a valve.

Senator REED. So that it clearly would come under paragraph 368?

Mr. BLAKESLEE. Yes, sir.

Senator REED. All right, sir.

Mr. BLAKESLEE. If I may take up in order the points which we wish to bring to your attention, I would first call your attention to the inclusion of synchronous and subsyncsronous motors of less than one-fortieth of 1 horsepower.

Senator KING. Are they mentioned specifically?

Mr. BLAKESLEE. In paragraph 368, line 4; yes. Practically all of these devices which we bring in are motor-operated devices in which the motor is a synchronous motor of less than one-fortieth of a horsepower.

Senator REED. What is a synchronous motor?

Mr. BLAKESLEE. A synchronous motor is a motor whose speed bears a rigid relation to the frequency of the circuit to which it is connected.

Senator REED. Synchronized with the alternations?

Mr. BLAKESLEE. Yes, sir. There are, as you may know, clocks in use in this country which are driven by synchronous motors and their accuracy is dependent upon the frequency of the system, so that when the system frequency is properly controlled they become accurate timepieces. The motors which we use, however, are not used for that purpose at all. It is merely incidental that it is a synchronous motor. It is used to operate a switch or to operate a valve, and is not used for the purpose of keping time or measuring time.

Senator REED. Could you not just as well use one that did not synchronize?

Mr. BLAKESLEE. Just as well.

Senator REED. Then you have it at your finger tips to escape the tariff?

Mr. BLAKESLEE. Well, I say we could just as well if the manufacturers in Switzerland used that type of motor; but they are using a synchronous motor, and we are bringing in the apparatus as manufactured by the manufacturers.

Senator REED. What is a subsynchronous motor?

Mr. BLAKESLEE. A subsynchronous motor merely means that its speed is less than it would be if it were a bipolar machine. A bipolar synchronous motor on a 60-cycle circuit would revolve at 3,600 revolutions per minute, and a subsynchronous motor would revolve at some speed which was divisible into 3,600.

Senator KING. For what purpose are those synchronous and subsynchronous motors used?

Mr. BLAKESLEE. In the apparatus which we import?

Senator KING. Yes.

Mr. BLAKESLEE. They are used merely to operate the switch. The apparatus consisting of a motor-driven switch; the switch is the lower part here—this is the main part of the switch—and the motor is in the back of this plate here, and drives this switch. The only function of the clock, which you see is a small part of the apparatus, is to determine the time at which this shaft shall operate in the case of an electric switch, or, in the case of a valve closing or opening mechanism, the time that the valve should open or close.

Senator REED. In other words, you could set that to operate once an hour or once a day?

Mr. BLAKESLEE. The electric time switches are ordinarily set to go on at night and off in the morning; or, in the case of the dial which I have here, they are set to follow the sun through the year, to go on at dusk and off at daylight.

Senator KING. What are they used for?

Mr. BLAKESLEE. These switches are used for street lighting.

Senator KING. I was wondering if there was any form of industry that used them, any mechanical appliance that this is utilized to operate.

Mr. BLAKESLEE. Oh, yes; the electric switches are used in a good many commercial processes, such as annealing ovens, baking ovens of various kinds, heating lead pots, typesetting machinery, and so forth, but probably chiefly in street lighting, window lighting, store lighting, building flood lighting, and also in airways. The Department of Commerce, Bureau of Airways, use many of them for the lighting of the air beacons. Of course, this is a very high-grade type of apparatus which we import. There really is no apparatus of this particular type which is in the competitive class manufactured in this country.

Senator KING. Has there been any controversy over the application of the 1922 law to this apparatus?

Mr. BLAKESLEE. Not that I know of.

Senator KING. There have been no disputes with the Treasury Department as to the tariff rate which it should bear?

Mr. BLAKESLEE. Not that I know of.

Senator REED. What is its invoice value abroad?

Mr. BLAKESLEE. They vary. Of course, there is a wide line.

Senator REED. The one that you have in your hand?
Mr. BLAKESLEE. Do you mean the valuation?
Senator REED. The foreign invoice price.
Mr. BLAKESLEE. $29.60.
Senator REED. What duty does it pay under the present law?
Mr. BLAKESLEE. It pays $17.32.
Senator REED. About 60 per cent?
Mr. BLAKESLEE. Yes, sir. That is because of the specific duties on portions of the clock.
Senator REED. What duty would it pay under the House bill?
Mr. BLAKESLEE. Under the House bill it would pay $27.49.
Senator REED. About 100 per cent?
Mr. BLAKESLEE. Increase?
Senator REED. No; about 100 per cent ad valorem?
Mr. BLAKESLEE. Very nearly.
Senator KING. Would that take into account the various provisions about the clock?
Mr. BLAKESLEE. Yes—you mean the specific duties on the clock?
Senator KING. Yes; and the various parts of the clock.
Senator REED. Mr. Leonard suggests that these traffic lights that are becoming such a pest everywhere are controlled by this kind of machine.
Mr. BLAKESLEE. Many of them are. By that I do not mean the flashing of the lamps to control the traffic, but the turning them on at certain times in the evening to operate during the night, and then turning them off.
Senator REED. The flashing arrangement is simply clockwork; is it not?
Mr. BLAKESLEE. Yes. In some cases that is also a synchronous motor.
Senator KING. Are these synchronous motors made in the United States?
Mr. BLAKESLEE. The motors that are in these clocks are not made in this country; no, sir.
Senator REED. Of course there are thousands of motors made in the United States that are synchronous.
Mr. BLAKESLEE. Yes, sir.
Senator KING. But I meant this style.
Mr. BLAKESLEE. This particular style, no.
Senator REED. You think that duty is too high, do you?
Mr. BLAKESLEE. We think that the duty is too high in general, but we have no criticism of the duty if this apparatus could be classified in the way that we think it should be. That is, we believe it should be under paragraph 353. Under paragraph 353 there are specifically mentioned other electrical devices, such as refrigerators and X-ray machines, which in a large percentage of cases have clock-mechanisms as part of them, and yet they are classified under paragraph 353, while if the mechanism controls an electric switch or a valve it is thrown into paragraph 368.
Senator REED. In other words, you would like it moved over to pay 40 per cent under paragraph 353 instead of 90 or 100 per cent under paragraph 368?

Mr. BLAKESLEE. Well, that is not the suggestion that I have made in my brief. We appreciate the great enormity of the task that confronts you, and I know that certain other importers of these switches do favor that course. We are not certain that we will not interfere with manufacturers of other devices with which we are not familiar; and our suggestion has been a modification of paragraph 368, subparagraph (a), which is an exception. We have suggested the modification of that so that it will read:

Except the articles enumerated and described in paragraph 367 and the articles herein enumerated and described which include in less than chief value thereof time-keeping, time-measuring, or time-indicating means.

That is a suggestion which we would propose in order not to interfere with some possible manufacturers of other apparatus with which we are not familiar. However, we would be perfectly satisfied if, by some means, this class of apparatus could be put in paragraph 353.

Senator REED. That is your first point?

Mr. BLAKESLEE. That covers, really, two of our points—first, the classification of the synchronous motor. We have a suggestion for a modification in regard to the provision for synchronous motors. We suggest that this modification be in the form of an added subparagraph (i), as follows:

This paragraph shall not be considered to include synchronous or subsynchronous motor-driven mechanisms, devices, or instruments which are not intended or suitable for the uses mentioned herein.

Senator REED. That does not mean very m ch, does it—if they are not suitable for these uses?

Mr. BLAKESLEE. Yes, sir. Our idea in that was that if we wished to import a synchronous motor which was not intended or suitable for the uses shown in this paragraph, we could bring it in under paragraph 353.

Senator REED. In other words, if it has the characteristic of being synchronous with the frequency of the current, and is useless for the purpose to which it is put, then that quality ought not to make it taxable?

Mr. BLAKESLEE. Yes, sir.

Senator KING. What is your next item?

Mr. BLAKESLEE. Our next item is on the parts—the provision of the bill with regard to the bringing in of subassemblies. If this apparatus is classified under paragraph 353, that will take care of that situation entirely; but if it remains under paragraph 368 we will be very, very heavily penalized in bringing in certain parts, and parts which were never contemplated by any means by the clock manufacturers.

For instance, in this mechanism here, here is a relay which operates between the clock and the main switch. That relay may cost us about $5, but if we were to bring it in under the provisions of paragraph 368 it would cost us about $50; and I can go further than that, and point out in here small subassembly pieces which would not cost more than 5 cents, and which, brought in under the ruling of that paragraph, would cost us in the neighborhood of 60,000 per cent duty.

Senator REED. In other words, you think that in fairness not only to you but to the intention of the watch and clock manufacturers, the provision for parts should be restricted to parts of the time-registering mechanism?

Mr. BLAKESLEE. I do.

Senator REED. And not the electrical mechanism that accompanies it?

Mr. BLAKESLEE. Yes, sir.

I would also say that these high-grade switches are practically noncompetitive. We do not fear domestic competition in them, because there are none made that come in the classification—that is, from quality. Our competition is from other importers of similar devices.

Senator REED. Do you make any part of that in this country?

Mr. BLAKESLEE. We do not make any part of this particular switch. We do make parts of the high-tension switches. That is, many of these switches are used for the operation of very high voltage circuits.

Senator REED. The casting in which that thing is housed can be just as well made in this country as in Switzerland; can it not?

Mr. BLAKESLEE. As I recall it, we make no saving in that on account of the provisions even of the present bill.

For instances, here is a high-tension switch which we manufacture completely in our factory with the exception of the clock and the motor. That is a switch which sells in this country up t around $300, and of course the clock part of it is a very small item. All of the high-voltage switches we make in our factory, using the imported motor and clock.

Senator REED. And, of course, under this parts paragraph as it stands, any part of an electrical switch would be taxed as if it were the entire appliance?

Mr. BLAKESLEE. Yes, sir.

Senator KING. It would cost $300, then, to bring it in?

Mr. BLAKESLEE. Well, no; that would not be the case, because this switch we manufacture here; but under the present ruling we would be liable to duty in some cases as high as $50 for a very small part.

Senator REED. Have you any other point to present?

Mr. BLAKESLEE. No.

Senator KING. Then you are interested only in the synchronous and subsynchronous motors and the parts?

Mr. BLAKESLEE. I did not intend to convey that impression.

Senator REED. I think you have made it pretty clear.

Senator KING. I have understood that you were directing your attention to the synchronous and subsynchronous motors and their parts.

Senator REED. And to the time switches.

Senator KING. Yes, and the time switches—to be sure.

Mr. BLAKESLEE. Yes; the time switches, the synchronous motors as classified as time-keeping instruments or devices, and the time switches complete, and the parts.

Senator REED. Did you ever consider separating these articles between the electrical paragraph, 353, and this clock paragraph, ac-

cording to whether the time-recording mechanism was or was not the chief value of the machine?

Mr. BLAKESLEE. That is the suggestion that I have made.

Senator REED. Oh, you would determine it on the element which constituted the chief value?

Mr. BLAKESLEE. Yes, sir.

Senator KING. Would there be any difficulty in determining which element constituted the chief value?

Mr. BLAKESLEE. I think not.

Senator REED. Oh, no. We will have harder problems than that when we come to determining the chief value of glass and metal. You have suggested a wording that would take care of that, have you?

Mr. BLAKESLEE. Yes, sir.

Senator REED. All right; we will look at that. You have a brief to file?

Mr. BLAKESLEE. I have a brief that I will file.

Senator REED. It will be included in the record immediately after your oral statement. We are much obliged to you.

(Mr. Blakeslee submitted the following brief:)

BRIEF OF THE STATES CO.

SENATE FINANCE COMMITTEE,
Subcommittee on Metals and Manufactures of.

There are several provisions of the proposed tariff revision which is before you for consideration on which we desire to offer comment and suggestions.

This company, which is a Connecticut corporation located at Hartford, Conn., manufactures, among other articles, electric motor operated switches. It also imports them from Switzerland. Some of those imported are fully automatic time switches. Some are temperature-actuated switches. Other automatically operate valves, in some instances as a function of time, in other instances as functions of temperature or pressure of water level.

Thes products are used for the automatic control of the lighting of streets, parks, air beacons, show windows, building exteriors (flood lighting), and also for the control of electric circuits in industrial processes, for control of motor-driven pumps supplying water systems, for the control of water valves in springler systems and heating installations and gas valves in heating installations, baking, anealing, and japanning ovens.

For the most part all of these switches and valves are driven by a small synchronous motor, but in none of these automatic devices is this motor employed for the purpose of performing an operation in a specified time. In all instances the motor merely happens to be of synchronous type and where time is required as a control, a clock is employed.

We respectfully recommend that paragraph 308 be amended so as to clarify the meaning of the words "suitable for measuring time."

As outlined above, many of the automatic switches and valves which we import are operated by a small synchronous motor, but this motor, when so operating, is in no sense employed for any of the purposes enumerated in paragraph 368. Such automatic devices would come under paragraph 353 were it not for the phase "suitable for measuring time" and the possibility of a ruling that all such motors are suitable.

We do not believe that the clause was supposed to include such synchronous motor-driven devices. The use of small synchronous motors to drive time keeping, indicating, measuring ,and recording mechanisms is well known and common. According to such information as we have, such use is covered by patents in the United States. We are in full sympathy with the requirements of 368 concerning them, when imported for such use or for the intention of such use, but we do not believe that synchronous motor-driven devices of every nature should be classified in this paragraph, and ask that modification or interpretation be included in the paragraph.

We suggest that this modification be in the form of an added subparagraph (i), as follows:

(i) "This paragraph shall not be considered to include synchronous motor-driven mechanisms, devices, or instruments which are not intended or suitable for the uses mentioned herein."

Considering, more particularly, time switches, which would come under paragraph 368, we respectfully submit that the proposed provisions in certain ways work an unnecessary hardship to American consumers without any corresponding benefit to American manufacturers or labor.

The paragraph (368) deals particularly with clocks and clock parts, and in reading the hearings before the House Ways and Means Committee the great majority of testimony and briefs had to do with clocks of valuations from $1 to $20, approximately.

We do not wish to be understood to oppose in any way the desires of American clock manufacturers nor to influence one way or the other the action of the committee in regard to duty on clocks or clock parts. We believe, however, that full consideration may not have been given to the effect of the wording of the paragraph upon articles which it covers but which are of far greater valuation than the clock which is a small component part.

For example, this company imports automatic time switches some of which sell for above $200. This is a very high grade mechanism, but its predominating value lies in the switching mechanism and only a small part in the clock.

Furthermore, we knew of no American manufacturer who can, at the present time, supply a time switch equal in quality. We therefore submit that the inclusion of automatic time switches in the proposed increase in duty is going to benefit no American manufacturer of automatic time switches. Neither will it benefit American clock manufacturers. Its only effect will be to increase the consumer's cost.

That this single example may not be considered to be an exceptional case, we would state that according to the best information we have been able to obtain the automatic time switches which are being at the present time purchased and used for the exacting service of street lighting and airways are very largely noncompetitive imported switches.

We understand that the Department of Commerce, Division of Airways, has during the last two and one-half years purchased approximately 1,300 imported time switches and that such imported switches have been the only ones that could successfully meet the rigid requirements of the division.

The requirements for airway, beacon, and landing-field illumination are very exacting, as will be easily recognized when it is remembered that the lives of pilots and passengers and the safety and schedule of United States mail are dependent thereon. Airways and airports are multiplying rapidly and will require a great number of automatic time switches of the highest grade during the next few years. An increase in duty thereon may tend in some cases to cause the substitution of a lower grade.

The lighting of streets is only secondary in importance to airway marking as a guard against accidents and is of even more importance in the prevention of crime.

We believe that you will recognize that no impediments should be added to hamper the prevention of accident and crime if it can be avoided and particularly if no offsetting benefit is gained thereby. We, therefore, ask that the duty on automatic time switches be not increased above the tariff of 1922.

As a suggestion we offer an amendment to subparagraph (a) of paragraph 368, the following substitution for the present bracketed phrase: "[except the articles enumerated and described in paragraph 367 and the articles herein enumerated and described which include in less than chief value thereof timekeeping, time-measuring, or time-indicating means]."

This would have the effect of putting the high-grade automatic time switches back into paragraph 353 among the similar articles, a classification in which they really belong, and would give American manufacturers ample protection against competition in the cheaper grades of time switches and the clocks used therein.

According to our understanding of subparagraph (3) of subparagraph (c) of paragraph 368, the word "amount" was used instead of "percentage" for the express purpose of preventing the importation of clock parts, such as escapements for assembly in this country, in competition with domestic clocks using such parts domestically made.

We doubt if the effect of this wording was considered in its application to automatic time switches. Under this wording if this company wished to bring in for repairs a relay, which is a subassembly of an automatic time switch consisting of more than two parts of say $5 value, we would have to pay $50 for it.

We think you will agree that this was not the intention, and we ask that it be reworded to relieve such a situation.

Respectfully submitted,

THE STATES CO.,
HENRY J. BLAKESLEE, *President.*

STATEMENT OF R. W. CRAMER, REPRESENTING R. W. CRAMER & CO., NEW YORK CITY

(The witness was duly sworn by the chairman of the subcommittee.)

Senator REED. You represent R. W. Cramer & Co., do you?

Mr. CRAMER. That is right.

Senator REED. Is that a corporation or a partnership?

Mr. CRAMER. It is an American corporation.

Senator REED. Are you the president of it?

Mr. CRAMER. Yes.

Senator REED. Did you testify before the Ways and Means Committee?

Mr. CRAMER. No; we did not, because we did not think they were going to increase the tariff in any way.

Senator REED. Did you file a brief?

Mr. CRAMER. No; we did not know that we could.

Senator REED. So now you are coming to us to pick up the pieces, are you?

Mr. CRAMER. Well, we found out since that they made a special paragraph for electrical equipment which we think will take care of this situation that we are in. We import the same line as the previous witness—the time switch.

Senator REED. Where do you import from?

Mr. CRAMER. From Switzerland; and we know that the chief value of it is the electrical motor-operated switch equipment, and not the clock. In some cases the value of the clock is only about 10 per cent, and in the total importation I figured out that it was about 25 per cent.

Senator REED. Then you agree with Mr. Blakeslee's suggestion that there ought to be some provision put in to determine the chief value?

Mr. CRAMER. Yes.

Senator REED. As to whether it is the clock or the electric mechanism?

Mr. CRAMER. I think this new paragraph specifies, for instance, for the controlling of electricity, and that is what this equipment does.

Senator REED. You mean paragraph 353?

Mr. CRAMER. Yes.

Senator REED. But you would not fall within that as paragraph 368 is written, because you have a clock in your machine.

Mr. CRAMER. That is it; and I think this paragraph 368 is much too inclusive.

Senator REED. You want it modified in the same way that Mr. Blakeslee does, to eliminate your articles if the clock is not the chief value of the machine? Is that it?

Mr. CRAMER. Yes; that would be one way. However, that would not do away with that complication on the parts. I think we have a great many parts that are purely electrical parts, and there would always be a complication at the customs house to find out which is electrical and which is the clock part.

Senator KING. How would you deal with parts?

Mr. CRAMER. Paragraph 353 covers that in a way that all the parts are included in there.

Senator BARKLEY. You want these devices that are valuable chiefly as electrical mechanism to be transferred back to paragraph 353?

Mr. CRAMER. Yes.

Senator BARKLEY. Without any additional paragraph, that covers it? That will take care of it?

Mr. CRAMER. The parts, too; yes.

Senator KING. What provision is there in paragraph 353 in the House bill which covers parts?

Mr. CRAMER. It says "and parts thereof."

Senator KING. Oh, yes; "and parts thereof."

Mr. CRAMER. I think that would facilitate the matter very much.

Senator KING. Your idea is, in a nutshell, to transfer, if that could be done, from paragraph 368 to paragraph 353 the articles for which you are appearing?

Mr. CRAMER. Time-switching equipment; yes. That is on account of the fact that the chief value of it is the electrical switching equipment. As a matter of fact, more and more in some of our switches the clock, as I stated, is only about 10 per cent of the value of the whole assembly. You see here, for instance, the clock is only a very small part there [indicating].

This [indicating], for instance, is a part from one of the high-tension switches, and also the same part here is used on the same switch; and this is a subassembly. This part here costs 5 cents, and according to that paragraph that would cost $74 to import. That is an electrical part which is on the clock; and if we can not replace that at resonable cost it would simply put us out of business. Besides that, the Government has been using these switches, because there is nothing like it made here.

Senator BARKLEY. How can the cost of that be multiplied from 5 cents to $74—under what provision?

Mr. CRAMER. Paragraph 368.

Senator REED. How many pieces are in that assembly?

Mr CRAMER. There are probably five pieces, and we have some others that are even more so. This is a motor armature; and that could not possibly be brought in, even in small parts. Those are laminated steel fields there, and there are a great many of them. It needs special machinery to wind that, and we could not possibly make it here without importing the whole thing.

Senator KING. How many parts are there in it?

Mr. CRAMER. Oh, there are several hundred.

Senator REED. Those are made in this country in large quantities; are they not?

Mr. CRAMER. They are; yes, sir. That is also specifically mentioned under paragraph 353 as electric-motor parts. If we can not get those parts reasonably, then of course there is a great deal of equipment which we have sold for which we could not get repair parts. The Government uses this switch for airway beacons. They could not get any repair parts. It would put us out of business, and would do nobody any good.

Senator REED. What part of the entire value of the appliance that you sell does that little armature constitute?

Mr. CRAMER. Well, that costs about $2.40 as against a value of about $102 on the biggest switch. You see, we have different types.

Senator REED. Less than 2½ per cent in value of the whole?

Mr. CRAMER. Yes, sir.

Senator REED. It might be possible to put some percentage limitation such as that on this subassembly definition.

Mr. CRAMER. Well, I think in view of the fact that the main equipment is electrical switching equipment, motor-operated switching equipment, it should go under paragraph 353, which would also eliminate that difficulty about parts; and there is another reason for it. It is not any more complicated to make that, and it needs less precision than is used, for instance, in the manufacture of precision instruments for laboratories, where they state that 40 per cent is sufficient—for instance, for telegraph registers. They are under paragraph 353. This does not require any more precision than that. It is purely electrical equipment.

Senator KING. Has there been any difficulty in applying the existing law?

Senator REED. Yes.

Mr. CRAMER. No. It simply was classified under clocks on account of that same paragraph or wording there of any timekeeping mechanism being included.

Senator REED. You say there is no difficulty as to this: There was a very decided difficulty about subassembly of watches; was there not?

Mr. CRAMER. Yes.

Senator REED. And they had to have a Treasury decision on it?

Mr. CRAMER. Yes.

Senator KING. Since the Treasury decision, have you had any difficulty in getting your imports in?

Mr. CRAMER. This always came in under complete articles. We never brought it in unassembled.

We suggest that paragraph 353 read something like this:

All articles suitable for producing, rectifying, modifying, controlling, or distributing electrical energy; electrical telegraph, telephone, signaling, time switching, radio—

And so forth. If that is specified in that way, then it will also need, in the clock paragraph, a reference that this particular equipment is placed in that paragraph, 353.

Senator KING. Assume that there is to be a tariff upon the parts: What would you recommend as to the form of the provision of law that would deal with it?

Mr. CRAMER. We certainly could not possibly be satisfied with 4 per cent on imports, because we do not know; some parts may be needed more than others. Sometimes it may happen that we need a great many of them, due to some of those switches being used outdoors for street lighting, and if there is any lighting some of these small parts may be destroyed, several of them, or it may burn the armature on motors.

Senator KING. Do you bring in parts here and assemble them?

Mr. CRAMER. No, no; we bring in the whole thing.

Senator REED. You bring in repair parts, of course?

Mr. CRAMER. Repair parts; yes.

Senator REED. And some of them are assembled, such as the armature?

Mr. CRAMER. Yes.

Senator REED. All right.

Mr. CRAMER. Now, here I have another thing:

We are not competing with American-made switches. There [indicating] is an American-made switch which sells for much less than ours. They sell that for something like $25 list, and about $15 wholesale, whereas ours would cost about $120 list; and they sold 150,000 of these in four years. We have not sold anywhere near that quantity, so we are not interfering with American manufacture in any way.

Senator REED. This is merely an inexpensive article used for the same purpose, but it is not so fine an instrument?

Mr. CRAMER. Yes; it is not the same thing.

Now, here you see that 74 per cent of the apparatus is absolutely switching equipment which can not have any other classification than electric-switching equipment; and we always thought, for instance, under the watch paragraph, before the court decisions were made, that that is the way they appraised the duty, on the chief value of the equipment.

Senator REED. All right, sir; I think we understand your point, Mr. Cramer. Mr. Andrews is a representative of your institution, too; is he not?

Mr. CRAMER. Yes

Senator REED. Is he here.

Mr. CRAMER. Yes.

(Mr. Cramer submitted the following brief:)

BRIEF OF R. W. CRAMER & CO. (INC.), NEW YORK CITY

We import electrical time switches from Switzerland and they are sold in this country mainly to public utilities and also to the Department of Commerce.

These electrical time switches have been classified under paragraph No. 368 and the duty accordingly is increased. In so far as in the bigger electrical time switches the clock-work is only about 10 per cent of the value of the full-time switch, the rest being electrical motor-operated switching equipment; and, furthermore, due to the fact that subassembled parts are subject to the entire duty of the complete apparatus, so that on each subassembled part duties would be levied ranging from 7,500 to 148,000 per cent, the classification of electrical time switches under paragraph No. 368 is unjust because prohibiting import and annihilating existing values in this country, as no replacement parts can be obtained on account of the duty.

It is, therefore, respectfully suggested to subordinate electrical time switches under paragraph No. 353, such paragraph to read in its second alinear as

follows: "Electrical telegraph, telephone, signaling, time switches, radio, welding, ignition, wiring, therapeutic, and X-ray apparatus, instruments, and devices:" and to change paragraph No. 368 (a) tenth line: "(except the articles enumerated and described in paragraphs 353 and 367)."

Respectfully submitted.

ROBERT W. CRAMER.

STATEMENT OF HERBERT NEHLS, REPRESENTING LANDIS & GYR (INC.), NEW YORK CITY

(The witness was duly sworn by the chairman of the subcommittee.)

Senator REED. Mr. Nehls, you have already been sworn, so there is no use swearing you again. That means, of course, that your previous oath covers this testimony.

Mr. NEHLS. I come to talk this time about periodic-demand electricity meters and electric time switches.

These two items are at present classified erroneously under paragraph 368 (a), which covers generally clocks and clock movements.

Senator KING. You are speaking now about measuring time?

Mr. NEHLS. Measuring electricity, the flowage of electricity, and time switches.

Senator REED. The same point Mr. Blakeslee was talking about a while ago?

Mr. NEHLS. Yes.

Senator REED. So far as time switches are concerned, have you anything to add to what he said?

Mr. NEHLS. Not exactly, except that the essential part in a time switch is the electrical part.

Senator REED. You agree with Mr. Blakeslee and Mr. Cramer that, in fairness, if the chief value is the electrical part, then they ought to go under paragraph 353?

Mr. NEHLS. That is right.

Senator REED. All right. We do not need to go over that again. Now, about the electric meters——

Mr. NEHLS. I want to talk about electric meters, such as I have here. As I pointed out in my previous brief, some electric meters are controlled by clocks. This [indicating] has a clock movement, but, of course, it is not at all used for the same purpose that clocks and watches are. You can not tell the time with this clock movement. It is simply geared down to operate this indicator every 15 minutes, but you will notice that the clock part, in itself, is only a small part of the entire apparatus.

Senator REED. I do not understand its purpose.

Mr. NEHLS. It indicates the consumption of energy within a predetermined period of time. It indicates the kilowatt-hours consumed in 15 minutes, say. For the purpose of billing the consumption of electrical energy, the electric light companies take into consideration the demand charge. Of course, to arrive at the 15-minute indication, a timing device is necessary to reset this hand every 15 minutes. As you notice yourself, the electrical part of the meter, of course, is the main part of the entire apparatus.

Senator REED. It is the same question exactly as is involved in the time switch.

Mr. NEHLS. Yes.

Senator REED. The chief value being in the electrical part of it.

Mr. NEHLS. Yes.

Senator BARKLEY. You merely use the theory of the clock in order to have it operate upon the mechanism which measures electricity.

Mr. NEHLS. Certainly. The clock is only an auxiliary to bringing out certain registration.

Senator REED. All right. I think that is exactly the same question as the switches. Have you prepared a brief on this?

Mr. NEHLS. Yes. I have prepared a brief, and also a suggestion as to how, possibly, the paragraph should be rewritten.

Senator REED. What language do you suggest inserting?

Mr. NEHLS. I propose, for paragraph 353, the following:

All articles suitable for producing, rectifying, modifying, controlling, distributing or measuring electrical energy, including electricity meters and time switches.

Otherwise the paragraph should remain the way it is in the House bill at present.

For paragraph 368 (a) I propose the following:

Clocks, clock movements, including lever movements, clock-work mechanisms, time-keeping, time-measuring, or time-indicating mechanisms, devices, and instruments, synchronous and subsynchronous motors of less than one-fortieth of one horsepower, and any mechanism, device or instrument intended or suitable for measuring time, distance, speed, or fares, or the flowage of water or gas, or similar uses, or for regulating, indicating or controlling the speed of arbors, drums, discs, or similar uses, or for recording or indicating time, or for recording, indicating, or performing any operation or function at a predetermined time or times, all the above (except the articles enumerated and described in paragraphs 353 and 367), if completely assembled, whether or not in cases, containers, or housings.

The remainder of paragraph 368 to remain the same.

Senator KING. You did not intend to omit the word "electricity"?

Mr. NEHLS. Yes. I intended to omit the word "electricity," because paragraph 353 has been created for electrical apparatus.

Senator KING. Then you would strike out the words in paragraph 368 (a)?

Mr. NEHLS. Yes, sir.

Senator REED. All right, sir. I think we have that.

Mr. NEHLS. In paragraph 353, especially, I mention electric ranges. Every range has a clock. For the same reason, if a range is considered an apparatus used for the distribution or control of electrical energy, a meter, even a clock-controlled meter, is much more an apparatus for the distribution——

Senator REED. Do you think your time switch is just as much an electrical device as the electric range with a clock on it?

Mr. NEHLS. Yes, sir; in fact, more so.

Senator REED. If you will give your brief to the stenographer, we will see that it is printed right after your testimony.

(Mr. Nehls submitted the following brief:)

BRIEF OF HERBERT NEHLS, REPRESENTING LANDIS AND GAGE (INC.), NEW YORK CITY

FINANCE COMMITTEE,
United States Senate.

GENTLEMEN: The following proposition is submitted for your consideration:

Periodic demand electricity meters and electric time switches are now erroneously classified under paragraph 368 (a), which covers generally "Clocks, clock movements," and said meters and switches should be correctly classified under paragraph 353 covering "All articles suitable for producing, rectifying, modifying, controlling and distributing electrical energy."

It is true that periodic-demand electricity meters and time switches do contain, or are necessarily connected with, what is essentially a clock movement, in that it measures predetermined periods of time, although it gives no time reading or indication such as do ordinary clocks and watches.

The main point supporting the ground of erroneous classification of these meters and switches in H. R. 2667, as passed by the House, is that these devices have no place or use in industry primarily as timekeepers but have their sole usefulness and application in industry as devices for controlling and distributing electrical energy, and thereby come absolutely and precisely under the definition of paragraph 353 of H. R. 2667. This is the foremost and main ground for our contention that periodic-demand electricity meters and time switches are erroneously classified in paragraph 368 (a) of the bill.

That the present classification of these devices is erroneous from the standpoint and principle of procedure of the Ways and Means Committee is clearly shown from page 272 of the report of that committee (House Document No. 15, 71st Cong., 1st sess.), which reads as follows:

ELECTRICAL MACHINERY AND APPARATUS

"The products of this important group of industries are now dutiable under two paragraphs. Transformers, wiring devices, control apparatus, etc., are assessed at 40 per cent as manufactures of metal, not specially provided for under paragraph 399, whereas generators and motors, which are more expensive and difficult to manufacture and more susceptible to competition, are assessed at only 30 per cent as machines not specially provided for under paragraph 372. Furthermore, litigation over the meaning of the term 'machine,' as applied to electrical equipment, has resulted in transferring some products to the machinery paragraph and leaving similar products classified under paragraph 399. The industry is of such importance that separate classifications of its products are warranted, which is done by this bill."

This paragraph states very clearly that one of the main objectives of the bill is to bring all "similar products" in the electrical industry under a single paragraph and to impose thereon a uniform tariff rate. The report states further that to effect this purpose of imposing a uniform rate on all similar products, they are brought together into one paragraph, namely, paragraph 353.

The definition of the scope of paragraph 353, as stated in the opening subparagraph, is that it shall include:

"All articles suitable for producing, rectifying, modifying, controlling, and distributing electrical energy."

The sole purpose and the sole application in industry of periodic demand electricity meters and time switches is in the controlling and distributing of electrical energy (as defined in paragraph 353), and under the principle of classification and aims of the committee as stated, and under said definition of the scope of paragraph 353, such meters and switches should be included therein.

It is of great interest and very informative further, that in carrying out these stated purposes, along the line or principle indicated, the committee has defined and included in paragraph 353 articles which are much less essentially of the nature of controlling and distributing devices for electrical energy than are the periodic demand electricity meters and time switches under discussion.

We refer more especially in this regard to subparagraph 3 of paragraph 353, which covers:

" ticles having as an essential feature an electrical element or device, such as electric motors, fans, locomotives, portable tools, furnaces, heaters, ovens, ranges, washing machines, refrigerators, and signs."

It is very clear, indeed, that such meters and time switches are much more closely related in their industrial uses as controlling and distributing devices for electrical energy than are "washing machines," "refrigerators," or "ovens" or the like. To include washing machines and refrigerators or any of the articles mentioned in subparagraph 3, except electric motors, under the broad definition of subparagraph 1 of paragraph 353, and at the same time to exclude periodic demand electricity meters and time switches (the essential element of which is the electrical part) would be doing absolute violence to the very fundamental purpose and definition of paragraph 353.

In view of the fact that periodic demand electricity meters and time switches find their sole application in industry in the relation which is broadly de' ed as fundamental to section 353 (that is, they have as their "essential feature an electrical element or device"), the further fact that a simple time measuring clock mechanism is an auxiliary part thereof, is merely a secondary consideration, and should not control or affect the classification as against the fundamental and economically sound line of demarcation or definition laid down by the committee in its report and carried out in the bill. Furthermore, the value of the clock mechanism constitutes but a relatively small part of the cost of the complete device.

It is quite clear, therefore, that in carrying out the express purpose of the bill, namely, that the same tariff rate shall be charged for all "similar products," periodic demand electricity meters and time switches should be included in paragraph 353.

The Ways and Means Committee in considering the claims and deserts of the clock and watch manufacturing industry, stated that under the present tariff act they were subjected to injurious foreign competition. This competition existed only in the sale of clocks and watches for the purpose of telling time, and was in nowise affected by the market for periodic demand electricity meters or time switches. The stated purpose of increasing the rates on clock and watch movements was to protect the direct manufacture and sale of time-indicating devices, and to increase the tariff rate on said meters and switches to over 100 per cent, will not benefit the makers and sellers of time-indicating watches and clocks in any sense or degree whatsoever. It is quite clear, therefore, that the aims and purposes of the Ways and Means Committee as expressed with reference to the electrical industry, on the one hand, and as to the clock and watch industry on the other, are both violated by including periodic demand electricity meters and time switches in paragraph 368 (a).

That there was a mistake in the classification of these things under the present tariff act is no reason for perpetuating that mistake in the proposed new law. A conclusive proof of this contention is that paragraph 353 is created solely for the stated purpose of correcting errors in the classification under the present law. Obviously, the purpose of the committee was to correct all these errors; and apparently, while they detected and rectified former errors under paragraphs 372 and 399 of the present act, they overlooked the erroneous classification under paragraph 368 of the present law, as naturally they would not correct two errors and leave an absolutely similar third error uncorrected if they had detected it in time.

As a further thought as to the correct classification and duty to be placed upon periodic demand electricity meters and time switches as essentially devices for controlling and distributing electrical energy, attention is called to the statement filed with your committee by Mr. Allen, the chairman of the tariff division of the National Electrical Manufacturers Association, that the 40 per cent duty prescribed in paragraph 353 is entirely satisfactory to the industry. This is a clear indication from the American manufacturers that these devices should be included in class 353.

We submit, therefore, that paragraph 353 of H. R. 2667 should be rewritten as follows:

"PAR. 353. All articles suitable for producing, rectifying, modifying, controlling, distributing, or measuring electrical energy, including electricity meters and time switches; electrical telegraph, telephone, signalling, radio, welding, ignition, wiring, therapeutic, and X-ray apparatus, instruments, and devices; and articles having as an essential feature an electrical element or device, such as electric motors, fans, locomotives, portable tools, furnaces, heaters, ovens, ranges, washing machines, refrigerators, and signs; all the foregoing, and

parts thereof, finished or unfinished, wholly or in chief value of metal, and not specially provided for, 40 per cent ad valorem."

It will be noted that we propose inserting "or measuring" in subparagraph 1. This is merely definitive of the language as it now stands and is in no sense additive. There can not possibly be in industry any "controlling or distributing" of electrical energy without measuring. The prposed change makes the language more certain without expanding its actual and correct scope.

In view of the facts and reasons stated, we submit, therefore, that paragraph 368 (a) should be rewritten as follows:

"PAR. 368 (a). Clocks, clock movements, including lever movements, clockwork mechanisms, time-keeping, time-measuring, or time-indicating mechanisms, devices, and instruments, synchronous and subsynchronous motors of less than one-fortieth of 1 horsepower, and any mechanism, device, or instrument intended or suitable for measuring time, distance, speed, or fares, or the flowage of water or gas, or similar uses, or for regulating, indicating, or controlling the speed of arbors, drums, discs, or similar uses, or for recording or indicating time, or for recording, indicating, or performing any operation or function at a predetermined time or times, all the above (except the articles enumerated and described in paragraphs 353 and 367), if completely assembled, whether or not in cases, containers, or housings." (Remainder of paragraph 368 to remain as in the House bill.)

At a previous hearing, a member of the committee raised the point that water and gas meters are included under paragraph 368 (a). We have no knowledge or information whatsoever as to the manufacture or status of water and gas meters. The inclusion thereof in paragraph 368 (a) may be erroneous or may not be erroneous. This matter has no bearing whatsoever upon the classification of devices for "controlling and distributing electrical energy", concerning which devices the Ways and Means Committee state definitely on p. 272 of their report:

"The industry is of sufficient importance that separate classifications of its products are warranted, which is done by this bill."

This is the considered statement of the Ways and Means Committee that periodic demand electricity meters and time switches as devices for controlling and distributing electrical energy are entitled to separate classification irrespective of water or gas meters or any other devices. The answer to this question is in the official record before your committee.

Respectfully submitted.

HERBERT NEHLS.

JULY 8, 1929.

AUTOMOBILES AND TRUCKS

[Par. 369]

STATEMENT OF J. J. SHANNON, CHICAGO, ILL.

(The witness was duly sworn by the chairman of the subcommittee.)

Senator REED. You appear in connection with paragraph 369?

Mr. SHANNON. Yes, sir.

Senator KING. Is this the paragraph under which it has been suggested that some of the automobile manufacturers come and give us their views?

Senator REED. Yes. On Thursday morning I have asked three or four of them to come, because Mr. Shannon is the only witness who has asked to be heard on this. I think the committee needs a little more information.

Mr. Shannon, you want to talk to us about paragraph 369, motor trucks, I understand.

Mr. SHANNON. Yes.

Senator REED. Did you testify before the Ways and Means Committee?

Mr. SHANNON. I was on the high seas when the public hearing was held. I filed a brief with them, but so far as I know they paid no attention to it.

Senator KING. You wanted to reduce the rates, did you not?

Mr. SHANNON. Yes, sir.

Senator REED. First, let us get your viewpoint.

Senator KING. Let us find out who he represents.

Senator REED. What company do you represent?

Mr. SHANNON. I am representing myself, J. J. Shannon, of Chicago.

Senator REED. Are you an importer of motor trucks?

Mr. SHANNON. Yes, sir. I am just starting.

Senator REED. From what country?

Mr. SHANNON. Germany.

Senator REED. What type of truck do you import?

Mr. SHANNON. It is a 3-axle, 6-wheel truck.

Senator REED. Of what capacity?

Mr. SHANNON. Seven and one-half tons.

Senator REED. What horsepower engine?

Mr. SHANNON. One hundred and ten at 1,000 revolutions.

Senator REED. Have you actually imported any up to the present time?

Mr. SHANNON. Yes. I have imported 12.

Senator REED. What was the invoice value in Germany?

Mr. SHANNON. I would like to keep this statement, but it is shown on there [handing paper to Senator Reed].

Senator KING. Were they all 7½ tons?

Mr. SHANNON. Yes, sir, except one bus chassis, and they do not go by tonnage on the busses.

Senator KING. Are you speaking only for trucks of that horsepower or tonnage—7½ tons?

Mr. SHANNON. Well, they have 7½ and 10 tons, and the busses of different capacities, but they are all 6-wheel trucks.

Senator REED. They range from $4,000 to $4,800 each, invoice value abroad?

Mr. SHANNON. At the factory.

Senator REED. All right. What does it cost to get them over? What do they stand you when they are landed in America?

Mr. SHANNON. Landed in America, duty and all, $6,447. They cost me $547 freight. They cost me $200 to put them together; 200 labor hours at $1 an hour. Then I have to put tires on them here, at $645. I have 25 per cent ad valorem under the 1922 act.

Senator REED. It was 35 per cent under the Underwood bill, and it was reduced to 25 per cent by the Fordney-McCumber bill. You paid 25 per cent duty?

Mr. SHANNON. Yes. Including the other charges, such as insurance, customhouse brokers' fees, and customhouse charges, in addition to the duty, and all those little things, it amounts to $1,125.

Senator REED. So, it stands you about $6,500 delivered in New York or Chicago.

Mr. SHANNON. In Chicago, ready for the market. I can build that truck in America, if I had a big enough market for it—100 or more per month—along the same lines for approximately $4,100 to $4,200.

Senator REED. Is there any similar vehicle built in America?
Mr. SHANNON. Yes.
Senator REED. Who makes it?
Mr. SHANNON. There are several companies making them. One is the Lemoon Co., of Chicago; the Chicago Truck Co.; the Hendrickson Co., at Chicago; then the Timken Axle Co., of Detroit, make that axle part and sell it to many other companies who do not manufacture their own units. None of what we know as the big manufacturers in America are manufacturing a 6-wheel truck, except the Mack Co.
Senator REED. Do the Mack people make it?
Mr. SHANNON. Yes, sir.
Senator KING. Comparable to the ones which you are importing?
Mr. SHANNON. No. This is far superior in engineering design.
Senator KING. That is, the German truck?
Mr. SHANNON. Yes.
Senator REED. Do the Mack people admit that?
Mr. SHANNON. Yes, sir. One of their officials was in and congratulated me on my good judgment in getting such an advanced engineering job over here. One of the engineers of the White Co. also congratulated me. Those other companies in Chicago congratulated me. They were amazed at the advanced engineering in this truck, and instead of being critical toward it they were extremely the opposite.
Senator REED. Are they going to copy it?
Mr. SHANNON. There are certain patents here that are protective, in a way, but the American engineers will find a way to build a truck with the same advantages that this has, as soon as they feel that they have a little competition. I do not mean price competition. I could not meet that. That is impossible.
Senator KING. You mean they can manufacture automobiles in the United States cheaper than they can in Germany?
Mr. SHANNON. Certainly.
Senator REED. That is true of passenger automobiles. Is it true of motor trucks?
Mr. SHANNON. Yes.
Senator REED. They do not get the advantage of mass production in America on these big motor trucks, do they?
Mr. SHANNON. Yes; more so than in any other country.
Senator REED. What do you ask on this paragraph?
Mr. SHANNON. I ask that the tariff be removed.
Senator REED. And that automobile trucks be put on the free list?
Mr. SHANNON. Yes, sir; and busses and spare parts.
Senator REED. How about passenger cars?
Mr. SHANNON. I am not so familiar with that. I have devoted all my life to the motor trucks. I have never had anything to do with the passenger cars, except as a layman, to ride in them. That is about all. While I am on that, I would like to call your attention to this [indicating]. Here [indicating] is the old type 6-wheeler. This [indicating] is the type of the American trucks; and all other 6-wheelers all over the world are built on this type [indicating].
This company was the originator of the 6-wheel vehicle. They found, when they just stuck an extra axle on the back, with an extra

differential, with a universal joint here [indicating], permitting this [indicating] to function, that the power coming through from the motor to this differential [indicating] would come through to this one [indicating] and bounce back and hit the first thing it came in contact with, and that is this axle [indicating], making necessary 11½ more tractive effort on these two wheels [indicating] than on these two [indicating].

With that condition, we have a vehicle going a given speed, and we have two sets of driving axles of different diameter, because with more traction on these wheels [indicating] the tires would wear more quickly and the wheels become smaller in diameter, and then we would have a conflicting attitude here [indicating].

So, they got rid of that by putting on what we call a torque divider, or torque distributor, outside of the transmission box. That is the wrong name for this box, but that is what it is best known by. That makes possible two separate independent drives, so that each of these two driving axles operates independently of the other, and yet the power is equally distributed.

Senator KING. And the wheels are of the same diameter, and perform the same number of revolutions?

Mr. SHANNON. Yes. We found that after this was developed we got double the life of the tires from this construction [indicating] that we got from this [indicating].

Another feature we have is a dual carburetor system. We find it is absolutely impossible for one carburetor adequately to serve more than three cylinders. They are serving more, but not adequately.

Senator KING. Is that accurate, that one carburetor will not serve adequately more than three cylinders?

Mr. SHANNON. That is correct.

Senator BARKLEY. Is that true of passenger cars?

Mr. SHANNON. Absolutely; on any kind of internal-combustion motor.

We want to haul the loads economically without damaging the roads, and with this construction [indicating] we can haul an 8-ton load with less damage to the road than you could possibly accomplish in hauling the same load with half the capacity, because you would have a certain weight of the truck included. In this case the load is equally distributed over all wheels, including the front. They are set back to carry a part of the load, and we carry it on pneumatic tires. In fact, the solid tire is just about out.

Senator KING. What are the dimensions of those large trucks? What is the length?

Mr. SHANNON. They have different lengths for different purposes.

Senator REED. All right, sir. The brief which Mr. Shannon has submitted to us will be put in the record immediately after his testimony.

Senator KING. Are there any other points?

Mr. SHANNON. Yes. I feel that because of the friendly manner in which this has been received by the American manufacturers so far—of course, they have not been hurt—when enough of these are sold on the American market so that their presence is felt by the American manufacturers, that will stimulate the American engineering in building a more modern vehicle.

Senator KING. And, of course, they will build it cheaper than it can be built in Germany.

Mr. SHANNON. Yes. If I can get the consideration of the removal of the tariff, then I think it would not be long until I would be in a position to put up my own factory and build them here, because I can certainly build them here cheaper than I can bring them from over there.

The adoption of this system—I do not care how they do it—to eliminate that waste in motor vehicles would go a long way toward helping to conserve our natural resources. Even on trucks alone, if there were no waste in gasoline and fuel, we would be saving more than 10,000,000 gallons of gasoline and oil a day. In other words, there is that much being wasted, or used unnecessarily, because of faulty construction.

Senator KING. That is to say, your contention is that the cost of operation of the imported machine is very much less than that of the domestic machine?

Mr. SHANNON. All around, it is about one-third less.

Senator KING. Less in gasoline and in lubricating oil?

Mr. SHANNON. It is more than that. It uses less than half of the gas and oil, and that is quite an item.

Senator REED. Simply by using the double carburetion?

Mr. SHANNON. That is part of it. Of course, there are many contributing factors. That is the big factor in the saving of gasoline, but there are so many other contributing factors there that make possible the reduction in operating costs of more than one-third.

Senator KING. Have you made sufficient tests and experiments to justify you in making the statement that the costs of operation of the imported machine or truck are very much less than those of the domestic machine, as you have indicated?

Mr. SHANNON. In this case, yes, sir. But there is no other truck in the world, in this country or out, that is as modern in design as this one. I have looked them all over. When you look them all over in Europe and America, you pretty nearly cover the world.

Senator KING. Do you know whether the domestic manufacturers of trucks intend to oppose the proposition which you are suggesting?

Mr. SHANNON. I do not know. The truck men might. I think, if you would look around a little, you could see that there has been a great deal of improvement made in the construction, manufacture, and design of what we call passenger cars. They have improved immeasurably, and particularly so in the last few years. They are way ahead of everything. Now, we look across the street into the trucks, and we see the same old design we had years and years ago. They do not have the competition, and competition is the only thing that makes improvement possible. They do not have the competition, it seems, that they have in the passenger-car field, and until such time as they do get competition they will be content to go along in the same old way.

Senator KING. Another inquiry. Are there patents held abroad that would forbid any of these enterprising truck manufacturers from building this sort of a truck?

Mr. SHANNON. Some of them; yes, sir. They are all on file right here in Washington.

Senator REED. Very well, Mr. Shannon, I think we understand. (Mr. Shannon submitted the following brief:)

BRIEF OF J. J. SHANNON, CHICAGO, ILL.

HON. DAVID A. REED.
Chairman Subcommittee No. 1, Schedule 3, Washington, D. C.

DEAR SIR: In support of my request for the removal of the present United States import duty of 25 per cent ad valorem on foreign-made automobiles, spare parts, and accessories thereof, I am appending herewith certain facts which fully justify the placing of these commodities on the free list.

1. A distinction should be made between what we know as an automobile, a motor truck, and a motor bus. An automobile chassis, to be classified as an automobile chassis, should not weigh more than 5,000 pounds, and motor truck chasses and motor bus chasses, to be known and classified as such, should weigh more than 5,000 pounds. In this way a distinction could be made between a pleasure automobile and a freight or a commercial vehicle.

2. I am importing from Germany certain motor truck chasses and motor bus chasses which weigh more than 9,000 pounds each and which are made by Automobilwerke H. Bussing A. G., in Braunschweig (Brunswick), Germany. I am having a very hard time in marketing these trucks and busses in America, because the American-made trucks of similar construction are much cheaper in price.

3. If these trucks, busses, spare parts, and accessories are put on the free list, the injury to American labor, if any, would not only be slight but temporary, because these chasses are shipped in a completely knocked-down condition, and must be reassembled here. The time required for this work is 200 labor hours for each chassis. American labor is employed. When importation of these vehicles exceeds 100 chasses per month, it would be much cheaper to erect a factory and build them in this country with American labor.

4. The free entry of these trucks and busses into the United States would stimulate engineering interest and encourage the American truck and bus manufacturers to modernize the engineering design of their present product.

5. America and Americans will benefit by the free entry of these particular trucks and busses because they use less than half the gasoline and oil the American trucks and busses use, thereby conserving our natural resources and encouraging others to do so.

6. The American merchant marine in a way is an auxiliary to the United States Navy. I am in receipt of a letter from the United States Lines, 45 Broadway, New York, stating the carriage of these trucks as ocean freight has been profitable to them, and the removal of the United States import duty on these trucks would offer a substitute for the subsidizing of American tonnage.

7. No other foreign motor truck or motor bus manufacturer can successfully compete in the American market because they have no advantage to offer. The only reason I have for hoping to compete in the American market is because the Bussing truck and bus is designed and built in such a way that it will do more work at much less cost of operation than any other truck and while carrying a capacity load delivers much less damage to the road than any other truck in the world.

8. In 1927 our automotive exports amounted to $338,000,000. This was increased in 1928 to more than $500,000,000. During the same period our automotive imports amounted to $2,305,000 in 1927 and dropped to $250,000 in 1928.

9. I shall now try to give you the approximate manufacturing cost of the American-made 3-axle 6-wheel truck chassis I am trying to compete with in this country, and also what the approximate cost would be to build the American six-wheeler along the same lines as my German-made truck, and also the cost of the German truck at the German factory and an itemized list of charges en route to my plant in Chicago ready for the American market.

10.—

American made 6-wheel 3-axle chassis, manufacturing cost	$3,600
Extra charge for sectional radiator	40
Extra charge for dual carburetor system	35
Extra charge for subframe	40
Extra charge for torque distributor	90
Extra charge for pneumatic tires	360
Total	4,165
German made 6-wheel 3-axle chassis at German factory	3,930
Packing and f. o. b. ship at German port	150
Ocean freight to New York, via United States lines	185
United States entry and transfer at New York	23
Full coverage insurance	30
Freight, New York to Chicago	159
Reassembling at Chicago	200
United States import duty, 25 per cent ad valorem, handling and entry at Chicago	1,125
Pneumatic tires (American)	645
Total	6,447

11. Selling schedule showing expense and profit:

	American	German
6-wheel 3-axle chassis, list price	$7,500	$10,500
Extra for sectional radiator	40	.....
Extra for dual carburetor system	35	.....
Extra for subframe	40	.....
Extra for torque distributor	90	.....
Extra for pneumatic tires	360	.....
Total list price	8,065	10,500
Less discount to wholesale distributors, 30 per cent	2,420	3,150
Balance	5,645	7,350
Less cost of doing business, 10 per cent	564	735
Balance	5,081	6,615
Manufacturer's cost	4,165	6,447
Profit and loss	916	168

In view of the sound reasons outlined above, it is quite obvious our present 25 per cent ad valorem tariff on automobiles, spare parts, and accessories is not necessary, and its removal would result in a real genuine financial benefit to the American people as well as allowing me to meet American competition on a more equal basis.

Respectfully submitted.

J. J. SHANNON,
6010 Glenwood Avenue, Chicago Ill.

DISTRICT OF COLUMBIA,
City of Washington:

Subscribed and sworn to before me this 8th day of July, 1929.

KATHLEEN W. NOEL,
Notary Public.

My commission expires April 21, 1931.

SUPPLEMENTARY BRIEF OF J. J. SHANNON, CHICAGO, ILL.

HON. DAVID A. REED,
Chairman Subcommittee No. 1 Schedule 3, Washington, D. C.

DEAR SENATOR REED: Supplementing my brief filed with your committee on July 9, re paragraph 360 Schedule 3, I wish to call your attention to the testi-

mony of Mr. W. C. White, who appeared before your committee yesterday. Mr. White's testimony about mass production seems to have been misleading to many witnesses and spectators who were present, and I fear it was misleading to you, because Mr. White confined some of his remarks to the construction of various types of motor truck bodies to satisfy the requirements of those engaged in the many different kinds of business, but that has nothing to do with the manufacturer of motor-truck chasses. Very few motor-truck companies in the world attempt to build bodies for the trucks they manufacture. There are many sound reasons for this and I will be glad to appear before your committee and cheerfully tell them anything they want to know on that subject.

When Mr. White told your committee that mass production methods were not employed in the motor-truck industry in America he most certainly was talking about motor-truck bodies and not trucks, because mass production methods are employed in all motor-truck factories, both in this county as well as in other countries and it was for that reason I stated both in my brief and on the witness stand under oath before your committee that as soon as I could create a market of 100 or more trucks per month in this country I would then erect a factory and build my trucks in this country. If mass production methods were not necessary I would have made no appeal to your committee for relief. Ninety-five per cent of all motor truck and bus bodies are built by body builders for and by direction of truck or bus purchasers.

Motor truck and bus chasses manufacturers both in this country and abroad center their interest on the design and production of chasses only, leaving the development of wheels, rims, tires, starting and lighting devices, ignition, drivers cabs, bodies, etc. to the respective manufacturers thereof and for that reason the manufacturer of motor-truck chasses and bus chasses does not include these devices in the guaranty he furnished the purchasers of the chasses, because such devices are usually guaranteed by their respective manufacturers.

No request has been made of your committee for relief for truck or bus bodies because it would be absolutely impractical to import motor truck bodies regardless of price, even if freight and duty were free.

There is absolutely no difference in construction of a certain capacity truck of a given make except the frame length and wheel base, but there is a difference in construction between, say, a 2½-ton truck and a 7½-ton truck, but all are built on the mass production or progressive method; numbers of 100 or 500 or 1,000 trucks of a given capacity are run through the factories in series. Our present production costs can not be maintained in any other way. There is no such thing as a custom-built truck chassis except for experimental purposes, as Mr. White, I fear, led you to believe.

I am willing to accept a flat import duty of 10 per cent ad valorem on automobiles, motor trucks, motor busses, spare parts, and accessories thereof. This would make the duty on my truck amount to about $400, which compares with the German duty of 30 marks per 100 kg., or about $335 for an American made truck of the same weight imported into Germany.

The average weekly pay for German skilled mechanics as paid by the Automobile Works of H. Bussing, in Braunschweig, Germany, is 110 marks ($26.18) and not $10.85, as is shown in the brief of the White Co.

I therefore request that you permit me to file this, my supplementary brief, covering the above.

Yours very respectfully,

J. J. SHANNON,
6010 Glenwood Avenue, Chicago, Ill.

DISTRICT OF COLUMBIA,
City of Washington, ss:

Subscribed and sworn to before me this 12th day of July, 1920.

[SEAL.] KATHLEEN W. NOEL, *Notary Public.*

My commission expires April 21, 1931.

STATEMENT OF ALVAN MACAULEY, REPRESENTING THE NATIONAL AUTOMOBILE CHAMBER OF COMMERCE AND THE PACKARD MOTOR CAR CO.

(The witness was duly sworn by the chairman of the subcommittee.)

Senator REED. Mr. Macauley, the committee has been asked to hear only one witness on paragraph 369, which deals with the duty on automobiles and automobile parts. That witness who testified two or three days ago asked to have the duty taken off entirely, or very substantially reduced, and it did not seem to us that the committee was in a position to act on so little information as that. That is why we have asked you and your competitors to appear to-day.

Let me, for the sake of the record, just outline the situation as the Tariff Commission gives it to us:

It appears that the domestic production of motor vehicles in 1927, which is the last year that we have, was $2,537,912,192. I presume that includes trucks and tractors, but they do not specifically state.

The exports are reported by the Tariff Commission as being $388,528,422 in 1927 and $500,174,431 in 1928, while the imports in 1927 consisted of 550 cars of an aggregate foreign invoice value of $954,376 and in 1928 of 512 cars with an aggregate invoice value of $973,741.

In addition to that, the Tariff Commission tells us that automobile bodies, chassis, and parts were imported in 1927 to the extent of $1,395,339, and in 1928, $1,755,108. The duty was from 30 to 45 per cent under the Underwood bill, and in the Fordney-McCumber bill of 1922 it was reduced to 25 per cent. Of course, the actual duty collected is more than that, because of the retaliatory tariff provision which is included in paragraph 369.

Just one word more and then I will turn the stage over to you. There is a good deal of doubt expressed whether the retaliatory provision in the automobile tariff is not in conflict with our most-favored-nation commercial treaties that we have with most of the European countries. The Treasury Department, I believe, has taken the position that it is not. The State Department seems to be in some doubt about it.

The country has given us a mandate to write a protective tariff bill. That is our intention. But, of course, we have no mandate to continue in force rates that are not needed, or that are excessive. I would like to ask you what, in your judgment, for the best interests of the industry, and its workmen, and this country, ought to be done by this committee with paragraph 369? That is a long question, but I will allow a long answer.

Mr. MACAULEY. I will endeavor to answer that in a very brief statement, which I have prepared.

Representatives of the motor industry here to-day appear at the request of the chairman of your committee for the purpose of discussing the present duties on motor vehicles.

We have accepted that invitation because we know that the continued prosperity of this industry is of vital importance, not alone to the 4,000,000 Americans who directly or indirectly derive their liveli-

hood from it, but to the welfare of every man, woman, and child in the United States.

The motor vehicle is to-day more than an article of commerce. It is an agency of transportation. Its influence upon life and trade continues long after the vehicle has passed from the manufacturers' hands. It provides employment for those who build and sell it and increases the efficiency of those who use it. Its part in modern, world-wide development is a vast one.

The one way to evaluate its importance in American life is through the time-honored use of statistics, so before proceeding to the questions directly before us, I desire briefly, if I may, to submit a few facts which relate the production of the car to the development of American labor, the use of American materials and to the general welfare.

During the past year 4,600,000 passenger cars and trucks, valued with parts at approximately $5,000,000,000 were produced by American manufacturers. Of this number 242,000 units were assembled in Canada.

During the first half of the present year almost 3,400,000 units were produced, assuring a year's production in excess of 5,000,000.

To-day motor car production ranks first among the manufacturing industries of the United States.

Approximately 4,000,000 persons were directly employed in the manufacture, distribution, service branches, and miscellaneous activities, while another 385,000 were engaged in the manufacture of commodities going into the vehicle.

As some indication of the effect of this production upon other industries, it may be noted that motor vehicles consumed 6,700,000 tons of steel, or 18 per cent of production; 441,000 long tons, or 85 per cent, of the rubber consumption; 98,000,000 square feet, or 74 per cent of plate glass production; 31,500,000 square feet or 60 per cent of leather upholstery production; 1,000,000,000 board feet of hardwood lumber of 18 per cent; 25,000 tons of aluminum or 27 per cent; 135,000 tons of copper or 14 per cent.

Gasoline, road-building materials, and other metals and commodities could be added to a long list of similar items.

From a transportation standpoint the industry was the third largest user of railroad equipment, shipping nearly 1,000,000 carloads of automobiles, trucks, parts, and tires, aside from the raw materials shipped into factories.

The export figures are equally impressive as the industry is now first in value in the exports of manufactured products.

Last year, 515,000 units were exported from the United States, 242,000 were manufactured by American plants in Canada, and 67,000 were assembled in 68 foreign plants owned by American manufacturers.

These cars were valued at more than $500,000,000 and were exported to 107 countries throughout the world.

They constituted about 15 per cent of the total production.

Senator KING. Did that include parts, or just the finished product?

Mr. MACAULEY. That included parts.

In this connection, however, it is interesting to note that of the trucks exported about 74½ per cent were vehicles of 1 ton or less, while only 3 per cent were trucks over 2½ tons capacity.

There are more than 31,000,000 motor vehicles in the world, of which 83.5 per cent were produced by American companies. Canada, France, England, Germany, and Italy account for virtually all the remaining production.

At the present rate of export it is anticipated that more than 1,000,000 American made cars will be sold abroad this year.

With respect to tariffs, the passenger car duties imposed by other countries range from 7½ per cent in Mexico to 51 per cent in Italy and 69 per cent in Uruguay, while the average for all countries is about 30 per cent. The average tariff on trucks is slightly lower. Internal taxes and other burdens add to these figures in many countries.

With these facts as a background, we turn then directly to the question before us, which, as we understand it, is whether the present duty of 25 per cent ad valorem on cars entering the United States, together with the accompanying countervailing clause, can be justified.

If this question had been raised to us one or two years ago, I think I am safe in saying that virtually a unanimous answer would have been that we required no tariff for passenger cars. But to-day, in the event of a removal of the motor vehicle from the dutiable list, and with changing economic conditions abroad, the result might be the invasion of the American market by foreign made cars.

Left on the dutiable list, at the nominal rate of 10 per cent with a countervailing duty, we feel reasonably sure that relief could be had if needed.

We can not assume the responsibility for opening the doors to free competition by foreign labor in American markets through consenting to placing our commodity on the free list, without first trying out a partial reduction, nor do we believe that Congress should do so.

A number of foreign manufacturers of motor cars, feeling keenly the competition of American manufacturers, have recently adopted American methods and equipment, including facilities of all kinds that have been developed in this country, and have engaged American management and skilled talent thoroughly familiar with our best practices, and hope in time to be on a par with American manufacturers, except perhaps in the matter of volume.

Then, too, we have an increasing number of foreign plants, owned or controlled jointly, by American manufacturers and foreign interests, the ultimate effects of which no one can forecast.

I refer there to the 68 assembly plants scattered throughout the world.

With respect to the manufacturers of heavy duty trucks and buses and electric motor trucks, the situation is basically different, because as their respresentatives will demonstrate, theirs is not a mass production industry to the same extent, and consequently they have not the same advantages in competition.

We can not establish the fact that the present duty of 25 per cent ad valorem is justified for motor cars although there are those who believe it is.

I think they believe it is because they see here a magnificient industry, prosperous, and employing millions of people, and their theory is that the general rule is that it is a good thing to let well enough alone.

To-day we can say that a canvass of most of the passenger car manufacturers of the country indicates their willingness to try out a 10 per cent ad valorem duty if coupled with the same countervailing duty which is now provided.

If foreign cars were placed on the free list it would be a great incentive to these modernized foreign plants to invade the American market if and as they are able.

Incidentally, it would be a great incentive to dumping by these foreign manufacturers, in cases of surpluses. Should this come about, and the next few years will answer the question, with motor cars on the free list, then American labor and American materials might well be faced by a competition which would have a marked effect on our industry and the country.

Senator Reed. You are president of the National Automobile Chamber of Commerce, are you not?

Mr. MACAULEY. Yes, sir.

Senator REED. And also president of the Packard Motor Car Co.?

Mr. MACAULEY. Yes, sir.

Senator REED. I am impressed by your statement of the number of people whose livelihood depends upon this industry. You say there are about 4,000,000 persons in the various branches of the industry?

Mr. MACAULEY. Something more than that.

Senator REED. Naturally Congress does not want to experiment rashly with their prosperity. It has been represented to me, Mr. Macauley, that our position in regard to motor cars has become the same as with regard to typewriters, where we have practically the world market. We have a great advantage, even where high duties are paid.

I understand that the present duty charged by France against American motor cars, and, therefore, under the retaliatory provision, charged by us against French cars, is 45 per cent ad valorem. Is that right?

Mr. MACAULEY. That is correct.

Senator REED. And in the United Kingdom the duty is 33⅓ per cent; and, of course, we now levy the same duty against them. In the case of Italy it is 35 per cent plus a specific rate, according to weight, which brings it up to an average of around 51 per cent, I think.

Mr. MACAULEY. Correct.

Senator REED. Can you tell us what it is in Germany?

Mr. MACAULEY. All motor vehicles are on a basis of weight; about $215 for a typical $1,000 car. You might say, therefore, it was about 21½ per cent.

Senator REED. In Canada the rate varies from 20 to 30 per cent ad valorem, I believe.

Mr. MACAULEY. Yes.

Senator REED. What would be the rate charged on a $1,000 car?

Mr. MACAULEY. Twenty per cent.

Senator REED. Have you the figures for Belgium?

Mr. MACAULEY. All motor vehicles are on the basis of weight; about $300 for the typical $1,000 car.

Senator REED. About 30 per cent, then, on the car that is usually exported?

Mr. MACAULEY. Yes; but that is on the retail price and not on the wholesale. It is somewhat more than that on the wholesale price.

Senator REED. Yes; if it were based upon the American wholesale invoice price it would be considerably higher, both in Belgium and in Germany.

Mr. MACAULEY. Yes.

Senator KING. On a $4,000 or $5,000 car, the duty would not be so high, if it is on the basis of weight.

Senator REED. Presumably that car weighs more.

Senator KING. It weighs more, but the proportion would be less.

Senator REED. Do you think that the retaliatory provision is necessary?

Mr. MACAULEY. I do.

Senator REED. Of course, if we put it in this bill, and if it is in conflict with those treaties now existing, the enactment of this bill will override the provision of the treaties, so that there will not be any question about its validity, as there now is, with regard to these treaties subsequent to 1922. Why do you feel that is necessary, Mr. Macauley?

Mr. MACAULEY. In the absence of it, I do not see any reason why they could not do a fine job of dumping over here.

Senator REED. If we left the duty at 10 per cent?

Mr. MACAULEY. If you left it at 10 per cent and did not have the countervailing duty.

Senator REED. And did not have the retaliatory provisions?

Mr. MACAULEY. I would think that they would enjoy that very much. I think, whenever they had some surplus cars left on their hands that they could not move readily over there, they would bring them over here.

Senator REED. They still could do that by lowering their own duty first. Then they could dump here on the 10 per cent basis.

Mr. MACAULEY. Yes. Of course, if they would lower their duties, we would be quite willing to have ours lowered too, but I do not think there is any prospect of that.

Somebody mentioned the cars and trucks as being the second line of defense in any country. That is still true. That is thoroughly recognized in all the big countries of Europe. They are going to maintain their industries regardless of what is necessary to do it.

Senator REED. So, you feel that that countervailing provision, or retaliatory provision, is important.

Mr. MACAULEY. Very.

Senator KING. Does not your experience demonstrate that you need to have no apprehension about their being competitors in our own, or in their own markets?

Mr. MACAULEY. They are very much competitors in their own markets.

Senator KING. I mean in prices, in cheapness of production.

Mr. MACAULEY. I would not go as far as that.

Senator KING. In all the elements and factors involved in the production of cars, either in mass production or otherwise.

Mr. MACAULEY. I would not go that for. I think they have great potentialities for competition over there. To-day, no. We have the volume. We have the foreign volume added to a tremendous home market, and that gives us a great advantage. Otherwise, except for

the one matter of volume, I do not know why they will not be able to produce, ultimately, as cheaply as we can.

Senator REED. Is not that the critical factor?

Mr. MACAULEY. It is.

Senator REED. You could not possibly have gotten your costs down as low as you have if you had not had this enormous market.

Mr. MACAULEY. True.

Senator BARKLEY. There is no competition in the lower-priced cars at all. It is only in the very high-priced passenger cars coming in here.

Mr. MACAULEY. You mean in America?

Senator BARKLEY. Coming into America; yes.

Mr. MACAULEY. Yes. The cheap cars of Europe offer no competition.

Senator BARKLEY. The fact is that the American car possesses the European market on that type of car.

Mr. MACAULEY. That is largely, but not entirely true.

Senator BARKLEY. Practically the only competition you have abroad is in the higher-priced cars, is it not?

Mr. MACAULEY. No; I would not say that is true. I think in England cars like the Austin and Morris are very popular; and in France, the Citroen. The Austin is also made there under another name. Some of the Italian companies have low priced cars that are fairly good. I would say that there is substantial competition in that line in Europe.

Senator KING. Is not the superiority of the American low-price cars, to say nothing of the higher-priced cars, over the European cars, recognized there to the extent that even the Europeans concede that ours are the better cars?

Mr. MACAULEY. Not all of them. Of course, they have designed their cars to suit the tastes of the people in their countries, which gives them quite an advantage.

Senator KING. Those tastes are accommodating themselves to our tastes, are they not?

Mr. MACAULEY. I would not be sure that that was so.

Senator BARKLEY. The tastes may be accommodating themselves to our prices.

Mr. MACAULEY. There is something in that. It is undoubtedly true that the French car appeals to the French taste better than the American car, which is designed for the American taste. The same thing is true in England, in Germany, and in Italy.

Senator KING. Are your exports increasing?

Mr. MACAULEY. Yes, nicely.

Senator KING. There has been a progressive rise, and the curve is substantially uniform in its ascent.

Mr. MACAULEY. That is substantially so.

Senator REED. It has been suggested to me, Mr. Macauley, that if a 10 per cent duty, for example, is adopted, to represent a supposed difference in production cost here and abroad, then the retailiatory duty will necessarily represent something more than the difference in the production costs, and therefore would be unjustified.

Mr. MACAULEY. That production cost is quite a flexible thing. Ten years ago an automobile that is made to-day for $1,000 as a unit would have cost nearer $2,000, and our foreign friends are getting their costs down, too. They are getting the same equipment, the

same methods, and the same skill that enabled us to cut our costs more than half. They are making progress right along.

Senator REED. That is just what I wanted to bring out. The difference between the production costs here and abroad is necessarily a variable thing.

Mr. MACAULEY. Yes, sir.

Senator REED. And it is that factor that leads you to think that the countervailing duty ought to be kept?

Mr. MACAULEY. Yes, sir.

Senator BARKLEY. Have you the figures for the 1928 production in the United States?

Mr. MACAULEY. Yes. During the past year 4,600,000 passenger cars and trucks, valued with parts, at approximately $5,000,000,000, were produced by American manufacturers.

Senator BARKLEY. How many of them were passenger cars?

Mr. MACAULEY. Of this, 4,024,000 were passenger cars, and 576,000 were trucks.

Senator BARKLEY. During that same year, only 512 motor cars of all descriptions came into this country from abroad.

Mr. MACAULEY. True.

Senator BARKLEY. 512 out of a total of over four million. I am quite unable to see why a tariff on it helps or hurts anybody.

Mr. MACAULEY. The tariff so far has produced a very satisfactory situation, don't you think?

Senator BARKLEY. I do not know whether the tariff has done it.

Mr. MACAULEY. There was a time, I remember distinctly, when we were all very much afraid of the European invasion of motor cars.

Senator BARKLEY. When was that?

Mr. MACAULEY. That was up to 1910, I would say.

Senator BARKLEY. That was long before you had established yourselves, even in this country.

Mr. MACAULEY. We were more or less established.

Senator BARKLEY. Before you had taken possession of the world markets in automobiles. There was no tariff at all on automobiles then, was there?

Mr. MACAULEY. Yes.

Senator BARKLEY. In 1910?

Mr. MACAULEY. Yes.

Senator BARKLEY. What was it?

Mr. MACAULEY. My recollection is that it was 45 per cent.

Senator BARKLEY. It was even greater. I think you are right. The tariff was reduced by the act of 1922.

Mr. MACAULEY. Yes.

Senator KING. However, subsequent events have justified the conclusion that those were baseless apprehensions.

Mr. MACAULEY. So far.

Senator BARKLEY. Is it not true that the average man in the United States who is able to buy, either by reason of his financial ability or by reason of his taste, a Rolls Royce, for instance, cares very little about the tariff on it? That does not persuade him either to purchase it or not to purchase it, does it?

Mr. MACAULEY. I do not know that it does, but I heard an official of the Rolls Royce Co. quoted. They have a factory in Springfield,

Mass. Their home factory is in Europe. I heard an executive quoted as saying that if automobiles went on the free list the Springfield, Mass., plant would fold up its wings and go back to England. I do not know why it should not.

Senator REED. I want to ask you a word or two now about trucks. Are any trucks being imported at the present time?

Mr. MACAULEY. Some; not many.

Senator REED. Have you any idea how many?

Mr. MACAULEY. Mr. White probably can answer that better. He appears for the truck industry. It is evidently a very small number, because trucks were included in that figure of 566 motor vehicles imported last year.

Senator REED. The Tariff Commission says 512.

Mr. MACAULEY. That is a little difficult to get exactly.

Senator REED. Part of that 512 was trucks?

Mr. MACAULEY. Yes, sir.

Senator REED. Where are those trucks made principally—in Germany and England?

Mr. MACAULEY. England, France, Germany, and Italy.

Senator REED. You say that mass production has not been applied to trucks in this country. Of course, I suppose you except the Ford truck.

Mr. MACAULEY. Yes.

Senator BARKLEY. All rules have to have exceptions in Ford matters, do they not?

Mr. MACAULEY. Yes.

Senator REED. The committee understands that you are talking about heavy-duty trucks, designed as trucks, and not simply a passenger car chasis.

Mr. MACAULEY. Yes.

Senator REED. But do not the makers of these large trucks get the advantage of mass production? Have they not a sufficient market for them?

Mr. MACAULEY. Yes, they do, but not to the same extent that passenger car manufacturers do. The truck chassis is more or less standardized, but the body varies largely with the customer. There is very little mass production in bodies of trucks, whereas there is complete mass production in the bodies of cars.

Senator REED. In your own company, what percentage of the number of vehicles that you made last year was trucks?

Mr. MACAULEY. None, because we abandoned the truck business some years ago.

Senator REED. You have gone out of the truck business?

Mr. MACAULEY. Yes.

Senator REED. How many motor vehicles, altogether, outside of motor cycles, were produced in this country last year?

Mr. MACAULEY. Four million six hundred thousand.

Senator REED. Of that number, how many were trucks?

Mr. MACAULEY. Five hundred and seventy-six thousand. All these figures, except where otherwise specified, include American cars and trucks assembled in Canada.

Senator REED. Around 12 per cent of the total?

Mr. MACAULEY. Yes.

Senator KING. Who are the largest manufacturers of trucks?

Mr. MACAULEY. Of the heavy-duty trucks, White, Mack, and the International Harvester Co.

Senator KING. Do they not standardize pretty well not only the chassis, but also the body?

Mr. MACAULEY. No. They would like to. Even the chassis varies largely in length, and other things, as Mr. White, who will follow me later, will tell you. He is much better qualified to answer about trucks than I am.

Senator BARKLEY. How has the production of automobiles proceeded this year, in comparison with last year?

Mr. MACAULEY. It is ahead.

Senator BARKLEY. At the rate of production for the past six months, what would be the total production for this year?

Mr. MACAULEY. It was 3,400,000 for the first six months. To be safe, I would say in excess of 5,000,000 for the year, or perhaps 5,500,000.

Senator KING. That would be 1,000,000 in excess of last year?

Mr. MACAULEY. Yes.

Senator BARKLEY. How have the exports of the automobile industry for the last six months compared with last year?

Mr. MACAULEY. They have shown a healthy increase.

Senator BARKLEY. What percentage?

Mr. MACAULEY. Twelve per cent, or thereabouts.

Senator KING. And you expect a progressive increase as Europe becomes rehabilitated and the economic condition improves?

Mr. MACAULEY. I am not sure of that. As she becomes rehabilitated, she is equipping herself with magnificent machinery, talent, and everything else. She is learning to make automobiles.

Senator KING. At any rate, the consumption there, not only of passenger cars, but of trucks, will increase.

Mr. MACAULEY. Undoubtedly.

Senator KING. And you expect your share of that market?

Mr. MACAULEY. Yes.

Senator REED. Have you any manufacturing plants in foreign countries?

Mr. MACAULEY. No.

Senator REED. Have you any assembly plants? When I say "you" I mean the Packard Motor Co.

Mr. MACAULEY. No.

Senator REED. You do all your assembling here?

Mr. MACAULEY. Yes, sir.

Senator REED. What raw materials do you import, if any? Of course, I know about rubber.

Mr. MACAULEY. Plate glass, rubber, upholstery leathers, acids of various kinds; some fabrics. I do not know whether we use any imported aluminum to-day or not. We have, in considerable quantities in times past. Also celluloid, and various other articles.

Senator KING. I suppose you have no figures showing the aggregate of the imports that go into the manufacture of trucks and passenger cars.

Mr. MACAULEY. No, we have not. It must be a very considerable amount.

Senator REED. In rubber alone, it would run into many million of dollars. Are there any further questions?

Senator KING. Mr. Macauley, confidentially, now—if we may talk confidentially—there is not the slightest baiss for any apprehension of any invasion of our market for an indefinite period of time by the producers of automobiles in Europe, is there?

Mr. MACAULEY. I could not agree with that at all, Senator. I think there is no danger to-day, but those people on the other side are just about as smart as we are. They can buy anything we can buy. They can get any talent we have. The only thing they do not have, that I know anything about, that we have, is a home market of very large proportions. They can substitute a world market for that in the course of time; and I, on the contrary, expect a very vigorous competition.

Senator KING. That would be a good thing, probably.

Mr. MACAULEY. I mentioned a while ago the 68 assembly plants of American manufacturers throughout the world. What the development resulting from those is going to be, I do not know. Some of them make no parts, and do all assembling. Some of them make some parts, and they are graduated over a long distance. Therefore you have the case of a transplanted American manufacturer abroad, who knows American tastes, and is thoroughly familiar with American practices. I think he is going to have the best chance, finally, to succeed in the foreign market, and produce at a very low cost over there. I do not know why not.

Senator BARKLEY. They would first attempt to absorb their own market, would they not?

Mr. MACAULEY. You mean their foreign market?

Senator BARKLEY. No; their own market at home. If they are able to produce automobiles in Germany, for instance, as cheaply as we can produce them here, and ship them over there, it is natural to assume that they would prefer to buy their own automobiles. So that if they are able to develop the automobile industry, they would first attempt to absorb their own markets before shipping their cars here. In other words, they would try to take possession of the market we now have in their own country, would they not?

Mr. MACAULEY. They undoubtedly would endeavor to fill their own market.

Senator BARKLEY. Before seeking to invade our country they would seek to acquire some of this world market that our automobiles now possess.

Mr. MACAULEY. They are doing that right along.

Senator BARKLEY. So that the United States would be the last market in which they would seek to supplant American-made cars.

Mr. MACAULEY. They would naturally follow the path of least resistance, just as we always do.

Senator COUZENS. Mr. Macauley, as I remember, you said in your testimony that about 10 per cent of the cars used abroad are American cars. Is that correct?

Mr. MACAULEY. I do not know that I covered that figure, Senator.

Senator REED. I do not think he did.

Senator COUZENS. You either stated that to me privately, or in your testimony. I forget which. You stated that about 10 per cent of the European cars were American cars.

Senator REED. I have the statement here, from one of the departments, that of the automobiles in use outside of the United States

and Canada, about 43 per cent are of American make. Is it your impression that that is correct?

Mr. MACAULEY. Yes. I would say that my impression is that that is correct. I am quite sure that that is correct.

Senator COUZENS. I may have gotten the information from some individual manufacturer.

Senator KING. He may have been speaking, Senator, of his product.

Senator COUZENS. No. I do not remember who it was now, but I got the impression from some source that of the foreign cars used, about 10 per cent were American cars. But you say 43 per cent would be nearer the figure. Is that correct?

Mr. MACAULEY. Yes.

Senator REED. Has that percentage been increasing, Mr. Macauley?

Mr. MACAULEY. May I answer Senator Couzens's question first? I am advised that in those countries that manufacture motor cars 10 to 15 per cent of the cars are of American manufacture.

Senator COUZENS. I think that is the way I ought to have put the question; and, in my judgment, the important item is that in the countries that manufacture cars, the American manufacturers of cars have 10 to 15 per cent of the market, because in the other countries where they do not manufacture, the manufacturing countries would have the same opportunity as the American manufacturers would have.

Mr. MACAULEY. Yes, sir.

Senator KING. Mr. Macauley, is it not a fact that in Germany, France, Belgium, and Great Britain, your sales are increasing annually?

Mr. MACAULEY. Yes.

Senator KING. And your sales are increasing in a proportion greater than the sales of the domestic products in those respective countries?

Mr. MACAULEY. I do not know whether that is true.

Senator KING. That is to say, as an illustration, if German automobile manufacturers supply 80 per cent of their domestic automotive requirements, taking 100 as the standard, and you supply 20 per cent, then in this last year, 1928, there would be a variation from that and German sales, measured by the hundred per cent standard, would be less than 80 per cent and yours greater than 20 per cent.

Mr. MACAULEY. I do not know that that is true. I have not that information, I am sorry.

Senator REED. I have some information on that, Mr. Macauley. I am told that in 1927 we exported to Belgium 13,686 cars, valued at about $12,250,000--I presume that was the invoice value here--and that Belgium exported to us in the same year with the same duty against them that we have against us--they exported to us 79 cars of a total value of $276,000. So, evidently, with the same tariff in each direction we were able to much more than hold our own with them.

As regards Germany, in that year we exported to Germany against their specific rates of tariff 8,281 cars, and they exported to us 36 cars, the relative values being $8,497,000 of our shipments to Germany and $163,936 for Germany's shipments to us. Is that about right?

Mr. MACAULEY. Yes, sir.

Senator REED. Now, as to Canada, which has about the same duty we have, we sent Canada 34,300 cars that year, and they sent us 210. Our exports to Canada were worth $26,424,000; and their exports to us were worth $70,210. The cars evidently were of the cheapest sort.

Mr. MACAULEY. Probably returning tourists, or something of that sort.

Senator REED. Does your company make tractors?

Mr. MACUALEY. No, sir.

Senator KING. Mr. Macauley, you ought to be a pretty strong advocate of having a foreign market for our products.

Mr. MACAULEY. I am.

Senator KING. And you would regard with some disfavor, would you not, any policy that would restrict our foreign export?

Mr. MACAULEY. Yes, sir.

Senator KING. You want to encourage exportation; you want to increase your exports to all parts of the world.

Mr. MACAULEY. Yes, sir.

Senator KING. By the way, the automobile business has not been unprofitable with Mr. Ford and with your company, and with General Motors, and Dodge, and others, has it?

Mr. MACAULEY. Very profitable.

Senator REED. Let me finish this tabulation, Senator; it will be of convenience later. I wish you would tell us if your impression is that these figures are right: In 1927 this memorandum shows we exported to the United Kingdom 11,185 cars, and they exported to us, against the same 33 per cent duty, 35 cars. The value of our shipments to them was $8,868,000, and the value of their shipments to us was $179,540.

Mr. MACAULEY. I have no doubt that is correct.

Senator REED. Your impression is that that is about right?

Mr. MACAULEY. Yes, sir.

Senator KING. In view of this situation, Mr. Macauley, do you not believe that even if cars are not put on the free list that it would be good policy, it would be what I might denominate a handsome gesture to our friends across the seas and in Canada and South America, for us to reduce the tariff upon this item?

Mr. MACAULEY. You ask my opinion. I think it would be a very futile gesture. France, England, Germany, and other countries over there are going to look at the records. They have just the same records we have and if we are making a gesture affecting 75 or 80 cars a year I do not think it is going to be very far reaching.

Senator KING. Is it not a gesture when this country which is believed by many to be seeking a Chinese tariff wall—and, of course, I do not assent to that view—for us to indicate that upon products which we manufacture so much of and with which we are seeking world trade, we are willing to bring about a reduction in the tariff? Do you not think the psychology, to say nothing about the practical result, would be advantageous?

Mr. MACAULEY. Yes; doing that within the bounds of safety I think is all right.

Senator BARKLEY. I do not think it is very much of a gesture to reduce the tariff on something that does not come in and at the same time put the tariff up on something that does come in.

Mr. MACAULEY. That is about it.

Senator REED. I have no other questions, Mr. Macauley. Thank you.

Senator COUZENS. One question before you leave: What is the expectation in these manufacturing countries in which our manufacturers market 10 to 15 per cent of the cars used as to whether the percentage will increase or decrease?

Mr. MACAULEY. I can only give this as my own opinion. My opinion is that the proportion of American cars used abroad will decrease. Everything is headed that way.

Senator COUZENS. In other words, as the industry increases and improves and get a wider market in the manufacturing countries of Europe they will supply more of their own needs and our sales will decrease rather than increase.

Mr. MACAULEY. In my own opinion, undoubtedly.

Senator BARKLEY. Every year for the past few years we have been hearing that the point of saturation had been reached in America in the consumption of automobiles. Is there any such point in sight yet?

Mr. MACAULEY. It is hard to say. Certainly we are still selling them.

Senator REED. Thank you, Mr. Macauley.

STATEMENT OF ALFRED P. SLOAN, JR., NEW YORK CITY, REPRESENTING GENERAL MOTORS CORPORATION

(The witness was duly sworn by the chairman of the subcommittee.)

Senator REED. You are president of the General Motors Corporation?

Mr. SLOAN. Yes.

Senator REED. And how long have you been president of that organization?

Mr. SLOAN. Seven years.

Senator REED. I wish you would give us your views about the way in which paragraph 369 should be handled by Congress with a view to the best interests of the people engaged in the automobile industry, and the best interests of the country as a whole.

Mr. SLOAN. Senator, I would support the recommendation Mr. Macauley made of 10 per cent. I do not see any danger of foreign-made cars coming into this market as we see things now.

My company is operating in Germany, and to some extent in England, but we have not been operating there long enough to know what the economics of the picture are, and it will be probably three or four years before anybody does, because, besides the economics of the situation, the question of management enters into it. So I do not think there is anybody who can say positively what the future will bring forth. However, I certainly think that with 10 per cent the industry here would not in any sense be jeopardized.

Senator REED. You have no intention, have you, of manufacturing cars in your foreign plants for importation into this country?

Mr. SLOAN. No; we have no intention of that at all, Senator. If you are willing to take the time I will tell you what our idea is in manufacture abroad.

Senator REED. I wish you would.

Mr. SLOAN. I did not want to take your time unless you desire it. We will start out with the point Mr. Macauley made that the automotive industry is a great wealth-producing industry. You gentlemen know that.

Senator REED. We know that. That is why we do not want to go rashly into this revision.

Mr. SLOAN. That being so in this country it applies equally to other countries that are logically manufacturing in character, like France, England, Germany, and to some extent Italy. Therefore it seems to me to be self-evident that those countries must afford adequate protection to the automotive industry. They have got to have an automotive industry to employ labor and consume materials. Furthermore they have got to have an automotive industry because it is imperative to national defense. Therefore, business is there to be had. So we feel that we could well afford to go into a country like Germany and participate in that industry. It has nothing to do with the importation by that country of American products. They are separate and distinct; one supplements the other.

Senator COUZENS. Do you mind if I ask you a question at this point?

Mr. SLOAN. No; certainly not.

Senator COUZENS. In those considerations did you have in mind that you would have any advantage in establishing a German industry in the South American business?

Mr. SLOAN. That does not enter into it at all, Senator.

Senator COUZENS. It was not considered?

Mr. SLOAN. That will depend upon the economics of the thing as they may work out in three or four years. It is impossible to make a car in Germany and sell it in South America to-day in competition with the United States product; you can not do it.

Senator REED. Mr. Sloan, is it not a fact that the taxes on motor vehicles in most of the European countries are vastly heavier than they are here? I mean the operating taxes.

Mr. SLOAN. Yes; I am told so.

Senator REED. And does not that force the manufacturers there to adopt a type with very low horsepower?

Mr. SLOAN. Yes.

Senator REED. Which would not be sold in this country, which never would do here?

Mr. SLOAN. Yes, sir. For instance, take England. What you refer to is the horsepower tax which, on a Ford car or a Chevrolet car would amount to about $105 in our money, and that is a lot of money over there. It is four times what the average tax is on any car in this country. On the average run of cars over there the horsepower tax would be about $35 or $40, due to the fact that they have a small power plant relative to weight. That is another reason why it is impossible to manufacture over there—because you make a different type of car, Senator.

Senator REED. That is just what I am driving at, that with the policy of the horsepower tax definitely established, as it is in Great Britain and the countries on the continent, in order for an American manufacturer to get a big market there he has to make a car with a very small engine does he not? We see that on the streets of London, for example.

Mr. SLOAN. Yes, sir.

Senator REED. Cars that nobody would buy here seem to be very popular there.

Mr. SLOAN. But, Senator, you started with the wrong assumption, I think. You assumed that that tax was firmly established. It is not. It is going to be changed. Recently the German Government sent a group of government men and economists over here to study the situation in this country. I feel sure it is only a question of time before those horsepower taxes are going to be changed, because, having a horsepower tax, like England has, absolutely debars us from getting any extensive market.

Senator REED. That is what I mean; that that policy in itself makes importation of their cars impossible.

Mr. SLOAN. But they are going to change that; they have got to change that policy. But, until that policy is changed, your point is correct.

Senator BARKLEY. What automobile is it that we ship to England that nobody in this country would buy?

Senator REED. I did not say that, Senator. I said that the automobiles that are made in this country in the largest number are of the type that they can not export.

Senator BARKLEY. I though you said that we sent cars into London that nobody here would buy, and I wondered what sort of car they were.

Senator REED. No, no; you misunderstood me.

Mr. SLOAN. For instance, take Australia. We have 85 per cent of the Australian market, notwithstanding it is a British possession. The English car is not adapted for use in that country.

Senator REED. It has not power enough?

Mr. SLOAN. It does not have power enough.

Senator REED. How much would the horsepower taxes and licenses be in England on a Buick; those taxes that you would have to pay before you could start to drive it?

Mr. SLOAN. My figures, Senator, would have to be rather approximate.

Senator REED. Yes; of course.

Mr. SLOAN. Understand, Senator, when a car moves from this country to another country it takes, necessarily, a very much higher price; it takes a different position due to the duty on the expense. The horsepower tax in England on, let us say, the small-sized Buick car will be approximately $140 to $150.

Senator REED. Per year?

Mr. SLOAN. Per year; yes, sir.

Senator REED. Are there other additional licenses and taxes?

Mr. SLOAN. No; that is the license tax. There is no difference between the horsepower tax, so-called, and the license tax. Sometimes there is a city tax, but it does not amount to much. You see we only have 10 per cent of the English market, and we only have 10 per cent of the French market now.

Senator KING. Are you increasing your sales?

Mr. SLOAN. In England and France; no, sir. In Germany the last two years the consumption of American cars has increased, but I do not think that has anything to do with the economics of the situation,

but is simply due to the fact that Germany has not yet got started in the automobile business.

Senator KING. Are you speaking for the entire industry, Mr. Sloan, or for your own company?

Mr. SLOAN. I am speaking for the entire industry; I am speaking for the automobile passenger-car industry, Senator.

Senator KING. When you gave the percentage of American cars that were sold in Great Britain, you spoke for the entire automobile industry and not your own line, did you?

Mr. SLOAN. No; not my own line; no, sir.

Senator KING. You made the statement—perhaps I did not quite understand you—but I understood you to say that no one could make a car in Germany and compete with the United States in the South American market.

Mr. SLOAN. That is my opinion of the present situation.

Senator REED. Why is that so?

Mr. SLOAN. It is due in the first place, I think, Senator, to management, and in the second place because Germany has not yet really entered the automobile field. I think the base materials are as favorable to manufacture in Germany as they are here; and, labor, as you know, is a great deal less; yet I believe the manufacturers are dependent upon sources of supply for materials and components that do not make them independent. Hardly any of them, no matter how big they are, make absolutely everything themselves. Therefore the manufacturer would not be dependent upon his own position in the industry, but he would be dependent upon the general position or attitude of mind of other manufacturers toward the problem. They have not progressed as far as we have. For instance, cylinder castings in Germany cost twice what they do here. There is no reason why they should, because the base that they start from is not very much different, and labor is not very much of a factor in a thing of that kind, but, nevertheless, the cost is twice as large as it is here. Of course, that will change with development and intensity of operation.

Senator REED. Mr. Sloan, as long as the standard of living in Europe remains as low as it is, is it not fairly evident that they will never have the same wide domestic market that we have?

Mr. SLOAN. They are not going to.

Senator REED. They are not going to as long as living standards stay so low.

Mr. SLOAN. Are you speaking of motor cars now?

Senator REED. I am speaking about the general economic position of the mass of the population in Germany, or France, or Italy, or any continental European country.

Mr. SLOAN. That is right; I understand you.

Senator REED. In those countries the working man can not afford an automobile.

Mr. SLOAN. That is right, Senator.

Senator REED. He can not afford a radio, or a telephone, or electric lights. Therefore, necessarily, their market is very restricted in comparison with ours; and, that being so, they can not get the advantage of the mass production that makes your industry so successful here.

Mr. Sloan. That is very true.

Senator REED. Is not that so?

Mr. SLOAN. I think that is very true, Senator. At the same time I think they are going to see a much denser automobile population in those countries than we have.

Senator BARKLEY. Will not the increased domestic desire for a car automatically improve the condition of the people in those countries?

Mr. SLOAN. On that point, Senator, it is interesting to note the interest the French people take in the French salon, which is the French automobile show. It is more heavily patronized even than ours is, and it costs 10 francs admission, which is a lot of money for the average French person, and yet there is that much interest.

Senator KING. Mr. Sloan, do not the manufacturers in America have a broader domestic field for their raw materials and semifinished products than any country in Europe?

Mr. SLOAN. Oh, yes; certainly.

Senator KING. So in the United States we have the raw materials, except labor and perhaps a a few other things, here at home.

Mr. SLOAN. When I speak of raw materials only, I mean perhaps the raw materials that are needed basically for the automotive industry. I do not know what conditions at the moment are in France, but I know that a few months ago you could not get body sheet, or make the body sheets. That is imported into France. It comes from the United States. It is a specialty.

Senator KING. You mentioned a moment ago iron castings as being cheaper here.

Mr. SLOAN. I said cylinder castings. It is a specialty, Senator.

Senator KING. What is the difference in the price of steel that is comparable in character or quality such as you would use in automobiles, for instance in Germany, and Great Britain, or take Great Britain first?

Mr. SLOAN. I could not tell you that, Senator, because I am not familiar with all those details; but you know, as well as I do, that, basically, there is no reason why they should not produce it if they had any development comparable with ours; and I think they may have it in time, because, basically, they have the same fundamentals.

Senator KING. Take steel of the same character, the same quality that you use in automobiles; what is the difference in price on any particular kind of steel in the United States and in Great Britain?

Mr. SLOAN. I do not know, sir. In reference to the French situation it was a question of getting material needed for a specific purpose.

Senator REED. Ability to get it at any price.

Mr. SLOAN. Yes. That will come about; it is only a question of time; they are getting automobiles to the front.

Senator REED. Mr. Sloan, so far we have talked about passenger cars. Does your company also produce trucks and tractors?

Mr. SLOAN. Our truck operation, Senator, is a subsidiary. I would not be able to answer any questions on that, because I do not know very much about the specifications of trucks, and I do not think I can help you very much.

Senator REED. What percentage of your output of vehicles is trucks?

Mr. SLOAN. Are you talking about heavy trucks, now?

Senator REED. Yes; I suppose I am.

Mr. SLOAN. It makes a great deal of difference what you are talking about.

Senator REED. Yes; all right.

Mr. SLOAN. I think the output of heavy trucks is about 2 per cent - it is very small.

Senator REED. Of course, you would include delivery wagons in with the automobile business.

Mr. SLOAN. That is carried under passenger-car production.

Senator REED. So this heavy-truck business is a separate problem.

Mr. SLOAN. Yes, sir; entirely so.

Senator REED. The light delivery-wagon type of truck is really a variety of passenger car from the manufacturing standpoint.

Mr. SLOAN. From the economic standpoint; yes, sir.

Senator REED. How do you draw the line between them? What method of definition could you use?

Mr. SLOAN. I understand Mr. White is here. He would be much better qualified to advise you on that than I, because he is in that business and I am not; but I would say that above 1½ or 2 tons capacity you pass from one line to the other—say, from 1½ tons you pass from the passenger-car type and enter into the real truck type, and in the latter field the economics radically change.

Senator REED. Could you describe that class by the weight of the chassis in some way?

Mr. SLOAN. No; by the carrying capacity.

Senator REED. That is a matter of weight, largely, is it not?

Mr. SLOAN. Yes; that is the best way we have. It is not particularly good.

Senator REED. If you were to put a higher tariff on trucks with a capacity of more than a ton and a half, say, than we did on light trucks, every imported truck would be labeled "capacity 1½ tons."

Mr. SLOAN. I think you could perhaps find some better way of expressing it. I have never given very much thought to that, and in that I do not think I could help you very much, Senator.

Senator REED. Do you make tractors?

Mr. SLOAN. No, sir; we do not make tractors.

Senator BARKLEY. Do you make busses?

Mr. SLOAN. Yes, sir; to some extent. Busses are in the same category as the heavy truck proposition, as far as economics go.

Senator REED. They are built to special specifications?

Mr. SLOAN. They are built to special specification; they are built in limited quality; it is more of a custom job; its status is entirely different. There are some busses adaptable to a passenger-car chassis the same as the small trucks, but they would carry the economics of the passenger car.

Senator REED. When you speak of a heavy bus you mean a bus carrying more than seven passengers?

Mr. SLOAN. Yes.

Senator KING. We have some testimony before the committee to the effect that trucks of the grade to which that witness was referring cost very much more to make abroad than in the United States. Have you made any inquiry into that?

Mr. SLOAN. I do not know, Senator. I am sorry I can not answer that.

Senator REED. Mr. White can probably tell us about that.

Mr. SLOAN. Yes. I do not know.

Senator REED. Have you any thought to give us about this proviso in paragraph 369 that imposes the retaliatory duty?

Mr. SLOAN. The so-called countervailing clause?

Senator REED. Yes.

Mr. SLOAN. I know about the clause, Senator. If it remains in, I would say that it would be, of course, naturally, an additional protection to our industry here, because I can not conceive how any of the manufacturing countries abroad could reduce their duty to benefit by that because I think they have got to keep their duties high enough to protect their industries.

Senator REED. If by lowering their duty they could make more market here for their cars I can see where they would be tempted to do it, but I am wondering why the American motor-car industry needs that countervailing proposition when other industries do not. Of course it is self-evident that the manufacturing countries of Europe which have comparatively high duties on motors at the present time are effectually barred out of here no matter what we make the base rate as long as we leave that countervailing section in.

Mr. SLOAN. For instance, take France. They have a duty in France of 45 per cent, I understand; and the duty in this country on French cars is 45 per cent. That is correct, is it not?

Senator REED. Yes.

Mr. SLOAN. I do not think that France could afford to reduce its duty. I think that it needs that protection to its industry; and I think it has got to have that industry, as I stated before. That is my opinion.

Senator BARKLEY. Reduction of the duty in our own tariff would have no effect on any reciprocity on the part of any of those countries in reducing the duty.

Mr. SLOAN. As we see things to-day I think your statement is right.

Senator BARKLEY. Is the countervailing duty, then, under present conditions, of any benefit to American industry?

Mr. SLOAN. I do not think it is much of a concession one way or the other.

Senator BARKLEY. Is it not also true that whether we leave it on, reduce it, or take it off altogether, the broad effect will be zero?

Mr. SLOAN. Senator, as I say, as we see things now I am bound to say you are correct.

Senator BARKLEY. Under present conditions.

Mr. SLOAN. I am not prepared to say what the situation will be when things get going in countries like Germany where you have materials comparable with ours, where you have labor that is one-third as costly as ours, where you have labor that is just as efficient as ours—when they take up the serious production of motor cars I do not know what the answer is going to be.

Senator BARKLEY. Even the automobile industry entertains no real serious fear that within the next 5 or 10 years there will be a serious competition.

Mr. SLOAN. I would not say in the next five years, Senator. General Motors does not.

Senator BARKLEY. And you are not proceeding on that basis?

Mr. SLOAN. Pardon me.

Senator BARKLEY. And you are not proceeding on that basis?
Mr. SLOAN. I am proceeding on the basis that there is no fear.
Senator REED. Thank you, Mr. Sloan.

STATEMENT OF R. I. ROBERGE, REPRESENTING THE FORD MOTOR CO., DETROIT, MICH.

(The witness was duly sworn by the chairman of the subcommittee.)
Senator REED. You are assistant manager of sales of the Ford Motor Co., I believe.
Mr. ROBERGE. Yes, sir.
Senator REED. You have heard the questions that we have asked these other witnesses. I would like to have your ideas and that of your organization on what ought properly to be done on paragraph 369.
Mr. ROBERGE. Mr. Ford has expressed himself as being in favor of free trade as far as the Ford Motor Co. is concerned.
Senator REED. Is that still his feeling?
Mr. ROBERGE. Yes, sir.
Senator REED. He would put this on the free list entirely, then, would he?
Mr. ROBERGE. Yes, sir.
Senator REED. Without any countervailing duty?
Mr. ROBERGE. Yes, sir. He has not expressed himself as regards the countervailing duty. He has merely said he was in favor of free trade as far as the Ford industry is concerned.
Senator REED. I would be interested to know his thought on the countervailing duty, if you know.
Mr. ROBERGE. I am sorry, but I do not know that at the present time.
Senator REED. Could you ask him and send me a letter?
Mr. ROBERGE. I will do that; yes, sir.
Senator REED. Which will give his feeling on that?
Mr. ROBERGE. Yes, sir.
Senator REED. Does the Ford Co. manufacture cars abroad?
Mr. ROBERGE. To a certain extent; part of the car.
Senator REED. I mean to distinguish between assembling and manufacturing?
Mr. ROBERGE. Yes, sir.
Senator REED. To what extent does it manufacture abroad?
Mr. ROBERGE. I would say 50 per cent in England.
Senator REED. It does about 50 per cent of the manufacturing processes on its passenger cars?
Mr. ROBERGE. Yes, sir.
Senator KING. Which are sold in England?
Mr. ROBERGE. Which are sold in England.
Senator REED. Are those exported by England to other countries?
Mr. ROBERGE. Some of the parts are.
Senator REED. Are any of them exported, from England to America?
Mr. ROBERGE. No, sir.
Senator REED. Where else do you manufacture?

Mr. ROBERGE. We do not manufacture anywhere except in Canada and England outside of the United States.
Senator REED. You have assembly plants in other spots.
Mr. ROBERGE. Yes.
Senator REED. But that uses manufactured products from America.
Mr. ROBERGE. Exactly.
Senator REED. Where do you manufacture tractors?
Mr. ROBERGE. In Cork, Ireland.
Senator REED. Do you make any in America?
Mr. ROBERGE. No, sir.
Senator REED. The industry has been moved to Ireland, so to speak.
Mr. ROBERGE. Exactly.
Senator REED. Do you import any of those into America?
Mr. ROBERGE. We have; yes, sir.
Senator REED. How many?
Mr. ROBERGE. I think about 90, so far.
Senator REED. When did that importation begin, Mr. Roberge?
Mr. ROBERGE. I would say from four to six weeks ago.
Senator REED. How much less can they be made for in Ireland than in the United States?
Mr. ROBERGE. That is very hard to say. We have not been operating in Ireland very long.
Senator REED. At the present time is there a distinct advantage?
Mr. ROBERGE. No cost figures have been prepared on the manufacture in Ireland, but I would say that we think that the cost will be much higher.
Senator REED. Higher in Ireland?
Mr. ROBERGE. Yes, sir.
Senator REED. What advantage is there in shutting up the tractor plant in Detroit and establishing it in Ireland?
Mr. ROBERGE. That was done through necessity.
Senator REED. Through necessity for getting into Great Britain?
Mr. ROBERGE. No, sir; through necessity in bringing out the new model car, the model A car. We were handicapped as to space; and, consequently, were obliged to take over the space in which we manufactured tractors for model A—that is our new car—and model T parts. Consequently we discontinued manufacturing tractors here at the same time we discontinued the model T.
Senator REED. Is there any thought of reestablishing the tractor business in this country?
Mr. ROBERGE. I do not know.
Senator REED. A very important question is that we do not want to handle this tariff in such a way as to move industries from this country and have them importing here.
Mr. ROBERGE. Yes; I quite understand.
Senator KING. Was the loss of sales on your tractor in the United States a contributing cause to this change?
Mr. ROBERGE. I would say not.
Senator BARKLEY. What was the contributing cause, a desire to get possession of the market in Europe?
Mr. ROBERGE. You are speaking of the tractor?
Senator BARKLEY. Of the tractor; yes, sir.

Mr. ROBERGE. No, sir; I do not believe so. It was purely through the necessity of using our facilities for the model A and the model T.

Senator BARKLEY. Why did you have to go to Ireland to find more space?

Mr. ROBERGE. Because we have had a tractor plant there as far back as 1917, established there during the war.

Senator BARKLEY. You already had a plant over there?

Mr. ROBERGE. Yes, sir; available.

Senator BARKLEY. Can you make them in Ireland and ship them over to the United States as cheaply as you can make them in this country?

Mr. ROBERGE. Not as cheaply as we can here. Our price indicates that.

Senator REED. The price of the imported Irish tractor is higher than the price you were able to establish on the American tractor?

Mr. ROBERGE. Yes, sir.

Senator BARKLEY. How many men do you employ at this Irish factory?

Mr. ROBERGE. I could not answer that: that is not under my jurisdiction.

Senator KING. Do you manufacture anything else than tractors at that factory?

Mr. ROBERGE. Not at present; no, sir.

Senator BARKLEY. Do you assemble cars there?

Mr. ROBERGE. No; we make them in England.

Senator REED. Have you imported any of the English cars into America?

Mr. ROBERGE. No, sir.

Senator REED. This is the biggest market in the world for tractors, is it not?

Mr. ROBERGE. I believe it is.

Senator REED. What competition have you here, International Harvester Co., and what others?

Mr. ROBERGE. Yes. There are several manufacturers here.

Senator REED. And there are others that are in competition with you?

Mr. ROBERGE. Well, I am not particularly well qualified on the tractor situation.

Senator REED. I am sorry that we could not have some gentleman here who knew more about it.

Senator BARKLEY. I can not quite understand the economics of the situation, where you say that the primary cost of making a tractor in Ireland is more than the primary cost in the United States.

Mr. ROBERGE. We expect that it will be so.

Senator BARKLEY. And where your principal market is in the United States it seems to me it would have been cheaper to have established an entirely new plant here for the American market.

Mr. ROBERGE. That is a question of decision on the part of Mr. Ford.

Senator BARKLEY. I realize that.

Senator REED. That is one reason why I asked Mr. Ford himself to come here.

Mr. ROBERGE. Mr. Ford did not receive your invitation.

Senator REED. The telegraph company said it did.

Mr. ROBERGE. There is a letter I saw this morning which indicated that he did not.

Senator REED. Perhaps we might find another chance for him, but if this is the biggest market for tractors and if the manufacturing cost and the price are lower here than in the case of the Irish-made tractors, one would think that it would be very much to the interests of your company to reestablish that business in this country.

Mr. ROBERGE. That would seem so.

Senator REED. That is your own impression, too, is it?

Mr. ROBERGE. That would seem so, if that be the fact, that the cost is less.

Senator REED. I have not said anything that you have not already testified was a fact.

Mr. ROBERGE. I said that we did not know the cost in Ireland as yet. We have not been operating long enough so that we can make comparison of costs.

Senator REED. But you say your impression was that the cost would be found to be higher.

Mr. ROBERGE. Exactly. Our price indicates that.

Senator REED. In spite of the lower labor cost there.

Mr. ROBERGE. The labor cost is not particularly lower.

Senator REED. I am interested in that. What is the relative labor cost there?

Mr. ROBERGE. I would say it is just about what it is here.

Senator REED. The hourly rate is not as high, is it?

Mr. ROBERGE. Just about.

Senator REED. It is?

Mr. ROBERGE. In both Ireland and England.

Senator BARKLEY. Are you speaking now of general labor?

Mr. ROBERGE. Labor of the class we employ.

Senator BARKLEY. Do you pay above the average?

Mr. ROBERGE. Slightly above the average, I would say.

Senator REED. Mr. Roberge, how about the comparative costs of manufacturing a Ford in England and here? Are they the same vehicle?

Mr. ROBERGE. No; they are not.

Senator REED. You modify it because of this horse power tax, do you?

Mr. ROBERGE. Exactly; yes, sir.

Senator REED. And the engine in that machine has smaller cylinder capacity?

Mr. ROBERGE. Yes, sir.

Senator REED. Is it possible to make some sort of a comparison as to relative manufacturing costs there and here?

Mr. ROBERGE. I do not believe so.

Senator REED. I do not want to go unfairly into the details of your business, but we are interested in knowing why it is possible to make these cars more cheaply over there than it is here.

Mr. ROBERGE. That is very difficult to answer, because our company has not been operating on the new car long enough to prepare cost data that could be considered.

Senator REED. How about the old model; could that be made more cheaply there than here?

Mr. ROBERGE. I do not believe so.
Senator REED. You must have cost sheets on that.
Mr. ROBERGE. Yes; but it is not handled through my department, so I am not familiar with it.
Senator REED. I thought perhaps you would have heard of it.
Mr. ROBERGE. No; I have not.
Senator REED. You can not tell us whether the old Model T—is that what you call it?
Mr. ROBERGE. Model T; yes, sir.
Senator REED. Was more cheaply or more expensively made there than here.
Mr. ROBERGE. I believe it costs more to make in England than here, but that is merely hearsay; I would not say that that is definite.
Senator REED. The only advantage in locating over in Great Britain was that on products of that kind you escaped the British duty.
Mr. ROBERGE. Exactly.
Senator REED. And it would not be a profitable thing to import those British made Fords into America.
Mr. ROBERGE. No, sir.
Senator REED. Even if we had free trade here in automobiles.
Mr. ROBERGE. No, sir.
Senator KING. Would that British duty apply in Ireland also?
Mr. ROBERGE. The duty in Ireland is the same as in England.
Senator BARKLEY. Is the market for tractors in England better than the market in Ireland?
Mr. ROBERGE. Yes, sir.
Senator KING. You are finding a market in Russia, are you not?
Mr. ROBERGE. We formerly found a very extensive market in Russia.
Senator KING. I beg pardon?
Mr. ROBERGE. I say we formerly had a very extensive market in Russia for tractors.
Senator BARKLEY. Do you mean in Russia?
Mr. ROBERGE. In Russia.
Senator KING. Has there been a diminution in the sales in Russia?
Mr. ROBERGE. The sales in Russia are very erratic. We receive large orders and execute them, and then we do not know what the sales possibilities are until we receive another one.
Senator KING. If an order is executed by you, is it executed by the other side?
Mr. ROBERGE. In what way do you mean?
Senator KING. Do they receive and pay for it?
Mr. ROBERGE. We deal with an American company, an American corporation.
Senator KING. Do you extend credit there for those? I ought not to ask this question unless you care to answer it.
Mr. ROBERGE. We have; yes, sir.
Senator BARKLEY. It is safer, though, to adopt the cash-and-carry plan over there; is it not?
Mr. ROBERGE. We have not found it so.
Senator KING. I am interested in the statement that your labor costs in Ireland are substantially the same as in the United States.

Are you sufficiently familiar with the conditions that you can state that with any reasonable degree of accuracy?

Mr. ROBERGE. Not accurately, but I have heard at various times that our costs—that is, our costs of labor, the rates that we pay for labor—are more or less the same, both in England and Ireland as in this country.

Senator KING. In the case of your raw materials there, and the semifinished products that go into the manufacture of your tractor or your car, do you pay substantially the same for those as you do in the United States?

Mr. ROBERGE. If we buy them there, we pay approximately the same amount, I should say.

Senator KING. And do you ship from the United States some of the material?

Mr. ROBERGE. Some of the material is shipped from here.

Senator KING. Is that true of steel and iron?

Mr. ROBERGE. It depends on the country you are speaking of.

Senator KING. Take England and Ireland.

Mr. ROBERGE. Certain kinds of steel we ship to Ireland for the tractor. It is machined there.

Senator KING. Have you any idea of the relative proportion shipped from the United States of all of the materials that go into a car?

Mr. ROBERGE. A car manufactured in England?

Senator KING. Manufactured in England or in Ireland.

Mr. ROBERGE. I should say, roughly, that about 50 per cent of the material used in a car made in England is shipped from here either in the finished or in the semifinished state.

Senator KING. Would that be true of Ireland?

Mr. ROBERGE. I can not say.

Senator KING. And I suppose those materials are shipped in American bottoms, and furnish freight to American ships?

Mr. ROBERGE. I could not answer that.

Senator REED. Mr. Roberge, I am a little disturbed by your statement that Mr. Ford never got my invitation to come here. On July 1 I sent him this telegram——

Mr. ROBERGE. You are speaking of Mr. Edsel Ford, I presume?

Senator REED. No; Mr. Henry Ford. [Reading:]

It has been strongly represented to the Senate Finance Committee that the present tariff on passenger automobiles and trucks is excessive. Subcommittee on Metal Manufactures will hear witnesses on this subject at 10 o'clock Thursday, July 11, in room 212, Senate Office Building. Please attend in person or send representative who is fully informed on this matter—

Signed by me.

Mr. ROBERGE. I was referring to Mr. Edsel Ford when I made that statement. My communication has been with him.

Senator REED. Then I had a telegram from somebody signing himself secretary of Henry Ford, saying that you were coming. I am curious to know what impelled him to send that telegram if Mr. Ford did not get this one.

Mr. ROBERGE. I said I was speaking of Mr. Edsel Ford, not Mr. Henry Ford.

Senator REED. Oh! What is Mr. Henry Ford's attitude about the duty on motor trucks and busses?

Mr. ROBERGE. I am not familiar with Mr. Henry Ford's attitude. I am speaking of Mr. Edsel Ford's attitude.

Senator REED. Well, then, what is Mr. Edsel Ford's attitude on that?

Mr. ROBERGE. On trucks or in relation to our truck?

Senator REED. In relation to all trucks—your trucks and other kinds.

Mr. ROBERGE. He has not expressed an opinion except on his own trucks.

Senator REED. What does he say about them?

Mr. ROBERGE. He does not think that protection is necessary.

Senator REED. He does not think any protection is needed on the light truck?

Mr. ROBERGE. Exactly—on the Ford truck.

Senator REED. You said at the beginning of your testimony that Mr. Ford had expressed himself as being in favor of free trade on passenger cars. Which Mr. Ford did you mean?

Mr. ROBERGE. Mr. Edsel Ford.

Senator REED. And what does Mr. Henry Ford think of that?

Mr. ROBERGE. I have not heard any expression of opinion by Mr. Henry Ford.

Senator REED. When you write me that letter about the countervailing duty, will you also give me Mr. Henry Ford's sentiments on these other questions?

Mr. ROBERGE. I will endeavor to get them; yes, sir.

Senator REED. Thank you, sir. Are there any questions from other members of the committee? That is all; thank you, Mr. Roberge.

Senator REED. Mr. Roberge, I forgot to ask you about the present duty on tractors. I am told that the Treasury Department recently made a ruling that tractors were agricultural implements, and that at present they are on the free list, and do not come under paragraph 369. Is that correct?

Mr. ROBERGE. I believe it is; yes, sir.

Senator REED. When was that ruling made?

Mr. ROBERGE. Several weeks ago; I am not sure of the date—a matter of weeks.

Senator REED. And, as a consequence of that, even if a tractor is intended for use in highway construction of some kind of contracting or industrial work, it is still admitted as an agricultural implement? Is that right?

Mr. ROBERGE. It is impossible to state what intention the purchaser has at the time the tractor is imported. We make an agricultural tractor. We ship an agricultural tractor. If he adapts it to some other purpose after we sell it, it is difficult to anticipate that.

Senator REED. If you sell it to a man who is in the sand business, and does not have a farm, it is the natural expectation that that tractor is not going to be used for agriculture.

Mr. ROBERGE. Yes; but we do not sell it to the man in the sand business. We sell it to a dealer, a Ford dealer, and he in turn retails it.

Senator REED. But they all come in free as agricultural implements?

Mr. ROBERGE. I understand they will, provided they are equipped for agricultural purposes.

Senator REED. All of these 90 that you brought in were admitted free?

Mr. ROBERGE. Yes, sir.

Senator KING. Would the tractor for agricultural purposes be different from the tractor for haulage on the roads?

Mr. ROBERGE. It would be; yes. It would usually have rubber tires.

Senator KING. Is that the only difference? Is there any structural difference?

Mr. ROBERGE. That is the principal difference, I should say—rubber-tired wheels and possibly brakes and muffer; no mechanical changes of any importance.

Senator KING. Would they be stronger, or of the same type?

Mr. ROBERGE. The same type.

Senator REED. Have you any information that would show what proportion of the tractor consumption of this country is for agricultural purposes?

Mr. ROBERGE. For agricultural purposes? Our past sales would indicate that about 82 per cent, I believe, were agricultural.

Senator REED. And how about the sale of the other manufacturers?

Mr. ROBERGE. I can not say.

Senator REED. Have you any information about that?

Mr. ROBERGE. No, sir; I have not.

Senator KING. What proportion of the tractors manufactured in the United States were manufactured by the Ford Co?

Mr. ROBERGE. I can not answer that.

Senator REED. That would differ according to the year that you selected, I presume?

Mr. ROBERGE. Yes, sir; it would.

Senator KING. Over a series of years, have you any information?

Mr. ROBERGE. No; I can not answer that question from memory.

Senator KING. What was the maximum number of tractors manufactured by the Ford Co. in the United States in any one year?

Mr. ROBERGE. I could give you an approximate daily production maximum—about 400 a day—but that was not steady during all seasons of the year. It varied.

Senator KING. Do you know what your output for an average year was, generally?

Mr. ROBERGE. I can not answer that from memory.

Senator REED. That is all; thank you, Mr. Roberge.

STATEMENT OF H. H. RICE, REPRESENTING THE NATIONAL AUTOMOBILE CHAMBER OF COMMERCE

[Also par. 1514]

(The witness was duly sworn by the chairman of the subcommittee.)

Senator REED. Mr. Rice, it has been suggested that you would like to say a word to the sub-committee about this matter of importation of cars made abroad by American branch factories there. What can you tell us about that?

Mr. RICE. Not entirely that—reimportation.

Senator REED. Oh, the reimportation of cars manufactured here?

Mr. RICE. And shipped abroad, sold abroad, to be brought back here; and, of course, assembled cars the same way.

I am chairman of the legislative committee of the National Automobile Chamber of Commerce, so I am speaking for the industry.

At the present time a car made here and purchased by an American abroad can not be brought back into this country without paying the full duty which may be imposed on any foreign car, because of paragraph 1514 of the free list, which permits an article to be reimported if imported by or for the account of the person who exported it, which of course would not be the individual purchaser.

Senator KING. What is the number of that paragraph?

Mr. RICE. No. 1514, page 73 in the tariff act.

Senator REED. Page 285 in our copy, "If imported by or for the account of the person who exported them from the United States."

Mr. RICE. The effect of that proviso is that if an American traveling abroad decides that he would like to buy a car, and, naturally preferring an American car, should purchase such a car, he can not bring it back home with him without paying the full duty, because it is not being brought back by the one who exported it.

Senator REED. Does that happen very often?

Mr. RICE. Well, the automotive trade commissioner of the department of commerce in Paris made a survey one or two years ago—it is a matter of record—in which he estimated that there were some 2,000 sales lost to American handlers of cars in Europe annually because of this provision. It is purely a matter of estimate and conjecture; but we do know that this applies also to the staff of the United States Government abroad. Anybody in the State Department abroad desiring to buy a car, and being called home, can not bring it home unless he pays the duty on it; and it does not seem as if it was ever intended.

Senator REED. It is a little hard on him; but it certainly does not divert the sale to a foreign-manufactured car, because he would have to pay a duty on that, too.

Mr. RICE. That is true; but if he could buy an American car and bring it home free of duty, just as General Motors could bring its own cars back free of duty, he would be inclined to buy a car. But he is in Paris, for instance, and he has got to pay 45 per cent duty on the American car, plus other things which bring it up to 55 and 60 per cent duty on the car originally; then when he brings it back home again he is faced with another 25 per cent duty on that car, although the car was actually made in America.

Senator REED. So of course he sells it second-hand over there?

Mr. RICE. He frequently does not buy it. That is the fact. If we felt sure he was going to buy it, selfishly we would not care, because we would just as soon he would buy it and sell it over there; but he does not buy it.

Senator KING. You are more interested in selling it than in having it brought back?

Mr. RICE. Surely we are.

Senator KING. If it could be reimported without duty, you would increase your sales here?

Mr. RICE. We would increase our sales abroad a few thousand cars a year, and that means the employment of some two or three thousand more people—that much more labor and material in the United States.

Senator REED. So you would like us to change that paragraph in the free list, and allow American cars to be reimported by any purchaser abroad?

Mr. RICE. Yes, sir—changing that phrase.

Senator KING. Would you limit the purchaser abroad to an American?

Mr. RICE. Well, yes; because of course it is the reimportation that we are talking about.

Senator KING. But a foreigner might buy an American car abroad and come over here with it.

Mr. RICE. No; I would not limit it. I do not care who buys it. That is what we are thinking about.

Senator BARKLEY. There would be no real inducement, under the amendment you suggest, for any foreigner deliberately to buy an American car and then reimport it here and sell it; would there? He could not pay the duty over there and ship it back here and sell it for the same figure for which it could be bought here if it were not exported.

Mr. RICE. No; we are not afraid of anything of that kind. A man would really want such a car, and he would not have that in his mind.

Senator REED. Do you know of any case in which American cars are sold at retail in any foreign country lower than the same cars are sold at retail here?

Mr. RICE. No; I do not. I am very sure that that does not exist.

Senator REED. You do not know of any case of dumping?

Mr. RICE. No; I do not. I do not know of any. I presume there have been instances in the past.

Senator BARKLEY. If you were to eliminate the tariff in both countries—I mean, deduct the 45 per cent import duty in France——

Mr. RICE. You can not do that, Senator.

Senator BARKLEY. I know; but if you were to do that, aside from that, is the American car being shipped over there and sold cheaper than it is being sold here?

Mr. RICE. No. I was speaking for General Motors in this case rather than for the industry. If you are asking that question, which is beside what I am talking about, I shall be very glad to answer it. It is not the policy of General Motors to sell their cars in foreign countries any cheaper than they sell them in this country.

Senator BARKLEY. So that in addition to the price at which they sell in this country, when they are shipped abroad they add the duty to that same price, plus the freight and all other expenses?

Mr. RICE. The policy and the practice of the General Motors Co. is to make the mark-up cover the difference in cost and selling price in this country and abroad. That has been our policy for a long while.

We filed with your full committee a letter on this subject, Mr. Chairman.

Senator REED. I have no other questions. Thank you, Mr. Rice.

STATEMENT OF WALTER C. WHITE, CLEVELAND, OHIO, REPRESENTING THE WHITE MOTOR CO.

(The witness was duly sworn by the chairman of the subcommittee.)

Senator REED. Mr. White, you are president of the White Motor Co., I believe?

Mr. WHITE. Yes, sir.

Senator REED. And that company does not make passenger cars, but confines itself to trucks and busses?

Mr. WHITE. Yes, sir.

Senator REED. Just trucks and busses?

Mr. WHITE. We do not make tractors in the sense of agricultural tractors. We make short busses for pulling trailers around the streets, or short chassis that are known as the tractor type of truck, but we do not make agricultural tractors.

Senator REED. You do not make the kind of tractor that is used on the highway construction and on farms?

Mr. WHITE. No, sir.

Senator REED. Mr. White, what is your feeling about this proposal to reduce or remove the duty levied in paragraph 369, from the standpoint of your industry of truck and buss manufacture?

Mr. WHITE. We do not feel that it should be removed. We think it should be maintained the way it is.

Senator REED. You think it ought to be kept at 25 per cent?

Mr. WHITE. Yes, sir.

Senator REED. You are speaking, of course, in regard to trucks and busses?

Mr. WHITE. Yes, sir.

Senator REED. Why should they be treated differently from the ordinary passenger car?

Mr. WHITE. Because they are a different proposition altogether.

Senator REED. Tell us about that.

Mr. WHITE. There is no such thing in the truck business and the bus business to-day as mass production. We have to build our job to meet the requirements of the user. By that I mean, the man that is hauling dirt has one type of truck; the man that is delivering lumber, for instance, has a different body and a different chassis; and the same thing is true of the truck that is used by the telephone company, or the truck that is used for van work, or the bus chassis that is used. The heavy-duty truck business to-day is a custom business.

Senator REED. It is impossible to standardize it?

Mr. WHITE. We have found it absolutely so; there is such a great variety, not only in the bodies that are required for the different things, but the mechanical equipment that goes on them. We are building winch trucks; we are building 6-wheel trucks; we are building 4-wheel trucks; we are building trucks with single tires and trucks with dual tires; we are putting posthole diggers on them, and accommodating them to all kinds of business. That means special work, special requirements. Mass production of those things is simply out of the question. The market is not big enough; and most of the companies that are using those things have their own engineers who have their own ideas, and if we want to sell them we have either got to talk them out of their ideas or else meet them.

Senator REED. How many vehicles did your company make last year?

Mr. WHITE. We made 9,200 last year.

Senator REED. Nine thousand two hundred?

Mr. WHITE. Yes, sir.

Senator REED. That is out of about 500,000 trucks of all kinds?

Mr. WHITE. Six hundred thousand.

Senator REED. Six hundred thousand?
Mr. WHITE. In round figures, 576,000.
Senator REED. Out of that 576,000, how many were heavy-duty trucks?
Mr. WHITE. What do you mean by "heavy-duty"?
Senator REED. Well, say more than 1½ tons.
Mr. WHITE. More than 1½ tons—about 10 to 11 per cent.
Senator REED. Around 89 to 90 per cent were trucks of a ton and a half or less, then?
Mr. WHITE. Yes, sir.
Senator REED. That is a totally different problem from yours; is it not?
Mr. WHITE. What?
Senator REED. The manufacture of these light delivery-wagon types of trucks?
Mr. WHITE. Yes; it has become that in this country. In other words, we can not, building trucks alone, build a truck for a 1-ton package wagon that competes with the truck that is built from a mass-production factory, where they use the units that are produced for mass production of touring cars. The touring-car truck to-day has pretty largely the entire market of the smaller units.
Senator KING. What do you call a touring-car truck?
Mr. WHITE. Where they take the touring-car units and strengthen them up a little and put them into a truck chassis and sell them for a truck. They make some differences, but the main units are, as a rule, the touring-car units which are adapted to heavier work, heavier loads.
Senator REED. Those are standardized, of course?
Mr. WHITE. Yes; very largely.
Senator REED. That is to say, a truck like a Chevrolet truck or a Ford truck is capable of being put out in mass production; is it not?
Mr. WHITE. Yes.
Senator REED. And is so put out?
Mr. WHITE. Yes.
Senator REED. And therefore it represents a wholly different problem from that of your company with its heavy trucks?
Mr. WHITE. There is practically no big mass producer of touring cars to-day but that is supplementing his line with the light truck.
Senator KING. Where would you draw the line between the light truck and the heavy truck? Would the proper and logical dividing line be the ton-and-a-half truck that Senator Reed just mentioned?
Mr. WHITE. Well, that is rather a difficult thing to say, because we have no standard in this country for rating trucks. Each manufacturer rates them as he wants to.
Senator KING. Let me put it in this way: Where would the mass production cease, and the individualism, if I may use that expression, be brought into play?
Mr. WHITE. It seems to me that the question is more a matter of price than it is of truck ratings.
Senator KING. You answered Sentor Reed that mass production existed with respect to these smaller trucks.
Mr. WHITE. Yes.
Senator KING. What I am trying to get is, where does mass production in trucks cease, and the individual trucks, so to speak, begin?

Mr. WHITE. That is a hard question to answer, as I say, because each manufacturer is rating them as he sees fit. We have no standard of rating, and he rates his truck as he sees fit for whatever market he thinks he can get into, very largely.

Senator KING. Yours is not mass production?

Mr. WHITE. No; it is not.

Senator KING. Ford has mass production?

Mr. WHITE. Yes.

Senator KING. And other companies have mass production?

Mr. WHITE. Yes. Chevrolet, for instance, is rating a truck a ton and a half.

Senator REED. How much does that sell for here?

Mr. WHITE. $600 or $700; I can not tell you exactly.

Senator REED. If this committee decided to class the light delivery-wagon type of trucks with passenger cars, and put a 10 per cent duty on them, and at the same time to give larger protection to the heavy-duty trucks, would it be a practicable thing to define them by their invoice price—say put a duty of 10 per cent on trucks invoiced at $1,000 or less, and a duty of 25 per cent on trucks invoiced at more than $1,000?

Mr. WHITE. I think you have a precedent for that in the excise tax.

Senator REED. There are lots of precedents right in this bill.

Mr. WHITE. I was going to say, for that kind of a rating, the excise-tax experience will probably tell you better than I can. I should think that would be the logical thing to do.

Senator REED. Oh, we have plenty of cases where it is done here, but I am trying to find out from you as an expert whether that is the best way to do it, or whether we had better say that trucks whose chassis weighs more than so much should pay the higher duty, or some such method as that.

Mr. WHITE. I think the price method is the best.

Senator KING. You could not base it on horsepower?

Mr. WHITE. No.

Senator REED. Would $1,000 be the proper limiting figure?

Mr. WHITE. If you want to make a distinction, I should think it would; yes, sir.

Senator KING. You do not make any under $1,000, do you?

Mr. WHITE. No. I wish I did.

Senator BARKLEY. With only 512 motor cars coming into this country—that includes all passenger cars and everything else—and probably a little over a hundred trucks of all types coming in here in competition, what basis is there for a 25 per cent tax?

Mr. WHITE. There is no truck company that is making any money to speak of.

Senator BARKLEY. It is not because of foreign competition.

Mr. WHITE. No; that may be so, but if you let foreign competition in, too, you will help kill them off.

Senator BARKLEY. But there is no prospect of that. There are no foreign truck makers, outside of one, that are shipping any trucks in here, and they are only shipping a few.

Mr. WHITE. There are a lot of foreign truck makers, and if you let them in you have got that much more competition. In my opinion, this thing gets into a question of where labor cuts a lot more

figure in the truck business than it does in the touring-car business, because these trucks, as I say, have to be practically custom built.

Senator BARKLEY. You can standardize different groups of trucks, can you not? You can make trucks to unload dirt all practically of the same standard, can you not?

Mr. WHITE. No.

Senator BARKLEY. You do not have to have an individual truck for each person who unloads dirt, do you?

Mr. WHITE. Yes; we do. Here is a fellow that is handling excavating material. Maybe it is rock; maybe it is sand. We do not know what it is; and we have got to have a job that will stand having the material dropped into it out of a steam shovel. The next fellow is handling coal. That does not weigh as much per cubic yard, and he wants a different kind of a body, and perhaps a little longer wheel base, or a little something else that is different on it. You turn around, and your municipalities go into garbage collection. They need a different body and a different length chassis for that job. We can not standardize a dump body or a dump chassis in our business.

Senator BARKLEY. You mean you can not make all garbage wagons alike, and all coal wagons alike, and all dirt wagons alike?

Mr. WHITE. No.

Senator BARKLEY. Each garbage man wants a special design, does he? [Laughter.]

Mr. WHITE. Practically; that is what it amounts to. Your municipalities have all got engineers working on those things.

Senator REED. It is a matter of taste. [Laughter.]

Senator KING. It is a matter of smell. [Laughter.]

Mr. WHITE. Those fellows are going to earn their salary. All your municiaplities have got engineers, and they have all got their ideas about how it should be done, what kind of a body they want. One fellow who is handling a certain type of garbage wants a big body—I mean, a big-capacity body—because the weight is light where they are getting a lot of ashes and paper and stuff like that. When they get into the swill end of it, they would overload with that body. One job you have to have a cover on, and the other job you do not have to; and so it goes. There is an infinite variety of these things. We are up against a market that we have a devil of a time meeting; there is no question about that. [Laughter.]

Senator REED. There are a good many heavy-truck manufacturers in Great Britain, Germany, France, and Italy, are there not?

Mr. WHITE. There are quite a number in Germany, France, and England. I do not think there are so many in Italy. There are a few.

Senator REED. How about your export business in trucks to Europe?

Mr. WHITE. Practically nothing.

Senator REED. Practically nothing? They supply their own needs?

Mr. WHITE. Absolutely.

Senator REED. How about your export business to neutral countries?

Mr. WHITE. That is pretty good for us.

Senator REED. Do you find much European competition there?

Mr. WHITE. In any big order we are up against European competition.

Senator REED. How do their prices compare with yours?

Mr. WHITE. As a rule, they are under ours.

Senator BARKLEY. How much?

Mr. WHITE. Oh, that depends on the job. It depends on how badly they want it.

Senator BARKLEY. Is there any way to average it?

Mr. WHITE. It is almost impossible to average it.

Senator BARKLEY. When you speak of big jobs, do you mean big orders or big trucks?

Mr. WHITE. Big orders. If there is an order for a hundred jobs for a municipality in South America, we have got all the European competition.

Senator BARKLEY. Do they have mass production in European trucks?

Mr. WHITE. No; I do not think so.

Senator KING. A witness who testified here stated that the trucks which he was seeking to bring into the United States—and he brought only a few—cost, my recollection is, 20 per cent with duty paid, and so on, perhaps 25 per cent, more than the American truck was selling for. Are you familiar with that? I suppose I am at liberty to mention his name—Mr. Shannon. Are you familiar with the truck which he brought in—a 6-wheel truck?

Mr. WHITE. No; I am not.

Senator KING. That cost—what was it, Mr. Shannon—$6,000, the truck that you brought to the United States?

Mr. SHANNON. Do you mean the factory price over there, or the landed price here?

Senator KING. The landed price.

Mr. SHANNON. $6,400.

Senator KING. And what is a similar truck, or a truck of the same strength and power, sold for in the United States?

Mr. SHANNON. Were you speaking of the selling price?

Senator KING. Yes.

Mr. SHANNON. The selling price of this truck I am bringing in is $10,500, and a similar truck made in this country is listed at $7,500.

Senator KING (to Mr. White). Are you familiar with that truck?

Mr. WHITE. Not that particular case. I do not know very much about the truck that he is talking about; but I have understood that he is figuring on putting a factory over here, and if you take down the tariff wall I do not think he will.

Senator KING. They can have a factory built here to make trucks, get the raw material here, and hire American labor.

Mr. WHITE. If you take down the tariff wall, and he does not have to do that, he can bring them in.

Senator KING. You stated, as I understood you, that your company made something like 6 per cent or 10 per cent of the trucks manufactured in the United States?

Senator REED. No, no.

Mr. WHITE. No; there are about 10 per cent that are in the heavy-duty class, according to Mr. Reed's classification—10 to 11 per cent.

Senator KING. Of the trucks?

Mr. WHITE. Of the trucks. The rest of them are the light trucks, ton and ton-and-a-half trucks.

Senator KING. How many heavy trucks are made in the United States? What is the domestic production of the trucks in the higher class?

Mr. WHITE. It would be about 60,000.

Senator KING. What part of that do you manufacture?

Mr. WHITE. We put out 9,200 last year.

Senator KING. About nine-sixtieths; and who are the other manufacturers?

Mr. WHITE. There are quite a lot of them—Mack, the International Harvester Co., General Motors, Auto-Car, Sterling, Brockway, Indiana——

Senator KING. Armour & Co.?

Mr. WHITE. No; they do not make any.

Senator KING. I thought they made some. Is the International Harvester Co. increasing its output?

Mr. WHITE. I think it is.

Senator KING. And General Motors?

Mr. WHITE. Yes; I think they are.

Senator KING. And your company?

Mr. WHITE. We are trying to.

Senator KING. Did you manufacture more in 1928 than you did in 1927?

Mr. WHITE. No; we did not.

Senator KING. Did you manufacture more in 1927 than you did in 1926?

Mr. WHITE. Yes; I think we did, in 1927.

Senator KING. You are including in the trucks that you refer to the busses that you manufacture?

Mr. WHITE. The busses; yes, sir.

Senator KING. You make a large number of busses; do you not, Mr. White?

Mr. WHITE. Well, we make some; I would not say a large number. I do not think anybody is making a large number.

Senator KING. Is not the use of busses increasing to the extent of becoming a challenge to the passenger trains?

Mr. WHITE. I do not think so.

Senator KING. I noticed the other day that in many of the companies there had been a falling off of 13 per cent in passengers carried by the railroads, and a large increase in busses.

Mr. WHITE. But the busses have not got that business. That has gone to passenger cars, very largely.

Senator KING. You know that busses are crossing the continent, and are radiating to all parts of the United States, carrying passengers?

Mr. WHITE. Yes; but I think they are appealing to a different class of peolpe than travel on the railroads. The time is slower, and the cost is lower, and the inconveniences are such that I think they are getting a different class. I do not think they are taking many people from the railroads.

Senator KING. It is singular that the number of passengers of the railroads is less, then.

Mr. WHITE. But that started, Senator, long before the bus business ever got going. The people got to taking their own cars.

Senator KING. Has not the diminution in the railroad traffic been so great that many of the railroads have been compelled to put on busses?

Mr. WHITE. They have supplemented their service; yes, sir; but they have done it more for economical reasons than they have for anything else.

Senator REED. I have no other questions. Thank you, Mr. White. Have you a brief that you want to leave with us?

Mr. WHITE. Yes, sir.

(The brief submitted by Mr. White is as follows:)

BRIEF OF WALTER C. WHITE, REPRESENTING THE WHITE MOTOR CO., CLEVELAND, OHIO

The White Motor Co. of which I am president, is an Ohio corporation with its manufacturing plant located in Cleveland, Ohio. It owns or operates 86 selling branches and service stations in about the same number of cities throughout the United States and Canada. Its product is marketed through its own selling organizations and through approximately 350 dealers. The investment in this company exceeds $46,000,000.

The White Motor Co. respectfully requests this committee not to make any change in the present tariff rate on motor trucks and busses and will place before you facts which I believe will convince you that regardless of what your judgment may be in regard to the tariff on passenger cars, the present tariff on motor trucks and busses should be continued for the protection of the manufacturer, labor, and stockholder of motor truck and bus manufacturing companies in the United States. In our opinion one tariff policy can not be adopted for all the products of the motor industry. Motor trucks partake more of the nature of tools of trade or machinery than passenger vehicles.

The production figures of the motor industry broken down into passenger cars and trucks and busses show that trucks and busses constitute 12½ per cent of the motor vehicles produced in this country. The production so broken down for the following years is as follows:

Year	Passenger cars	Trucks and busses
1928	4,024,590	576,540
1927	3,093,428	498,683
1926	3,684,018	521,443
1925	3,904,566	523,234
1924	3,327,770	410,016

In discussing the tariff on motor vehicless a an industry it is interesting to note that 83½ per cent of the motor vehicles produced in the world are manufactured in the United States. Canada produces 4.7 per cent, leaving but 11.8 per cent of the world's production of motor vehicles outside of North America. (Exhibit A gives the number of motor vehicles manufactured in the various countries for the last five years.)

Returning to the question of the tariff on motor trucks and busses, it must be borne in mind that only 12½ per cent of these tremendous production figures apply to motor trucks and busses. In discussing motor trucks and busses it is essential that the different carrying capacities of these vehicles be understood. (The attached chart, marked Exhibit "B," gives the production for the last seven years by carrying capacity as well as the percentage of various capacities manufactured.) Note particularly that in 1928, for example, out of a total production of motor trucks and busses of 576,540 in the United States 384,374 were of 1 ton or less capacity, which is 66⅔ per cent of the production. This type of truck of 1 ton and under capacity is manufactured and sold by practically all mass production passenger-car manufacturers and is essentially a passenger-car chassis strengthened up to carry a light delivery or truck body powered with a passenger-car motor. It is true that some of these so-called light delivery trucks are rated higher than 1-ton capacity, and it is also to be borne in mind that essentially truck and bus manufacturers, such as my company, also manufacture motor trucks rated below 1 ton carrying capacity, but their volume is small compared with touring car manufacturers' trucks. There are at present about 100 truck and bus manufacturers and assemblers in the United States. Considering the motor truck and

bus manufacturing production without including passenger manufacturers' production of light delivery wagons, it is immediately apparent that motor truck and bus manufacturers are not producers of motor vehicles that sell in volume.

That conclusion is drawn from the numbers produced by the number of manufacturers producing them, but the reasons for that conclusion as well are apparent. Consider the differences in appearance alone of trucks and busses that you see on the street and it becomes apparent to the eye that there is no uniformity that would permit of quantity production. For example—busses. Bodies immediately strike the eye. Note the difference in street-car type bodies, sight-seeing bodies, observation-type bodies, double-deck bodies, sleeping-car bodies, and so on. Some are wood. Some are metal. The chassis have even more differences in them, although not so apparent to the casual observer—4-cylinder and 6-cylinder motors, dual engines, mechanical brakes, hydraulic brakes, air brakes, different lengths and widths of frames, etc. Trucks are even more specialized to meet the demands of particular industries which they serve. The dump truck, the stake body, the telephone truck, the inclosed delivery truck, the tank truck for transporting milk and oil. The chassis have 4-cylinder motors, 6-cylinder motors, equipped with solid tires, pneumatic tires, dual tires. Wheel bases are of varying length, different kinds and types of brakes, mechanical appliances such as power take-off, winches, cable puller, post-hole diggers. Gear ratios vary. Rear axles vary as to type and strength for different kinds of hauls.

The differences are so apparent and so numerous even of trucks in the same fleet to meet various conditions of operation that quantity production is out of the question. Experience has demonstrated that fact time and time again. For instance we have found it impractical to even attempt to stock so-called standard bodies, as buyers' requirements vary so widely that they will not accept them. Selling by motor truck and bus manufacturers has yearly increased through branches as dealers can not carry stocks of trucks of various sizes, capacities, and required bodies for different businesses. In the case of my own company it is necessary for us therefore to maintain some 86 selling and service branches in the various cities of the country as only 22 per cent of our product is now being moved through dealers and they are usually dealers in small towns where the necessary capital investment for a manufacturer's branch does not warrant the capital required because of its limited market. Even in such towns the dealers usually handle passenger cars or other equipment to help carry their overhead. The variations in carrying capacity, different power plants, varying wheel bases, and different mechanical appliances are very apparent in the plant of the White Motor Co. The requirements for particular purposes make practically every truck manufactured special in some respect, which makes it impossible to even consider quantity production. The type of vehicle to be manufactured and sold is determined by the use to which the customer puts the vehicle and as a consequence the manufacturer of motor trucks and buses must design and produce that truck for that particular use.

This great variety in bodies, chassis, and equipment of motor trucks and busses furnishes eloquent proof of the infinite ways in which motor trucks and busses meet the transportation requirements of the American people. Busses are to-day carrying more people over the highway than are carried over rails by steam and electric roads. Motor trucks of the higher carrying capacities transporting raw material and finished products from the farm, the factory, and the wholesaler to the railroad and from the railroad to the retailer and consumer are to-day reducing distribution costs. In considering a protective tariff for motor trucks and busses we are dealing with one of the most important transportation facilities of this country.

We therefore submit that the facts establish that motor truck and bus manufacturers are specialty manufacturers and not quantity or mass producers.

There is as a consequence therefore more labor employed in motor truck and bus manufacturing plants than in mass production plants and tariff protection is therefore of prime importance against the cheap labor market of foreign manufacturing countries.

In considering the exports of motor trucks and busses from the United States the attached list, marked "Exhibit C," shows that in 1928 the United States exported 140,191 trucks and busses, of which 104,668, or 74½ per cent, were of 1 ton and less capacity; 31,015, or 22¼ per cent, were from 1 to 2½ ton capacity, while trucks of over 2½-ton capacity only amounted to 3,099, or 3 per cent of the number exported. Of all capacities, 26 per cent of the trucks manufactured in the United States, which percentage includes light-delivery trucks manufactured by mass production passenger car manufacturers, were exported to all

countries of the world. Most of them were exported to nonmanufacturing countries, as, for example, the number of trucks over 1-ton capacity exported in 1928 to the largest importing countries were as follows:

Country	1 to 2½ ton capacity	Over 2½ ton capacity
Argentine	3,575	661
Brazil	2,857	118
Australia	1,866	144
Canada	4,361	657
Mexico	1,129	140
Japan	11,189	.....
Germany	760	10
France	393	None.
Belgium	211	28
Italy	166	None.
United Kingdom	951	78

These countries are the largest importers of trucks. The balance of the countries of the world import even fewer motor trucks from the United States, as per the attached list, marked "Exhibit C." It is apparent from these export figures that foreign truck and bus manufactures are serving their own markets and that the United States manufacturers are unable to sell motor trucks and busses in other manufacturing countries, particularly motor trucks and busses as distinguished from passenger car mass production of light delivery trucks. The same reason applies, namely special production requiring a large amount of labor not required in mass prodcution.

In order that foreign production of motor trucks and busses may be compared with the manufacture of motor trucks and busses in the United States, where during 1928 576,540 units were produced, the production for 1928 by the largest foreign manufacturing countries is covered by the attached list, taken from Commerce Reports of July 1, 1929.

Austria	2,670	France	55,000
Belgium	1,000	Germany	22,200
Czechoslovakia	2,790	Italy	13,300
England	46,525	Switzerland	1,300

Note that the entire production of the largest foreign producer of motor trucks, England, produced only 8 per cent of the United States production.

The importance of considering labor costs in relation to the tariff becomes apparent when the figures on skilled trade workers furnished by the United State Department of Commerce are compared with the skilled workers' wage in the United States. The United States Department of Commerce gives the following list of weekly wages for skilled employees:

Austria	$8.70	France	9.97
Belgium	6.62	Germany	10.85
Czechoslovakia	8.86	Italy	7.30
England	15.90		

This makes an average for these seven countries of $9.75 per week for skilled labor as compared with the United States average as stated in the Monthly Labor Review of May, 1929, page 181, of $37.35 a week. In the United States, therefore, skilled labor is paid practically 400 per cent more than the average wages paid in these seven manufacturing foreign countries.

It is a proper question for this committee to ask as to whether motor truck and bus manufacturing companies in the United States are making unreasonable profits because of the tariff protection under the present tariff act, which profits might possibly be passed on to the American purchasers of motor trucks and busses. The attached lists of capital invested and net earnings of nine representative American motor truck and bus manufacturers for the year 1928, taken from their annual published reports, show that on an invested capital of $148,294,000 the net earnings were only $10,592,000 and this before any payment of dividends to stockholders.

Company	Capital investment	Net earnings
American La France	11,432,000	413,000
Autocar	8,065,000	600,000
Pagcol	3,020,000	203,000
Federal	4,613,000	551,000
Le Blond-Schacht	2,790,000	129,000
Mack	66,055,000	5,915,000
Moreland	2,349,000	135,000
Sterling	2,769,000	325,000
White	46,301,000	2,321,000
Total	148,294,000	10,592,000

In conclusion, I respectfully submit that the motor truck and bus manufacturers of the United States when distinguished from mass production passenger car manufacturers manufacturing light delivery trucks, are specialty manufacturers as distinguished from mass production manufacturers; that we, as such manufacturers, sell comparatively few of our units in foreign manufacturing countries; that we employ a large amount of skilled labor which must be protected by tariff against skilled labor of foreign manufacturing countries paying only a quarter of the wages paid in the United States; that the profits of motor truck and bus manufacture are not sufficient to pay a substantial return on the capital invested even with the present tariff protection. Accordingly we earnestly urge upon this committee a continuation of the present tariff rates on motor trucks and busses and the countervailing provision of the present tariff act regardless of what action is taken in regard to the tariff rates on passenger cars. Motor trucks should be clearly referred to in the tariff act if any change is made in passenger-car tariff, as under the present act motor trucks are not specifically mentioned, but are construed by Treasury Decisions to be included under passenger-car chassis. The development in motor truck and bus manufacture since the enaction of the present tariff law has clarified a distinction between passenger cars and motor trucks and busses and they should be so designated in the act if the wording of that act is to be changed. If the committee desires to draw a distinction for the purpose of tariff rates between motor trucks and busses and motor trucks and busses manufactured by mass production passenger-car manufacturers, we submit that the distinction made in the revenue act of 1924, in section 600, be used, namely, that trucks and bus chassis selling under $1,000 list price be treated as passenger cars and that motor truck and bus chassis selling at a list price exceeding $1,000 be treated as trucks and busses on which the present rate of tariff is to be retained.

We, as a motor-truck manufacturer, have no interest in the retention of the reimportation of war-trucks section of the present tariff act.

We therefore respectfully urge upon this committee a retention of the present tariff rates on motor trucks and busses and the countervailing provision of the present tariff for the protection of the American manufacturer, the American investor, and American labor.

Exhibit A

World production of motor vehicles, 1924–1928

(Figures from Automotive Division, Department of Commerce)

Country	1924	1925	1926	1927	1928
Austria	5,000	4,800	5,200	8,700	9,160
Belgium	4,850	5,629	7,000	6,500	[1] 7,000
Canada	135,246	161,970	204,727	179,034	242,382
Czechoslovakia	2,000	5,000	6,000	10,200	13,150
Denmark		75	200	190	[1] 200
England	133,511	176,197	198,699	231,920	[1] 208,400
France	145,000	177,000	190,000	190,000	210,000
Germany	18,000	[2] 49,384	[2] 37,169	[2] 96,610	[1] 89,950
Hungary		329	358	282	460
Italy	37,450	39,573	54,760	61,559	55,010
Poland					[1] 330
Spain		473	1,030	585	325
Sweden		270	410	1,250	1,362
Switzerland		450	1,046	1,585	1,700
United States [3]	3,602,510	4,265,830	4,300,934	3,401,326	4,358,748
World total	4,083,597	4,886,990	5,017,673	4,182,791	5,198,167

[1] Estimated.
[2] From the annual review by the Reichsverband der Automobilindustrie, E. V., Berlin.
[3] Including motor vehicles exported as "parts for assembly."

EXHIBIT B

Truck production by capacities

	1922	1923	1924	1925	1926	1927	1928
	Number	*Number*	*Number*	*Number*	*Number*	*Number*	*Number*
¾-ton or less	62,194	44,198	40,864	47,745	64,111	77,978	77,484
1-ton and less than 1½	146,288	288,896	310,930	391,165	347,147	319,637	306,890
1½-ton and less than 2	4,388	24,031	20,465	29,401	47,000	29,107	108,871
2-ton and less than 2½	13,830	14,998	8,225	12,456	19,993	27,313	29,856
2½-ton and less than 3½	11,235	12,516	14,294	16,691	18,231	16,584	21,170
3½-ton and less than 5	3,319	6,761	3,643	6,191	5,514	4,471	4,607
5-ton	5,718	4,611	6,635	7,990	9,030	4,128	2,154
Over 5 tons and special types	1,430	4,081	4,960	11,595	10,597	7,734	8,909
Total	248,402	400,092	410,016	523,234	521,643	496,952	576,540
	Per cent	*Per cent*	*Per cent*	*Per cent*	*Per cent*	*Per cent*	*Per cent*
¾-ton or less	25.0	11.0	10.0	9.1	12.3	16.0	13.9
1-ton and less than 1½	58.9	72.2	75.8	74.8	66.6	65.6	54.9
1½-ton and less than 2	1.8	6.0	5.0	5.6	9.0	6.0	19.3
2-ton and less than 2½	5.6	3.7	2.0	2.4	3.8	5.6	5.2
2½-ton and less than 3½	4.5	3.2	3.5	3.2	3.5	3.4	3.7
3½-ton and less than 5	1.3	1.7	.9	1.2	1.1	.9	.8
5-ton	2.3	1.2	1.6	1.5	1.7	.9	.4
Over 5 tons and special types	.6	1.0	1.2	2.2	2.0	1.6	1.5
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0

EXHIBIT C

American truck exports

Country	Total, 1927	1928			Total, 1928
		Up to 1 ton	1 to 2½ tons	Over 2½ tons	
EUROPE					
Austria	9	158	13	----------	171
	$8,213	$94,467	$11,253	----------	$105,720
Azores and Madeira Islands	61	41	16	----------	57
	$32,540	$21,046	$12,645	----------	$33,691
Belgium	4,123	5,418	183	28	5,629
	$1,799,887	$2,137,540	$116,019	$23,497	$2,277,056
Czechoslovakia	64	47	20	1	68
	$25,613	$29,281	$21,524	$988	$51,793
Denmark and Faroe Islands	7,569	3,932	535	5	4,472
	$3,430,213	$1,627,251	$346,191	$9,841	$1,983,283
Finland	256	222	522	42	786
	$286,252	$210,712	$458,173	$80,325	$749,210
France	300	1,211	393	----------	1,604
	$147,988	$565,473	$116,929	----------	$682,402
Germany	774	1,998	750	10	2,758
	$404,118	$995,704	$396,410	$16,794	$1,408,908
Greece	241	703	248	2	953
	$132,821	$370,503	$212,862	$3,200	$586,565
Hungary	45	21	61	----------	82
	$52,318	$15,356	$33,433	----------	$48,789
Iceland	11	9	14	----------	23
	$7,083	$5,348	$10,137	----------	$15,485
Irish Free State	35	29	54	----------	83
	$28,782	$20,325	$31,356	----------	$51,681
Italy	199	264	166	----------	430
	$67,949	$137,490	$76,755	----------	$214,245
Latvia	8	35	29	----------	64
	$8,469	$31,761	$27,313	----------	$59,074
Malta, Gozo, and Cyprus Islands	10	20	10	----------	30
	$6,910	$8,730	$6,968	----------	$15,698
Netherlands	148	109	372	20	501
	$197,004	$101,051	$311,370	$58,266	$470,687
Norway	267	234	252	55	541
	$384,315	$193,227	$331,262	$162,488	$686,977
Poland and Danzig	6	325	284	4	613
	$7,627	$180,903	$223,942	$13,161	$418,006
Portugal	615	652	222	3	877
	$345,264	$358,408	$238,347	$5,343	$602,098
Rumania	749	1,063	192	12	1,267
	$290,046	$581,728	$132,020	$10,890	$724,644
Russia	184	129	99	50	278
	$233,422	$53,241	$76,765	$259,692	$389,698
Spain	3,203	3,461	920	75	4,456
	$1,698,721	$1,786,633	$992,355	$47,517	$2,826,505

American truck exports—Continued

Country	Total, 1927	1928			Total, 1928
		Up to 1 ton	1 to 2½ tons	Over 2½ tons	
EUROPE—continued					
Sweden	840	6,071	750	129	6,950
	$757,126	$2,910,177	$749,647	$112,529	$3,772,353
Switzerland	29	5	20	2	27
	$34,763	$3,903	$21,583	$1,564	$27,050
United Kingdom	5,475	7,212	873	78	8,163
	$2,708,009	$3,134,820	$570,024	$136,510	$3,841,354
Yugoslavia and Albania	----------	52	103	1	156
	----------	$26,104	$69,888	$767	$96,759
NORTH AMERICA					
British Honduras	3	1	3	----------	4
	$1,913	$426	$4,824	----------	$5,250
British West Indies, other	117	54	33	11	98
	$80,095	$17,822	$24,502	$14,028	$56,352
Canada	4,233	2,592	3,704	657	6,953
	$5,773,078	$1,851,499	$4,878,264	$1,791,568	$8,521,331
Costa Rica	106	59	104	4	197
	$106,562	$70,042	$131,357	$18,006	$219,405
Cuba	1,842	498	787	122	1,407
	$1,947,619	$261,923	$827,783	$440,045	$1,530,751
Dominican Republic	315	159	168	1	328
	$258,997	$95,854	$199,391	$1,431	$296,376
French West Indies	19	$43	14	----------	57
	$7,829	$24,396	$8,114	----------	$32,510
Guatemala	192	92	172	5	269
	$225,620	$56,545	$310,618	$20,974	$388,137
Haitian Republic	55	48	56	3	107
	$60,046	$30,257	$55,326	$11,303	$102,886
Honduras	62	25	29	1	55
	$58,952	$14,311	$31,739	$3,661	$49,711
Jamaica	207	63	125	5	193
	$145,297	$50,402	$132,417	$10,563	$193,382
Mexico	1,743	2,045	1,089	140	3,274
	$1,459,882	$999,445	$1,228,199	$367,936	$2,595,580
Netherland West Indies	141	85	49	19	153
	$102,340	$61,282	$43,522	$52,538	$157,342
Newfoundland and Labrador	24	34	6	----------	40
	$16,740	$14,808	$7,601	----------	$22,409
Nicaragua	33	11	14	1	26
	$61,018	$8,129	$19,533	$2,968	$30,630
Panama	522	84	316	11	411
	$375,114	$51,203	$248,113	$38,254	$337,570
Salvador	91	5	13	3	21
	$142,919	$1,820	$29,654	$11,708	$43,182
Trinidad and Tobago	60	35	39	1	75
	$75,807	$26,579	$33,846	$2,883	$63,308
Virgin Islands of United States	19	7	6	----------	13
	$13,778	$4,851	$6,800	----------	$11,651
SOUTH AMERICA					
Argentina	10,552	12,190	2,914	661	15,771
	$7,377,000	$8,323,431	$4,040,780	$1,892,328	$12,256,545
Bolivia	66	50	41	3	94
	$99,425	$49,548	$61,378	$15,152	$126,078
Brazil	11,061	11,449	2,739	118	14,306
	$5,350,157	$5,191,703	$2,075,505	$293,451	$7,560,719
Chile	855	416	732	61	1,209
	$750,553	$245,643	$947,531	$102,784	$1,385,958
Colombia	1,102	409	816	89	1,314
	$1,600,326	$309,456	$1,410,604	$279,555	$1,999,615
Ecuador	62	21	48	6	75
	$63,482	$13,354	$46,991	$11,376	$71,721
Paraguay	86	73	68	----------	141
	$42,984	$56,139	$64,090	----------	$120,229
Peru	669	145	558	11	714
	$681,485	$110,014	$454,372	$40,439	$604,825
Uruguay	1,103	1,082	404	72	1,538
	$1,663,039	$515,043	$336,829	$187,725	$1,039,657
Venezuela	684	285	592	28	905
	$715,487	$212,648	$540,220	$85,761	$838,529
ASIA					
Aden	5	2	6	1	9
	$3,406	$1,668	$7,515	$3,155	$12,308
Arabia, Hejaz, and Iraq	188	116	162	----------	278
	$122,004	$66,362	$102,949	----------	$169,311
British India	1,913	4,602	719	19	5,340
	$1,452,590	$2,602,171	$691,599	$20,638	$3,314,408

American truck exports—Continued

Country	Total, 1927	1928			Total, 1928
		Up to 1 ton	1 to 2½ tons	Over 2½ tons	
ASIA—continued					
British Malaya	137 $158,041	60 $39,302	47 $62,978	14 $26,138	121 $128,418
Ceylon	318 $358,606	195 $153,168	203 $255,182	17 $25,425	415 $433,775
China	470 $333,471	331 $273,173	563 $178,015	5 $12,948	899 $764,136
French Indo-China	37 $11,811	9 $4,427	24 $12,202		33 $16,629
Hong Kong	135 $54,303	48 $31,059	49 $17,630		97 $81,689
Japan and Chosen	387 $555,486	924 $689,467	911 $751,219	189 $287,876	2,024 $1,728,562
Java and Madura	3,896 $2,017,435	4,837 $2,011,243	437 $519,800	36 $49,854	5,310 $2,580,897
Kwantung	120 $90,262	24 $17,911	55 $58,929	3 $3,315	82 $80,215
Netherland East Indies, other	165 $131,867	103 $135,302	121 $131,277		316 $266,579
Palestine and Syria	146 $180,597	215 $159,441	344 $379,812	6 $9,008	565 $547,261
Persia	487 $144,791	352 $190,981	82 $110,312	7 $21,483	441 $322,776
Philippine Islands	1,499 $909,089	1,587 $786,892	538 $523,984	28 $59,868	2,153 $1,370,744
Russia		6 $3,580	4 $3,310		10 $6,890
Siam	77 $51,146	120 $85,161	17 $13,781		143 $98,942
Turkey	116 $46,253	589 $289,004	142 $102,087	2 $3,920	733 $395,011
OCEANIA					
Australia	24,407 $14,361,174	15,469 $8,462,806	1,722 $1,646,519	144 $249,969	17,305 $8,359,294
British Oceania	14 $9,246	22 $10,840	10 $9,286		32 $20,126
French Oceania	7 $2,804	5 $2,556	4 $5,673		9 $8,229
New Zealand	1,126 $859,821	1,827 $780,381	382 $506,077	97 $122,953	2,306 $1,409,411
AFRICA					
Algeria and Tunisia	14 $8,298		43 $19,653		43 $19,653
Belgian Congo	53 $24,350	111 $55,209	29 $18,657		140 $73,866
British East Africa	348 $288,600	352 $289,191	134 $152,960		486 $442,151
British South Africa	3,092 $2,221,914	3,852 $1,973,787	582 $320,220	41 $110,297	4,475 $2,904,304
British West Africa	2,357 $2,521,427	1,020 $853,720	342 $474,859		1,362 $1,328,579
Canary Islands	58 $66,543	45 $20,939	52 $56,660	6 $10,920	103 $94,525
Egypt	1,417 $565,529	1,050 $470,949	185 $93,552	2 $1,688	1,237 $572,189
French Africa, other	194 $105,395	146 $75,304	8 $6,928		154 $82,232
Liberia	58 $69,643	29 $22,725	11 $17,420	1 $4,800	41 $44,945
Morocco	377 $171,656	630 $283,060	114 $136,368	3 $6,786	747 $426,214
Mozambique	74 $84,493	94 $58,336	64 $51,695		158 $110,031
Portuguese Africa, other	115 $95,435	60 $42,200	53 $51,136		113 $93,336
Spanish Africa, other	23 $22,300	16 $14,939	10 $6,639	2 $5,101	28 $26,679
Other countries	295 $180,414	196 $102,692	106 $79,281	6 $3,718	308 $185,691
Total	105,447 $70,123,600	104,668 $51,350,331	31,015 $32,201,309	3,099 $7,709,825	135,752 $91,321,465

Alaska	per cent	80 $82,243
Hawaii	do	668 $836,788
Porto Rico	do	661 $765,471

CREAM SEPARATORS

[Par. 372]

STATEMENT OF EUGENE H. GARNETT, REPRESENTING BABSON BROS., CHICAGO, ILL.

(The witness was duly sworn by the chairman of the subcommittee.)

Mr. GARNETT. Mr. Chairman, I wish to call attention to the fact that I represent the importers, who have no complaint to make with the existing law, or the House bill, while the American manufacturers, who are here represented, are not satisfied either with the existing law or the House bill. The question in my mind arises as to whether I should talk first, or whether Mr. Meese, representing the American manufacturers, should talk first.

Senator REED. You are speaking now of cream separators?

Mr. GARNETT. Cream separators.

Senator REED. That is on page 112. It begins on line 24.

Senator BARKLEY. There has been no change made in the law.

Mr. GARNETT. There is no change made in the law.

Senator REED. How about cream separators valued at less than $50? Are they on the free list?

Mr. GARNETT. They are on the free list.

Senator KING. In the interest of agriculture, why should not all cream separators be on the free list?

Mr. GARNETT. Because those having an import value of more than $50 are not used in agriculture.

Senator KING. Farmers use them, do they not?

Mr. GARNETT. No; they do not.

Senator KING. Dairymen?

Mr. GARNETT. Not those of an import value of more than $50. Those are all used in city milk depots, creameries, and other commercial industries. All the cream separators used on farms are brought in under $50.

We are interested only in the cream separators which are used on farms.

Senator REED. That is all you import, is it?

Mr. GARNETT. That is all we import. The question is, Shall I talk first, being satisfied with the bill, or shall Mr. Meese talk first?

Senator REED. We might as well use you for educational purposes.

Mr. GARNETT. Very well, Mr. Chairman. I represent Babson Bros., of Chicago, Ill.

Senator KING. As you said, no change was made in the McCumber bill.

Mr. GARNETT. No change was made. I represent Babson Bros., of Chicago, Ill.——

Senator REED. I think we had better hear from the manufacturers and those who want a change made, and then we will call you again.

Mr. GARNETT. Very well.

STATEMENT OF E. W. MEESE, CHICAGO, ILL., REPRESENTING ASSOCIATION OF AMERICAN MANUFACTURERS OF CREAM SEPARATORS

(The witness was duly sworn by the chairman of the subcommittee.)

Senator REED. Mr. Meese, what is your occupation?

Mr. MEESE. I am in the cream-separator business, the manufacturing of cream separators. I am representing here all the American manufacturers.

Senator REED. They have an association, which includes the whole industry, do they?

Mr. MEESE. Yes, sir. It was organized for the purpose of looking after our interest in the tariff.

Senator REED. Are you an attorney, Mr. Meese?

Mr. MEESE. No; I am not.

Senator REED. You are secretary of this association?

Mr. MEESE. Yes; I am secretary of the association. That is nominal, however. We are asking that cream separators of all kinds and classifications be classified under Schedule 3, with a duty of 45 per cent, which is the same duty that prevailed prior to 1913.

In the Underwood bill of 1913 cream separators were divided, part put into Schedule 3, at a duty of 25 per cent, which they bear at the present time, and part put on the free list, without duty. The division was made on an arbitrary basis of $50 valuation.

Senator REED. Under the Underwood bill the line of division was $75?

Mr. MEESE. Yes.

Senator REED. And that, in the McCumber bill, was reduced to $50?

Mr. MEESE. Yes, sir.

Senator REED. You want that eliminated entirely, do you?

Mr. MEESE. And all of them included under class 3. They are all the same, gentlemen. The only difference is in the size. They are made of entirely different materials for entirely different purposes, and their manufacturing processes are entirely different from those of farm implements. They can not, by any stretch of the imagination, be classified as farm implements.

Senator REED. Why not?

Mr. MEESE. Because the large machines, such as are now classified as over $50 valuation, are not used on the farm at all.

Senator REED. You have protection on those.

Mr. MEESE. Twenty-five per cent, which is very inadequate.

Senator REED. Only 640 of them were bought in last year.

Mr. MEESE. Yes, sir; and that was as many as were made in the United States.

Senator REED. The total domestic production?

Mr. MEESE. The total domestic production of all kinds of large separators was between 1,200 and 1,500, of which about half went for use for industrial purposes, such as oils, and things of that kind.

Senator KING. What were these articles manufactured in 1927, the value of which was $8,098,360?

Mr. MEESE. Those undoubtedly were the separators under $50 valuation; either that or all cream separators, as a whole.

Senator KING. The same company manufactures the large one as manufactures the small one.

Mr. MEESE. Two of the same companies do. Those are all the American manufacturers that are left, since the Underwood tariff. There were as many as six or eight American manufacturers, until the duty was reduced, and now, when the duty has been reduced to 25 per cent, we have two American manufacturers left, and six or eight importers.

Senator KING. The importations are very small.

Mr. MEESE. Yes, sir; and the production is small.

Senator KING. There is a production of $8,000,000.

Mr. MEESE. That was of all kinds of cream separators.

Senator KING. The importation of all cream separators for 1928 is inconsiderable.

Mr. MEESE. The total production of cream separators that come under Schedule 3, that I am speaking of here, over $50, was between 1,200 and 1,500 separators in the United States, of which a part was used for industrial purposes, such as the separation of oils, and other industrial purposes.

Senator KING. Twelve or fifteen hundred, and, as Senator Reed indicated, there were only——

Mr. MEESE. Six hundred and some imported.

Senator REED. That is, about one-third of the domestic consumption was imported.

Mr. MEESE. Yes, sir.

Senator BARKLEY. In 1926, 1,648 power separators were made in the United States, and 168,000 hand separators.

Mr. MEESE. That is about right.

Senator BARKLEY. And in the same year there were 28,000 imported.

Mr. MEESE. Yes, sir.

Senator BARKLEY. That is, the small ones.

Mr. MEESE. That is under $50 valuation.

Senator BARKLEY. Yes.

Mr. MEESE. The actual cost of these separators, gentlemen, as you undoubtedly know, from the labor rates in Europe, is less than half of the cost in the United States. Therefore, a 25 per cent duty can not do a great deal of good for the American manufacturers, particularly as the importers sell these imported machines at the same price as the American manufacturers do. The importer is the man who has the long margin of profit to use in furthering his trade and business in this country. That is plainly illustrated by the increase of imports and the fact that the number of manufacturers in the United States has decreased, while the number of importers has increased. I would say that that would be a rather striking point.

The average labor rates in the largest separator manufacturing plant in the country last year were 63.2 cents per hour. In Germany they were only 24½ cents, and in Belgium about 15 cents.

Senator REED. These small separators which are used on the farms seem to have a foreign invoice value of less than $25.

Mr. MEESE. $24.22 as an average for the past six years, as against the average factory cost on the same size machines, or approximately the same size machines in the United States, or around $41. There-

fore, the duty that we are requesting, of 45 per cent, which is the same duty that prevailed prior to 1913, even on farm size machines, will not equalize the importers' costs with the costs of the American factories, still leaving a margin for the foreign manufacturer, at those declared valuations of $24.22, well on to 100 per cent profit.

Senator BARKLEY. Do you ask the increase on the hand separators as well as on power separators?

Mr. MEESE. Yes, sir; but I expect to appear before the committee when the free list is reached. I did not know whether you wished to discuss that.

Senator REED. The two problems are intertwined.

Mr. MEESE. Yes; they are.

Senator REED. We might as well consider it here. I think, I see your point. Have you a brief?

Senator KING. Have there not been exports of separators?

Mr. MEESE. Of the power separators, over $50 valuation, there have been none.

Senator KING. The American exports of separators have doubled.

Mr. MEESE. Practically all of them went to Canada. Ninety per cent of all the exports of cream separators from the United States since the war have gone to Canada, and of that 90 per cent, practically all those have been exported by American manufacturers to their own selling organizations in Canada.

Senator REED. What are those companies?

Mr. MEESE. The DeLaval Separator Co., of Poughkeepsie, N. Y., and the International Harvester Co. So we can not export and compete with foreign separators in other parts of the world. None have been exported, except, perhaps, an odd machine or so. They are never repeated.

Senator KING. There were 12,000 exported in 1928, of some kind.

Mr. MEESE. Yes, sir; and 90 per cent of them went to Canada. I think you will find that. You will find another convincing point here, gentlemen, as to the comparative cost of those machines, and that is this: The average import valuation of the hand machine is $24.33. The average export valuation of American machines which went to Canada was over $60. Therefore, that is a very clear comparison as to the costs of the machines.

Senator KING. I have a statement here which tends to show that the only hand labor is that employed in assembling, testing, and finishing, and that a man and two boys can assemble 50 machines per day.

Mr. MEESE. On a cream separator?

Senator KING. Yes.

Mr. MEESE. I could not say as to that. I do know that from 35 to 60 per cent of the cost of a cream separator is labor, and you know the comparative wages paid in Europe and the United States. You can readily see why European machines will cost less than one-half as much.

I have submitted to the Ways and Means Committee, in a brief, which you undoubtedly will have available, a statement from the president of the De Laval Separator Co., of New York. The De Laval Separator Co. has foreign connections, although themselves an independent American concern, employing American labor and

capital. Nevertheless, they have an interchange between these foreign companies. He submits comparative costs, as between their European figures and their American costs, and makes the statement that the same machine that is sold in the United States, made in Poughkeepsie, N. Y., can be built in their factories in Sweden, which is one of the highest cost labor countries in Europe, at one-half the cost, and can be laid down in the United States from those points, with all attachments used in America, for 33⅓ per cent less than the American cost to manufacture.

Senator KING. How long have you been engaged in the manufacture?

Mr. MEESE. Five years. I have been in the agricultural business 25 years.

Senator KING. I mean manufacturing separators.

Mr. MEESE. Five years.

Senator KING. Was your company organized then?

Mr. MEESE. Oh, yes. I have been connected with the De Laval Separator Co.

Senator KING. Does it manufacture anything besides separators?

Mr. MEESE. Yes, indeed. It had to go into all kinds of industrial centrifugals, power machines, and now, milking machines.

Senator KING. What is your capital?

Mr. MEESE. I can not tell you much about that because it is a privately owned concern. I am not interested myself.

Senator KING. What are the profits of the company? What were the dividends for the last four or five years?

Mr. MEESE. I do not know that any dividends have been declared. The only way I have of knowing anything about it is through a profit-sharing plan which the employees have, which has guaranteed 5 per cent, and the maximum that has been paid since the war was 6 per cent. I know that the company, in several of those years, when paying 5 per cent, did not earn it.

Senator REED. All right. You are not going to file that same brief again, are you?

Mr. MEESE. No; I expect to file a brief giving the facts in regard to the power machines, as to costs, and so forth.

At the same time, I am also submitting evidence that can be used by the committee, perhaps, under the free list. Is that permissible?

Senator REED. Certainly.

(Mr. Meese submitted the following brief:)

BRIEF OF AMERICAN MANUFACTURERS OF CENTRIFUGAL CREAM SEPARATORS

SUMMARY

1. Cream separators (under $50 valuation) on free list. Over $50 valuation, Schedule 3, 25 per cent ad valorem.

2. Duty requested, 45 per cent on all sizes and valuations—same as prior to Underwood Tariff Act of 1913.

3. Practically no exports except to Canada, where American separator manufacturers have their own selling organizations.

4. To equalize European costs with American factory costs, over 100 per cent duty would be necessary, and the 45 per cent requested will scarcely equalize importers' costs with American factory costs.

5. The Committee on Ways and Means did not make any change in existing classification and rates because they believed it would affect the farmer.

However, no legitimate farm authority or organization, so far as we know, will make protest against our request to the Committee on Finance and can not fairly do so if the true facts are known.

6. The American farmer has not received any benefit from "duty free" separators, as the list prices of imported machines of any size are practically the same as the prices of corresponding American makes.

7. The American farmer is exploited by the importer of European made separators, as such machines sell to the farmer in the country of manufacture at about 50 per cent of their American price.

8. The excessive margin of profit between imported separator costs (average $24.33 for past 6 years), and the selling prices has gone into the pockets of the importers, who have used part of it in promoting their sales by methods which can not be met by American manufacturers without severe actual losses.

9. The duty requested (45 per cent will not raise the price to the farmer one penny, as competition between American manufacturers is too keen and any price advance made would be to the advantage of the importers.

10. The 45 per cent duty requested would still permit the importation of foreign made separators on as favorable a cost basis as American factory costs, but would eliminate most of the unfair selling advantages now given the importers over American manufacturers.

JULY 8, 1929.

COMMITTEE ON FINANCE,
United States Senate, Washington, D. C.:

Our request before the Committee on Ways and Means of the House of Representatives for a reasonable tariff on all sizes of cream separators imported into this country was not given favorable consideration, presumably for the reason that it would seem to be placing an additional burden on the American farmer.

It is the purpose of this petition to show that the American manufacturers, workmen, local merchants, and dairy farmers should be reasonably protected and that the American farmer will not be penalized in any way by the tariff protection requested.

OUR REQUEST

Cream separators over $50 declared import valuation are now listed under Schedule 3 (metals and manufacturers of), paragraph 372, and are subject to an inadequate duty of 25 per cent ad valorem.

Virtually the only separators having an import valuation of over $50 are the factory sizes used in creameries and milk plants, of which the imports, however, have trebled within five years and now represent one-third of the American sale of such machines.

Cream separators not over $50 declared import valuation are now listed with agricultural implements, under Schedule 15 (free list), paragraph 1504, and are free of duty.

Fully 95 per cent of all the smaller than factory size cream separators imported have an import value under $50 and are therefore duty free. These take in the large as well as small so-called farmand dairy sizes. While most of them are operable by hand, the majority are actually operated by power of one kind or another.

Our request is that all cream separators without regard to valuation, and parts thereof, be made subject to a duty of at least 45 per cent ad valorem, which is the rate that prevailed prior to the Underwood Act of 1913.

PRIOR TARIFF TREATMENT

The Underwood tariff bill of 1913 placed separators having an import valuation of less than $75 on the free list, and reduced the duty on a higher valuation from 45 to 25 per cent. Previously, the duty had been 45 per cent on all valuations.

The Fordney-McCumber tariff bill, as finally revised by the Committee of Conference, kept cream separators having a valuation of not more than $50 on the free list and left the duty of 25 per cent on a greater valuation. It is believed that the leaving of machines having a valuation of not more than $50 on the free list was due to misleading information submitted by the importers of foreign-made separators, designed to classify farm-size separators as agricultural implements.

The effect of the Underwood bill placing separators having an import valuation of less than $75 on the free list was negligible by reason of the World

War precluding European competition in any appreciable amount. Within the past few years, however, there has been a constantly increasing importation, which has already been harmful to all and disastrous to a number of American manufacturers.

Prior to the Underwood Tariff Act, when cream separators carried a duty of 45 per cent, the number of American manufacturers had increased from 2 in 1883 to 35 in 1913, and the retail-machine prices had gradually decreased to a basis of about two-thirds what they are at the present time. Since the Underwood and Fordney-McCumber Acts have in practical effect placed all dairy separators on the free list there has not been a single new manufacturer of separators and the number of manufacturers has decreased until there are now but 15, and one-half of these can not much longer endure if they must contend with free European competition.

SEPARATOR IMPORTS

The following figures as to imports of centrifugal separators of over $50 valuation were submitted by the Department of Commerce:

Year	Total imports	Average value	Year	Total imports	Average value
1923	242	$223.78	1926	816	$198.48
1924	267	195.98	1927	403	337.80
1925	288	269.72	1928	640	519.93

The above machines came largely from Germany, Sweden, Denmark, and Finland, and the average valuation for the past six years is $290.05, which includes a generous profit for the foreign manufacturer.

The following figures as to imports of cream separators under $50 valuation were submitted by the Department of Commerce:

Year	Total imports	Average valuation	Imports from Belgium only	Average valuation Belgian separator	Imports from Sweden only	Average valuation Swedish separator
1923	21,828	$26.19	16,405	$27.96	2,484	$17.62
1924	17,999	23.12	11,854	26.34	2,628	18.57
1925	20,644	26.15	13,314	25.68	3,173	20.96
1926	28,398	24.75	19,253	23.97	5,997	23.55
1927	25,198	24.22	11,778	29.94	9,337	18.33
1928	27,159	19.59	7,759	.....	8,627	.....

Average value of all dairy-size separators imported, for 6 years..... $24.33
Average value of each Belgian separator imported, for 5 years..... 26.78

It will be noticed that the large percentage of imported duty-free separators come from Belgium, one of the lowest labor-cost countries in Europe, and from Sweden.

IMPORTED SEPARATOR COSTS

The average import valuation of all Belgian-made cream separators for five years preceding 1928 was $20.78. This is the price paid to the Belgian manufacturer by the American importer, and does not mean factory cost. In fact, this average price undoubtedly includes a factory profit for the Belgian manufacturer of as much as 100 per cent.

The only Belgian-made separator imported into the United States is the "Melotte," which is made in three sizes—625, 740, and 1,100 pounds milk capacity—which sizes compare closely with similar sizes of leading American-made machines.

Reliable information from the largest separator manufacturer in Europe places the average factory cost of these three sizes of machines at $21.14 in Sweden and $14.28 in Belgium. The average cost of these three sizes of sepa-

rators made by two of the largest American manufacturers of cream separators is $40.52.

The manufacturing costs of the factory sizes or those of over $50 valuation are in the same proportion to American costs as those of the dairy-size machines under $50 valuation.

AMERICAN SEPARATOR MANUFACTURING COSTS

The De Laval Separator Co., the largest American manufacturer of cream separators with foreign factory connections, advised the Committee on Ways and Means that their high-grade separators could be manufactured in their European factories at less than half the cost of manufacture in the United States. (See Exhibit C, p. 8004, free-list hearings before the Committee on Ways and Means.)

The main reason for American separator manufacturing costs being higher than those of European-made machines is the rates paid for labor, which makes up from 35 to 65 per cent of the total cost of any separator. The labor rates in the De Laval American factories for 1928 averaged 63.2 cents per hour, while in the De Laval Swedish factories the average labor rate at the present time is 32 cents per hour; in the De Laval German factories it is 23.8 cents per hour; and in corresponding Belgian factories but 12.5 cents per hour.

These actual labor rates speak for themselves.

AMERICAN SEPARATOR EXPORTS

As two-thirds of the world's cream separators are manufactured in Europe, at costs far below American costs for similar machines, practically no American-made separators are exported, except to Canada, and these are largely machines shipped by the largest American manufacturers to their own sales organizations operating in Canada. However, even these are decreasing rapidly and sales of European-made separators in Canada are increasing.

The number of cream separators exported for the five years prior to 1928 averaged 9,350, which is but little more than one-third as many as were imported into the United States. Of the total number exported from the United States during the same period of five years an average of 8,359, or 90 per cent, per year went to Canada alone.

SEPARATOR SELLING PRICES

Over $50 import valuation.—The selling prices of imported factory-size machines are set identically at the same list as the much higher cost American-made machines. At factory costs of less than one-half the American factory costs for similar machines, it will be apparent that the present duty of 25 per cent ad valorem is inadequate and that the duty requested of 45 per cent ad valorem is, if anything, too low.

The excessive margin of profit between the declared valuation plus 25 per cent duty and the list prices of these imported machines is used by the importer to promote sales by allowances for worn-out machines and other methods which can not be met by the American manufacturer except with actual loss. A few examples are herewith attached as Exhibits 1, 2, 3, and 4, and many more could be supplied if necessary.

Under $50 import valuation.—The fact that the present tariff act specifies a value of less than $50 on separators does not mean that these imported machines are sold to the farmer at less than $50. Approximately 80 per cent of the separators imported from Europe at a valuation of less than $50 (the average import valuation of all being $24.33) were sold to the American farmer for more than $50, and all of them at prices practically the same as the highest grade American-made separators of similar sizes.

The following table shows the comparative retail prices to the American farmer on the two leading imported separators (see table of imports) and two leading American separators, taken from their respective published price lists. (Also see Exhibits 5, 6, and 7, attached.)

Capacity in pounds of milk	Imported		American made	
	Melotte (Belgium)	Baltic (Sweden)	De Laval	John Deere
450		$84.00		
800			$89.75-$100.00	$100.00
600	$84.75-$102.50	102.50		
750	89.75- 107.50		107.50- 117.50	115.00
1,000		140.00	135.00	130.00
1,100	120.00- 157.50			

All of the above imported separators came in duty free as under $50 valuation and the above Belgian-made separators at an average valuation of $26.78, as compared with the American factory costs on the above sizes of $10.52.

The 45 per cent duty requested will not even equalize the importer's cost with the factory cost of the American manufacturer. In fact, to equalize European factory costs of cream separators with similar American costs, a duty of over 100 per cent would be necessary.

THE AMERICAN FARMER HAS NOT BENEFITED

That the American farmer does not benefit by the low manufacturing costs and low import costs of foreign-made separators is still more forcibly demonstrated by a comparison of the retail prices of the Belgian-made Melotte machines in America, and in Belgium, the country of their production, as follows:

Size and capacity in pounds of milk	American retail price	Belgian retail price	
		In Belgian francs	United States dollar equivalent
First grade:			
No. 66, 625 pounds	$102.50	1,715	47.70
No. 77, 740 pounds	107.50	1,755	48.80
No. 111, 1,135 pounds	137.50	2,565	71.30
Second grade:			
No. 6, 625 pounds	84.75	1,520	42.25
No. 7, 740 pounds	89.75	1,580	43.95
No. 11, 1,135 pounds	120.00	2,275	63.25

These Belgian retail prices are discounted from 25 to 35 per cent to local dealers in Belgium. They are doubtless discounted at least 50 per cent to the American importers of these machines, as evidenced by the import valuation statistics, which show an average of $26.78 per machine. But they have nothing to do with the prices at which the machines are resold to the American farmer. The importer simply uses his exorbitant profit in advertising and sales effort to compete with American manufacturers and in the making of excessive trade allowances for worn-out machines, in some cases, that the American manufacturer is unable to meet and must do so at a loss if he does.

The European manufacturers and the American importers of these machines are the only ones who have benefited by their being on the free list. The farmer has not, and the American manufacturer and the American workman have suffered by this unfair and inequitable competition.

WILL THE FARMER BE HARMED

We sincerely submit that there need be no fear of an increase in price to the farmer if the duty requested is placed on separators from the smallest to the largest sizes. Anyone who knows anything of the subject knows that for 40 years there has never been keener competition in anything else than between the American makers of cream separators. Theirs is, perhaps, the

only industry in which there has never been a merger or combination of any kind, and the only purpose of this Association of American Manufacturers of Cream Separators and the only issue they have ever attempted to agree upon is the common need of tariff protection. Another assurance against such a contingency is to be found in the fact that the two largest mail-order houses in th country make and sell cream separators, and virtually all the smaller catalogue houses sell some such machines.

Every American separator manufacturer has been expending a considerable amount of money each year since the close of the World War to combat the effort of importers of foreign-made separators to establish a foothold for them in the American market, knowing that self-protection demanded this and that the American industry would be destroyed if foreign machines were established here. On the contrary, there is good ground for saying that the placing of a fair duty on foreign-made separators which may lessen their importation and the unfair margin of profit which the importer can devote to their sale is more likely to lessen than increase the prices to the farmer of American-made machines, and we give our earnest assurance that no increase in American prices will result from the affording of just protection to the American manufacturer.

ATTITUDE OF AMERICAN DAIRY FARMER

We are very sure that the American farmer is not opposed to fair protection to the American separator manufacturers and to the thousands of men and women whose labor goes into the production, distribution, and servicing of these machines, and helps to consume the products the American farmer produces from their use.

We do not know of any protests against our request which will be presented to your committee by any of the leading farm or dairy organizations and we are quite sure a knowledge of the facts herewith presented would preclude any impartial protests being made.

The Underwood bill classed cream separators as farm implements, and there may have been some apprehension that the door might be opened for a duty on farm implements if cream separators were returned to metals, Schedule 3 However, the Committee on Ways and Means has seen fit to include shovels spades, scoops, forks, hoes, rakes, scythes, sickles, grass hooks, corn knives and drainage tools, and parts thereof, which certainly are farm implements used in agriculture, under paragraph 373, Schedule 3, bearing a duty of 30 per cent ad valorem.

The centrifugal cream separator should not be classified as an agricultural implement, as we think will be plain from our petition to the Committee on Ways and Means under date of January 2 1929, and if it be removed from such classification we are sure there will be no objection to its being afforded fair protection on the part of any legitimate farm authority or organization.

Every product produced by the farmer through the use of a cream separator, particularly cream and butter, is now protected (cream 20 cents per gallon and butter 12 cents per pound), and the National Cooperative Milk Producers Federation and its member organizations have asked for an increase in this protection—cream 60 cents per gallon but not less than 40 per cent ad valorem and butter 15 cents per pound but not less than 45 per cent ad valorem. We do not question that they are entitled to such additional protection and we know they do not oppose proportionate protection to the American maker of the separators which help them to produce these products.

Nor are the American dairy farmers and other producers of dairy products unappreciative of the cooperation which has always been freely given to them by the American separator manufacturers. No American industry has ever been more generously and continuously helped in its development and advancement than has dairying by the American separator manufacturers.

NO ADVANTAGE SOUGHT

We do not want any advantages. The duty requested will not nearly equalize European costs with American factory costs but it will, we believe, more nearly equalize the selling opportunities as between American manufacturers of cream separators and importers of foreign made separators.

We know that protection is vital to the American separator manufacturer, large as well as small. The only reason foreign made machines do not already dominate the American market is that the European manufacturer and the

importer of such machines have lacked the confidence to make the necessary introductory investment to create an American market for them. They have feared that it could be but a short time before protection to the American manufacturer would again put the American market on a truly competitive basis, and it is this we now plead that Congress do, in simple justice to everyone concerned.

(The exhibits referred to are filed with the committee.)

Respectfully submitted.

ASSOCIATION OF AMERICAN MANUFACTURERS OF CENTRIFUGAL CREAM SEPARATORS.

FURTHER STATEMENT OF EUGENE H. GARNETT, REPRESENTING BABSON BROS., CHICAGO, ILL.

Mr. GARNETT. The reference of Mr. Meese to two manufacturers being left referred, of course, to the two manufacturers of these large power machines. There are about a dozen or fifteen manufacturers in the United States of the small machines.

As to his statement that - -

Senator KING. Is there any evidence to show that all those companies years ago manufactured the big separators?

Mr. GARNETT. I do not know of any.

As to his statement that form 35 to 60 per cent of the cost of a separator is labor, I call your attention to a letter of the president of this gentleman's company as to what they declare are the costs in Europe. If that table is analyzed it would appear that their representation is that about 30 per cent, on an average, of the costs in Belgium and Sweden is labor.

So far as the DeLaval Co.'s profits are concerned, the 1927 report showed that they made about $750,000, as against about $322,000 in 1922.

I will try to make a more or less connected statement about our case on this subject matter.

There are two classes of cream separators imported into this country. Those coming in under $50 valuation, which are used exclusively on farms, constitute more than 99 per cent of the total imports, in number.

Prior to 1913, as you know, under the Underwood bill, all cream separators were dutiable at 45 per cent ad valorem. Cream separators, when first produced, were produced in large sizes, for handling by power. Prior to 1913 the smaller machines had been developed and had become quite a factor on the farm, and the Underwood bill put the smaller machines, those under $75, on the free list.

The DeLaval Co. in 1913, when this matter was before Congress, appeared and made substantially the same argument they make now. They said that we were about to be swamped with imports from Germany and other foreign countries. The Krupps were about to go into the business. There were 100 factories in Germany making cream separators. The importers would soon dominate our market. In 1922 they said the same thing, except that they went further. They said that if a tariff were not put on cream separators the market would soon be divided between the American makers and the importers, and that in possibly five years the American manufacturers would be out of business and all that.

That was their statement in 1922 before the Finance Committee of the Senate. Of course, all of their prophecies have proven to be unfounded. In 1922, which was the year the Fordney bill was passed, the domestic production was slightly in excess of 98,000 machines of the $50 type or under. In my statement before the Ways and Means Committee I inadvertently gave, for the 1922 figure, the 1923 figure, which was substantially larger. It was under 99,000. There has been a gradual increase in the domestic production since 1922 from 98,000 up to 203,000 in 1928. The figures for 1928 were not available when we appeared before the Ways and Means Committee. The 1928 figures I got from what is called a preliminary report of the Census Bureau.

Senator KING. Have they reduced the prices materially?

Mr. GARNETT. I think not.

Senator KING. To the domestic trade?

Mr. GARNETT. Because of the increased production?

Senator KING. For any reason.

Mr. GARNETT. I think not.

Senator KING. Are the prices of the separators as high now as they were two or three or four years ago?

Mr. GARNETT. My understanding is that they are a little higher.

Senator KING. Is there very much competition between them if the prices are higher?

Mr. GARNETT. They say that there is very keen competition. I will come to that a little later.

Senator REED. Not very much later, I hope.

Mr. GARNETT. In 1922 we exported cream separators in the amount of $268,000. The exports in 1928 were $800,000—more than three times what they were in 1922.

Our imports in 1922 were $587,000. Our imports in 1928 were $530,000. That $530,000 value was less than in 1922 or any year since.

However, the number of machines imported has slightly increased. It has increased about a third. While the value has decreased, the number has increased, due to the fact that there is being imported now a small table machine for use in the kitchens of the housewives on the farms, which are brought in, of course, at a much lower valuation.

We import principally a machine having a capacity of about 740 pounds of milk an hour. That is 90 per cent of our business—that one machine. The imports of my client, Babson Bros., constitute anywhere from 60 to 80 per cent, in value, of the entire imports, and have from year to year. The value of their imports of cream separators ranges from 60 to 80 per cent of the total.

There are two companies in this country manufacturing separators who also have foreign factories. The DeLaval Co., whom this gentleman represents—he is general manager, I understand, of the western branch—has factories in Germany, Sweden, and formerly in Austria and Russia. What they have there now I do not know, but they have never imported a single machine from their foreign factories, unless they have done it this year. We asked them why the did not, in 1922, if their story about costs was true. We asked them about it in January this year. In February, when we appeared on the free list, they said that, having considered it every year, they had finally determined to do it, that heretofore they had been deterred partly by patriotic motives.

Sharples & Co. also have a foreign factory in Germany. They never imported until 1925. They imported some machines in that year, and some machines in the following year, 1926, but evidently they found it unprofitable to import, because they have imported none since 1926.

Senator KING. Would that be true of the higher-priced machines as well as the others?

Mr. GARNETT. You mean the power machines?

Senator KING. Those over $50.

Mr. GARNETT. I have no information about it.

I want to say a word about the Canadian situation. Cream separators go in free in Canada, and always have. The United States is in competition in Canada with domestic production in Canada, and with imports from Germany, Sweden, and Finland. The United States exports more cream separators to Canada than all foreign countries combined. The United States exports to Canada were more, in value, of cream separators—about $560,000 in 1928—than the total imports into the United States from all countries combined. If the United States manufacturers should go after the foreign business, which is very extensive, as they have done in Canada, they could greatly increase their business.

Senator KING. If the foreign prices are so low, why is it that they have not driven us out of Canada?

Mr. GARNETT. That is a question I could not answer—if they are so low.

Let us come now, to what they represent as to the costs abroad. In the letter from their president, or their general manager, they say that they have figures showing that the cost of the separator in Sweden is $21.14; in Belgium, $14.28; and in the United States, $40.52. For our separator, which we bring in in substantial quantities, we pay the Belgium makers $30. That is our 740-pound machine. It costs us $4 for freight, insurance, carriage, and handling to lay it down in our warehouse. It costs us $34, as against their stated cost of $40.52.

Mr. Babson recently went to Belgium to try to get a lower price. He was told that they would have to charge us more on account of a very recent substantial increase in the cost of labor and materials.

Domestic production has doubled since 1922. Our exports have trebled since 1922. Our imports have decreased in value. Is there any possible ground for saying that there is any changed condition since 1922 justifying the imposition of a tariff? Certainly not, I say.

This industry in the United States, on the whole, apparently is on a profitable basis. There are some small units, of course, that are not doing very well. One of them appeared on the hearing before the Ways and Means Committee. It was perfectly apparent, from their own statement, why they were not succeeding. They were building a small table machine that costs them $19.11, without counting any interest on their investment, no transportation charges, and no selling expenses, and were trying to sell it in competition with Montgomery Ward & Co., at $24.95. Of course, it simply can not be done.

Senator KING. Where do Montgomery Ward & Co. get their machines?

Mr. GARNETT. Montgomery Ward & Co. manufacture their machines. They may buy some, but they sell for $19.95 a machine comparable in size with the one which costs the above-mentioned American manufacturer $19.11. For the same size our friend DeLaval gets $62.50, and they sell them. Why? Because they have a grand selling organization; and this poor fellow in the American Separator Co. has not. A tariff would not help him at all. He has to have something more than a tariff.

Senator KING. The DeLaval Co. gets $60 for a machine that Montgomery Ward & Co. manufacture and sell for $19?

Mr. GARNETT. For the same size machine.

Senator REED. It must be better.

Mr. GARNETT. They claim it is, of course, but they get $62.50 for their small table machine. The same size machine is sold by Montgomery Ward & Co. for $19.95.

Senator KING. What do you sell that machine for, or one comparable to it?

Mr. GARNETT. We do not sell those table machines. Our smallest machine is 635 pounds. The small-machine business is handled largely by Montgomery Ward & Co. and Sears, Roebuck & Co. I do not know how many they sell of theirs, but there are very few American makers that are trying to handle that small business.

Senator REED. All right, Mr. Garnett. I presume we will see you again when we get to the free list.

Mr. GARNETT. I hope I will be here. I just want to say that putting a tariff on cream separators is not farm relief, and it would not help anybody that needs help. Certainly, the International Harvester Co., which is now the biggest unit in the industry, does not need any help. They exported $116,000,000 worth of agricultural implements last year.

Senator KING. Does the International Harvester Co. manufacture these separators?

Mr. GARNETT. We think they are the largest unit in the industry at the present time, and DeLaval is next, although DeLaval still claims to be the largest.

Senator KING. Does the International Harvester Co. manufacture the various grades and kinds?

Mr. GARNETT. They manufacture various sizes, but they do not manufacture anything under 500 pounds. They do not manufacture anything to compete with these small machines to which I have referred.

Senator KING. Reference was made by the previous witness to a machine that was very large. He said there were a very small number manufactured and a very small number imported.

Mr. GARNETT. Those are power machines that come in, dutiable at 25 per cent, valued at more than $50. They run up to several hundred dollars in value and are not used on farms. They are like any other piece of machinery, and ought to be subjected to the ordinary tariff rules.

Senator REED. Thank you, Mr. Garnett.

MEAT AND FOOD CHOPPERS

[Par. 372]

STATEMENT OF C. W. ASBURY, PHILADELPHIA, PA., REPRESENTING MANUFACTURERS OF MEAT AND FOOD CHOPPERS

(The witness was duly sworn by the chairman of the subcommittee.)

Senator REED. You appear in connection with paragraph 372?

Mr. ASBURY. Yes, sir.

Senator REED. Information on this is conspicuous by its absence, so I think we will have to listen to you.

Mr. ASBURY. Much to my regret, Senator. We have tried to get the information and could not.

Senator KING. There has been a production in the United States of $857,603.

Senator REED. Where do you get that?

Senator KING. From the House hearings. The imports are only 1 per cent of the production.

Senator REED. It is not separately mentioned in the paragraph itself?

Senator KING. No. That is the information that I had my secretary obtain for me. It may be in error.

Senator REED. Did you testify before the House committee?

Mr. ASBURY. I did.

Senator REED. Did you file a brief?

Mr. ASBURY. I did. There was no such reference, as I recall, because the figures were unobtainable.

Senator REED. You spoke in behalf of other people in the same business?

Mr. ASBURY. Yes, sir.

Senator REED. A brief filed by the Bolinders Co.

Mr. ASBURY. Yes, sir.

Senator REED. Are they manufacturers or importers?

Mr. ASBURY. They are importers.

Senator REED. They gave a table on page 2088 of the hearings in the House in which they purported to quote from your testimony, showing the number of meat and food choppers manufactured in the United States.

Mr. ASBURY. Yes, sir.

Senator REED. Did you give that list?

Mr. ASBURY. That was in the brief which was filed, sir.

Senator KING. By you?

Mr. ASBURY. Yes, sir.

Senator KING. In 1923 the figure is $1,302,879.

Mr. ASBURY. That is correct.

Senator REED. You have no figures of imports at all?

Mr. ASBURY. They are not obtainable, sir. I tried to get them, but they are not obtainable.

Senator REED. All right. Proceed.

Senator KING. In order that you may have this before you, Mr. Luster, vice president and general manager of the Bolinders Co., stated:

The average number, according to figures given by domestic manufacturers at above hearing, of meat and food choppers manufactured per year during the same period in the United States is 1,000,000 pieces. Therefore the total importation of 10,000 pieces represents only 1 per cent of the pieces manufactured in the United States.

I will read a little farther back:

Since there are no accurate records available at this time as to the importation of the other importers of meat and food choppers, we estimate that the total importations of meat and food choppers of all importers are less than 10,000 pieces per annum.

Mr. ASBURY. That, of course, is, as stated, an estimate, based upon their own importations. There are importations coming from other countries than Sweden, Germany and Czechoslovakia being very prominent in the matter. The Czechoslovakian machine is imported in very large quantities; so that the imports are very much larger than stated.

I think I recall also that his estimate was based upon a 5-year average, whereas they had only been selling aggressively for two years. That would explain, I think, that apparent statement of small imports.

Senators, when the act of 1922 was enacted the manufacturers of these goods, whom I represent—and I represent about 95 per cent of the entire industry of the United States, consisting of eight manufacturers of considerable size—assumed that the duty would be levied under 399, the basket clause, at 40 per cent; but in the administration of the act, and particularly in the decisions of the Customs Court in interpreting the words "all other machines" in 372, it rather comprehensively transferred these machines to 372, at a duty of 30 per cent, which has proven to be very inadequate, as our brief shows. The number of employees, the number of pieces manufactured, and the volume of business have shrunk—all three items have shrunk a little more than 25 per cent since 1923.

Senator KING. In 1922——

Mr. ASBURY. Take 1923, as being the first year in which the act of 1922 was operative.

Senator KING. You manufactured then 1,302,000 pieces.

Mr. ASBURY. Yes, sir; and that has been successively decreasing until in December, 1928, it was 850,000 pieces.

Senator KING. The year before it was 770,000.

Mr. ASBURY. Yes.

Senator KING. The year before that it was 860,000.

Mr. ASBURY. Yes.

Senator KING. Substantially the same, and substantially the same as in 1922.

Senator REED. You ask 40 per cent, do you, Mr. Asbury?

Mr. ASBURY. What we ask now is by reason of the increase in wages which has taken place since 1922—in other words, a change in the economic situation. We show that the wages of common labor have advanced 15 per cent and skilled labor 20 per cent. What we now ask, definitely, is that there be an insertion in paragraph 372 providing for meat and food chopping machines at 50 per cent,

which will harmonize with the arrangement made for 398 in the House bill, which is the same as 399 in the old bill.

Senator REED. They have raised the basket clause from 40 per cent to 50 per cent on similar articles?

Mr. ASBURY. Yes. Therefore, we ask to be restored to that position which we had every reason to suppose we would have at the time of the passage of the 1922 act.

Senator REED. On the other hand, if the basket clause were kept at 40 per cent, you would not feel justified in asking more than that?

Mr. ASBURY. Yes, sir, I would, and I would hope for it, because, in figuring the competitive situation and the selling prices of these imported goods, we would require, to have the imported prices meet our prices, 85 per cent, and on the German goods 175 per cent. Of course, I do not ask that, because we can take advantage of prestige, knowledge of customers, delays in shipment, insufficient service, and all that sort of thing, as selling arguments to help us out. But the actual figures show that we do require 85 per cent in one case and 175 per cent in the other. Therefore, I submit that when we ask for 50 per cent we are very conservative.

Senator KING. Where is your company located, Mr. Asbury.

Mr. ASBURY. My own company?

Senator KING. Yes.

Mr. ASBURY. In Philadelphia, sir.

Senator KING. What do you manufacture besides these products?

Mr. ASBURY. We manufacture a number of other items.

Senator KING. What are they?

Mr. ASBURY. Fruit presses, cherry stoners, and so forth.

Senator KING. What part of your entire output consists of the items you have just been describing?

Mr. ASBURY. All told, I should say probably 60 per cent.

Senator KING. How long have you been manufacturing these meat choppers?

Mr. ASBURY. We were the originators of these meat choppers, and patentees in 1883, I think it was.

Senator KING. Has your patent expired?

Mr. ASBURY. The patent has expired.

Senator KING. What are they used for?

Mr. ASBURY. For cutting and mincing meat.

Senator KING. It is a sort of grinding machine, such as we used to grind coffee with when I was a boy?

Mr. ASBURY. Yes, sir. It is similar.

Senator KING. It is made largely by machinery, is it not?

Mr. ASBURY. The articles are made largely by machinery?

Senator KING. Yes.

Mr. ASBURY. Yes; they are made largely by machinery, but there is a large amount of labor upon them, nevertheless.

Senator KING. What capital does your company have?

Mr. ASBURY. One and a half million dollars.

Senator KING. How many stock dividends have been declared?

Mr. ASBURY. None.

Senator KING. At any time?

Mr. ASBURY. At any time.

Senator KING. What were your dividends, say, in 1916?
Mr. ASBURY. I can not recall that.
Senator KING. 1917?
Mr. ASBURY. I can not recall that.
Senator KING. 1922?
Mr. ASBURY. They probably averaged 8 or 10 per cent in the years to which you refer, I imagine.
Senator KING. How much have you added to your capital from accumulations?
Mr. ASBURY. Nothing.
Senator KING. You have distributed all your earnings in dividends?
Mr. ASBURY. Yes, sir.
Senator KING. Did you originally put in $1,500,000 capital?
Mr. ASBURY. Yes, sir.
Senator KING. In cash?
Mr. ASBURY. Yes, sir.
Senator KING. And have not added to it?
Mr. ASBURY. No, sir. I think I had better qualify that, because back in 1893 there was a reappraisement of our business and the capital stock was adjusted upon the new appraisement, but not in the shape of a stock dividend.
Senator REED. And your capital has remained constant since 1893?
Mr. ASBURY. Since 1893 it has remained constant.
Senator REED. What were your dividends last year, Mr. Asbury?
Mr. ASBURY. None.
Senator REED. What were your dividends in 1927?
Mr. ASBURY. None.
Senator REED. What were your dividends in 1926?
Mr. ASBURY. None.
Senator REED. In 1925?
Mr. ASBURY. In 1925 I think they were about 2 per cent.
Senator KING. What were they in 1924?
Mr. ASBURY. I can not recall that, Senator, but they have not exceeded, in very many years, 8 per cent.
Senator KING. You have given the years starting with 1928, back to 1925, without any dividends, as I recall it.
Mr. ASBURY. Those three years. As a matter of fact, goes back four years.
Senator KING. What was it in 1922?
Mr. ASBURY. I do not recall.
Senator KING. In 1923?
Mr. ASBURY. I do not recall.
Senator KING. Did you pay any dividends then?
Mr. ASBURY. I think as much as 2 per cent. But that, of course, refers to our individual company, whereas, of course, I am undertaking to represent the industry in the United States.
Senator REED. How many companies are engaged in the manufacture of this same article?
Mr. ASBURY. There are eight, by name: Enterprise Manufacturing Co., of Philadelphia, Pa.; Landers, Frary & Clark, New Britain, Conn.; Colebrookdale Manufacturing Co., Pottstown, Pa.; Gris-

wold Manufacturing Co., Erie, Pa.; New Standard Corporation, Mount Joy, Pa.; Russel & Erwin Manufacturing Co., New Britain, Conn.; and Sargent & Co., New Haven, Conn.

Senator KING. By whom are these products used?

Mr. ASBURY. They are used most generally——

Senator KING. By hotels and households?

Mr. ASBURY. Yes, sir; hotels, restaurants, and households.

Senator KING. By farmers?

Mr. ASBURY. Some of the larger sizes. Naturally, the farmer has a household, as the rest of us have.

Senator KING. They use these for grinding their meat.

Mr. ASBURY. For grinding their meat, and their waste products, for economy.

Senator KING. What are the dimensions of the smallest?

Mr. ASBURY. The smallest size made is probably 3 inches long.

Senator KING. Those are used almost exclusively by the housewife?

Mr. ASBURY. Oh, yes, and for very small families. There are some fifty-odd sizes and models of these machines, running up to a machine, in our own case, that has a capacity for cutting 15,000 pounds per hour, which is rather remarkable. It is used only by the large packing establishments, and so forth, for mass production.

Senator KING. Does Montgomery Ward & Co. make any?

Mr. ASBURY. No, sir.

Senator KING. Or the International Harvester Co.?

Mr. ASBURY. No, sir.

Senator KING. Who are some of the importers?

Mr. ASBURY. The Bolinders Co. They are direct representatives of the Bolinders Co., of Stockholm, Sweden.

Senator KING. Are any of their representatives here?

Mr. ASBURY. I do not know whether they are here or not.

Senator REED. They are not listed.

Mr. ASBURY. No. I looked to see whether they were listed, and they were not. I do not know whether they are here or not. It does not make much difference to me.

Senator REED. We have their brief.

Mr. ASBURY. Yes. If I may, Senators, I would like to give a very brief outline of this industry. It originated in the United States, by patent, as I have explained. It was totally a United States industry, of course, and was maintained substantially during the life of the patent. During that period the manufacturers developed a large export market in almost all countries of the world. Competing manufacturers in the United States followed along and did the same thing. The markets in all neutral countries now have been substantially taken away from the American manufacturers by reason of these lower costs of manufacture.

Senator KING. Do you export any of them to Canada?

Mr. ASBURY. Yes, sir. They export very largely.

Senator KING. Do you, I say—the American manufacturers?

Mr. ASBURY. It is very trifling; only in so far as a few may be called for by name, but it is so trifling as to be negligible.

Senator REED. Mr. Asbury, I am sorry to interrupt you, but I see the statement in their brief that the small sizes of meat and food

choppers are listed as kitchen utensils, and pay 40 per cent ad valorem. Is that correct?

Mr. ASBURY. That is only on one or two models of the very small machines, where it has been held by the appraisers in New York that they are household utensils; but inasmuch as the manufacturers in certain of their catalogues make references to other uses with other models, they will not permit them to come under that paragraph. The very large bulk of the importations—probably more than 95 per cent—come under 372. Therefore, we are explaining 372.

Senator REED. I think we ought to keep the other fact in mind, however.

Mr. ASBURY. Yes.

Senator KING. You stated that this 3-inch size would come in under the head of kitchen utensils.

Mr. ASBURY. Yes; kitchen, household, and hospital utensils. I think it is 356, is it not, Senator?

Senator REED. Yes.

Senator KING. Is there not a considerable percentage of the output of that character?

Mr. ASBURY. No. It is very small.

Senator REED. I beg you pardon. It is 339. I misstated the number.

Mr. ASBURY. I had in mind 356, which carried some parts, which has since been corrected in the House bill.

Senator KING. Pardon me just a moment. The same brief states that "We are the largest importers." That is the firm referred to—Bolinders?

Mr. ASBURY. Yes.

Senator KING (reading):

> We are the largest importers of meat and food choppers and our importation of these products into the United States exceeds the total of all other importers of such products. Our average importations per year beginning with 1922 and ending with 1928 were less than 5,000 pieces of complete meat and food choppers per annum.

That would not be a very great number, measured by the domestic production of 857,000 pieces for 1928.

Mr. ASBURY. It has been only in the past two years that they have opened an office here, and when you take an average for five years and consider that a selling campaign of less that two years has resulted in this disturbance which we find in the trade, there is no question about it, Senators. We are losing customers, one right after the other, and rapidly.

Senator REED. Of what class of machines particularly?

Mr. ASBURY. For all the classes of machines except power driven. All of the hand classes.

Senator KING. They estimate the total importations, not for a period of five years, but for the last year, at 10,000 pieces. You would say you are not satisfied with the statement as to that?

Mr. ASBURY. No, sir; I am not.

Senator REED. You do not want to file any additional brief, do you?

Mr. ASBURY. I would like to file an additional brief with the Senate committee, inasmuch as we have amended our request. We asked

in the House for a separate paragraph. With your permission I will file the amended brief.

Senator REED. And that will follow Mr. Asbury's testimony at this point. Thank you, sir.

(The brief presented by Mr. Asbury is as follows:)

BRIEF OF THE MANUFACTURERS OF MEAT AND FOOD CHOPPERS

COMMITTEE ON FINANCE,
United States Senate, Washington, D. C.

GENTLEMEN: This brief refers to paragraph 372 of the tariff act of 1922 (H. R. 7456).

When the tariff act of 1922 (H. R. 7456) was enacted the manufacturers of meat and food choppers assumed that importations would be assessed under paragraph 399 of Schedule 3 of that bill which provides for "Articles or wares not specially provided for," but in the subsequent administration of it the bulk of the importations were and are assessed under that portion of paragraph 372, which provides for "all other machines or parts thereof finished or unfinished," the rate of duty in this paragraph being 25 per cent less than provided in paragraph 399. The reason assigned for the assessment under the basket provision of paragraph 372 was the definition of the term "machine" as a mechanical contrivance for utilizing, applying, or modifying energy or force or for the transmission of motion, citing Ct. Cust. Appls. 273.

Under this ruling the American manufacturers are confronted with a situation which makes it impossible to meet the competition of the imported meat and food choppers.

The manufacturers enumerated below, who represent 95 per cent of the total industry, submit for your consideration the following statistics:

	Number of employees in industry	Total amount wages paid each year	Pieces manufactured	Value of sales in dollars	Total amount Federal taxes paid
1922	746	$750,428.95	888,731	$2,166,189.80	$25,503.48
1923	804	1,095,530.33	1,302,879	2,660,992.20	26,858.86
1924	689	909,712.41	1,123,408	2,386,511.30	32,804.35
1925	676	851,591.84	1,198,727	2,302,536.33	27,446.99
1926	589	831,725.67	890,855	2,134,096.08	23,772.00
1927	599	745,276.20	770,458	1,909,144.37	19,183.24
To Dec. 1, 1928	599	729,234.79	857,693	1,827,080.78	19,440.76

	1922	1923	1924	1925	1926	1927	To Dec. 1, 1928
Total amount State taxes paid	$4,824.51	$5,297.94	$6,565.49	$5,632.10	$5,105.51	$4,773.91	$4,721.86
Average daily wages paid to women and children	$3.10	$3.10	$4.07	$4.00	$3.86	$3.88	$3.50
Average daily wages paid to common labor	$3.27	$3.73	$3.80	$3.86	$3.75	$3.70	$3.70
Average daily wages paid to skilled labor	$5.27	$5.69	$6.03	$6.08	$5.90	$6.29	$6.27
Average number days work per year	274	280	259	260	262	254	257

Since the enactment of H. R. 7456 in 1922 became operative in 1923 there has been a steady decline in the number of employees aggregating over 25 per cent, with a corresponding steady decline in the volume of business; and since 1922, when the present law was enacted, the daily wages paid by the industry to common labor have advanced approximately 15 per cent and to skilled labor approximately 20 per cent.

Therefore with lesser volume and higher costs we are compelled to ask relief by somewhat higher rates of duty.

We respectfully present that the amount of Federal taxes paid by the industry have likewise declined about 25 per cent.

In general, we submit the following facts regarding the industry and the prices of foreign competitors affecting it:

This industry was originated in the United States, and in former years the manufacturers in the United States not only supplied our domestic market but succeeded in developing an export business practically covering all countries of the world.

The foreign manufacturers by reason of substantially lower cost of manufacture have practically captured all of the markets in the common export fields.

This in itself was of serious consideration to the American manufacturers.

The foreign manufacturers have copied the original patterns made here, and have actually adopted the arbitrary numbers designating different sizes and models which the American manufactures had previously established and which by long use became of good-will value in trade practices.

To such an extent has this been done that it is difficult to determine by casual glance the difference between the goods made here and the goods which are imported. We will be glad to submit for your inspection samples which will demonstrate this similarity.

This, we submit, savors of unfair competition, and, furthermore, the importers are widely advertising that all parts for imported machines are interchangeable with those of the American manufacturers. The American manufacturers, on the other hand, have carefully avoided such unethical or unfair practices, and have not duplicated each other's models, patterns, or numbers, thereby preventing so far as possible any deceptive substitutions or confusion in the minds of the public as to the identity of the product.

In recent years the foreign manufacturers have been very aggressive in the American market, actually selling the foreign goods, after custom duties, transportation, selling expenses, and presumably a profit for the importer has been added, at prices from 16⅔ per cent to 30 per cent lower than the selling prices of the American manufacturers of similar models, as quotations which we are prepared to furnish your committee will indicate.

The chief sources of importations in the industry are from Germany, Sweden, and Czechoslovakia. From the best information available we have gathered that the labor costs in foreign countries where meat and food choppers are made compare with ours as follows: Czechoslovakia, 20 per cent; Germany, 35 per cent; Sweden, 40 per cent.

There is now grave danger of a transference of our home market to the foreign manufacturers unless the relief for which we pray is granted.

We particularly urge that there be inserted in paragraph 372 a provision for meat and food chopping or cutting machines as outlined below, carrying the same rate of duty as would apply if these goods were brought in under the basket clause, as was originally intended and the practice prior to the decision of the Court of Customs Appeals, admitting all except the small household sizes under the machinery clause, paragraph 372 of the 1922 tariff act.

Recommended insertion in paragraph 372:

"Meat and food chopping or cutting machines, 50 per centum ad valorem."

Respectfully submitted.

CHARLES W. ASBURY,
Enterprise Mfg. Co., Philadelphia, Pa.
ARTHUR G. KIMBALL,
Landers, Frary & Clark, New Britain, Conn.

Representing also Colebrookdale Manufacturing Co., Pottstown, Pa.; Griswold Manufacturing Co., Erie, Pa.; New Standard Corporation, Mount Joy, Pa.; Russell & Erwin Manufacturing Co., New Britain, Conn.; Sargent & Co., New Haven, Conn.

FULL-FASHIONED HOSIERY MACHINES

[Par. 372]

STATEMENT OF CHARLES DENBY, JR., PHILADELPHIA, PA., REPRESENTING GOTHAM SILK HOSIERY CO. AND OTHERS

(The witness was duly sworn by the chairman of the subcommittee.)

Mr. DENBY. We represent the Gotham Hosiery Co., of Philadelphia.

Senator REED. I think it ought to appear in the record right at this point that Mr. Denby is my son-in-law, so there will not be any doubt about that.

Senator KING. You are for full-fashioned hosiery machinery?

Mr. DENBY. Yes, sir. It appears in paragraph 372, at page 93 of the draft.

Senator KING. What line?

Mr. DENBY. Beginning practically at line 3. It begins with "lace braiding, and insulating machines." That is the former classification of machines which had a tariff of 40 per cent.

Senator KING. Pardon me. You are referring to "knitting, braiding, lace braiding, and insulating machines"?

Mr. DENBY. No, sir; I am referring to machines for knitting full-fashioned hosiery.

Senator REED. Forty-five per cent ad valorem.

Mr. DENBY. Forty-five per cent; yes.

Senator REED. All right.

Mr. DENBY. In the 1922 act full-fashioned hosiery machines also carried a 40 per cent duty. The House in this bill has taken them out of that classification and made a separate classification of full-fashioned hosiery machines and imposed a duty of 45 per cent.

Senator KING. Increasing it?

Mr. DENBY. Increasing it 5 per cent.

Senator REED. They were in with all other knitting machinery in the 1922 act?

Mr. DENBY. Yes.

Senator REED. Now the House has taken them out of that and made a special reference and increased the duty 5 per cent.

Mr. DENBY. Yes.

Senator KING. You are here to oppose that?

Mr. DENBY. We are here to oppose that. As a matter of fact, we are asking a reduction of duty to 30 per cent for reasons that I shall explain.

I should perhaps say in starting that we as a group are protectionists, and we feel no hostility of any kind toward the domestic manufacturers of these machines. But we do feel that they are somewhat overshooting the mark here, and that the tariff requested by them, and in fact a 40 per cent tariff, is not justified under any facts that I at least have been able to dig up.

I should say also that the manufacture of full-fashioned hosiery is a large manufacture which has very greatly increased mostly in the last four or five years. In 1923 the production in this country was about 3,600,000 dozen. In 1928 it was 27,000,000 dozen. That

increase is very largely due to the increased popularity of full-fashioned hosiery and the fact that silk hosiery has become not a luxury but an ordinary commodity.

Senator REED. What is full-fashioned hosiery?

Mr. DENBY. There are two kinds of hosiery. One is so-called tubular hosiery, which is knitted on a circular machine which produces hosiery of more or less even diameter all the way up and down. The stocking then stretches according to shape. The full-fashioned hosiery is hosiery which is knitted on a flat machine which automatically binds the edges of the form and then the form is folded over and sewed together down the seam, and that creates the seam that you see. The point being that it is full fashioned; that is, fashioned in accordance more or less with the shape of the leg. And that has come in great demand due to the demand for silk hosiery, which can not very well be knitted on the tubular machine because it does not have enough give.

Senator KING. These are just machines then for the knitting of the rayon or the silk?

Mr. DENBY. Yes, sir; principally silk. The rayon stockings form a very small part of the total production. And these machines are tremendous machines. They are about 40 feet long and knit from 20 to 28 stockings on one machine.

Senator KING. The more machines that are used the more people get employment?

Mr. DENBY. That is one contention.

Senator KING. The more silk produced and the greater the product for the people to purchase?

Mr. DENBY. Well, our point is this, that if the tariff on full-fashioned hosiery machines is lowered, or certainly if it is not increased, it will be possible largely to increase the production of hosiery and increase the export trade, which will give employment, of course, to more employees in this country, and also reduce the price of hosiery. And I might say at this point that the price of hosiery has been reduced by about one-half in the last 10 years. It has been reduced by about 30 per cent, I should say, in the last three years.

Senator KING. And that is attributable in part to these improved mechanical devices for the manufacture?

Mr. DENBY. Well, I should say only in part. In part also by competition. There are over 300 manufacturers of full-fashioned hosiery in this country. And, as a matter of fact, the companies that I represent, as appearing on this brief, and also the companies which have filed protest against this increase, represent in number about one-third of the manufacturers, and in volume about 60 per cent.

Senator REED. You are speaking for 60 per cent of the users of these machines, then?

Mr. DENBY. Yes; that is substantially accurate. I am speaking for those who manufacture 60 per cent of the domestic output of full-fashioned hosiery. And the users of 60 per cent of the machines in this country.

Now, I should say at the outset that one of the big features of this situation is that the largest manufacturer of full-fashioned hosiery

machinery in this country, the Textile Machine Works, of Reading, Pa., or rather the officers and owners of that company, also own the Berkshire Knitting Mills, which is the largest single full-fashioned hosiery manufacturer in this country. And by reason of the fact that the domestic manufacturers are entirely unable to meet the demand for machines, there arises a situation where the Berkshire Knitting Mills are in a favorable position as compared with all the others by reason of the fact that they presumably can get any number of machines that they want, whereas the other people have to wait. And, as I will show later on, and as the other witnesses will show, the Reading people, that is, the Textile Machine Works, are about a year behind in their orders.

Senator KING. Do they satisfy their own needs as manufacturers of the hosiery before they satisfy the needs of some of those who buy the machines?

Mr. DENBY. Well, of course, whether or not they do that, I can not say. But I do say this, that the situation is one which certainly permits of that. And it puts all the rest of the manufacturers of full-fashioned hosiery at a distinct disadvantage. And I suspect that the reason a lot of them have not opposed this increase may be that they are afraid of troubling their relations with the manufacturers of the machines, which may still further delay their deliveries. Of course, that is supposition only.

Senator KING. What proportion of the machines that you are describing are manufactured by this Reading company?

Mr. DENBY. The Reading company manufactured in 1928 about 92 per cent of the domestic production.

Senator KING. They have almost a monopoly in the United States then?

Mr. DENBY. Practically a monopoly. And I may say this, furthermore, that according to the report of the Tariff Commission, I think it is about page 821, the value of the production of machines in this country in 1928 was $7,750,000. And it is the general supposition in the industry, although we have no facts to bear it out, that the Reading company has made a profit of very close to 50 per cent on that production.

We are at a slight disadvantage, perhaps, in appearing before the representatives of the domestic manufacturers. I should suppose that the burden would be on them. And I think that they should certainly be asked what their profits were, and what their production is, because it is our contention that so far from needing additional protection, they actually require less.

Senator REED. What can you tell us about the sales prices? The Tariff Commission states that the more widely used machines are sold at prices somewhat below those asked for German machines of similar type.

Mr. DENBY. I should say that the word "somewhat" was perhaps a little inadequate, because the domestic machines sell for from 10 to 15 per cent below the price of the imported machine, without deducting the manufacturer's discount of 7½ per cent, which they themselves admitted before the House committee they allow to those who buy in large quantity. In other words, to take a representative machine, which is, for instance, the 42 gauge, 24 section

legger, that means a machine manufacturing the leg portion, 24 to one machine, and making it a 42 gauge, by which you gauge the fineness of the material, the standard price for that machine made by the Reading company is $7,225 f. o. b. Reading, without the discount.

Senator REED. How much?

Mr. DENBY. $7,225. The same imported machine sells f. o. b. New York City, $8,050. If you deduct the 7½ per cent discount from the Reading machine, the price is $6,683, as against $8,050. The importers do not give the discount. So that is a very substantial difference. And the natural question is: If these people do not consider that they are getting along under the present tariff and can not make any money, why do they not simply raise their prices, because they have a very large margin, 10 to 15 per cent? I may say that Mr. Drexel, of the McCallum hosiery Co., who will also testify, has made out a comparative list of prices which will indicate this more fully.

But to get back. The comparative prices is one of the reasons why we feel that the high duty is not justified, and a lower duty is permitted. We say 30 per cent, because a reduction of 30 per cent would make a difference of about 10 per cent in the price, and would bring the two a little more closely together.

Senator KING. Let me ask you one question, if I may. If the imported article is satisfactory and costs more than the domestic article, then the removal of the tariff would be of no advantage, would it, even if it came in free?

Mr. DENBY. These prices that I state are duty-paid prices; $8,050 duty paid. Of course if the tariff were lowered or removed entirely, the price would be brought down very low.

Senator KING. Can the machine be produced in other countries as cheaply as it can in the United States?

Mr. DENBY. I believe it can be produced more cheaply.

Senator KING. But with the tariff?

Mr. DENBY. But with the tariff as it now stands at 40 per cent the price goes up to the much higher figure that I have given.

Senator KING. And the domestic manufacturer then just scales down below the tariff wall so as to undersell the foreign manufacturer, who has to pay freight and insurance and duty, and so on?

Mr. DENBY. Yes, sir; and sales costs, and so forth. In other words, we suspect that the domestic manufacturer is able to make almost as much as 50 per cent profit and yet undersell the importer by from 10 to 15 per cent. It is an extraordinary situation.

Senator KING. Will you give me the name of the principal manufacturer, the Reading company?

Mr. DENBY. It is the Textile Machine Works, of Reading.

Senator KING. Who else manufactures them?

Mr. DENBY. The only other manufacturer now manufacturing these machines is the Wildman Manufacturing Co., of Norristown, Pa.

Senator KING. Have you, Mr. Denby, attempted to get from the trade journals or from Moody or any of these similar organizations the capital of these two companies and the profits which they have been making?

Mr. DENBY. I should say this, sir. I have seen a brief which has been prepared for this committee by the importers, as distinguished from the domestic hosiery manufacturers, which quotes a report which they obtained from R. G. Dun & Co., which in itself indicates the difficulty of arriving at any figures. The Reading company refused to make any statement, and said that they had made no statement since, I believe, 1925. The printed report which presumably will be offered to you by the representative of the importers indicates that they are in an extremely sound financial position. They have never borrowed money. They have made all their plant improvements and additions out of profits. And as a matter of fact the company is very closely held. It is principally owned by two men who started originally in Reading in about 1900, I believe.

I should say this, furthermore. The domestic manufacturers were represented in the House and are represented here by a representative of the Wildman Manufacturing Co., and it is somewhat significant that the Reading company has not seen fit to come out openly and make any statement or give any testimony in regard to this matter. And I should say this, because I will not be able to answer Mr. Howie, who represents the Wildman Co.—I should like to say this as a caveat as to what he will say, that the Wildman Manufacturing Co. has been in the business of making full-fashioned machines only since 1926. They are a new concern, and presumably such costs as they have and such figures as they can give as to profits are not really representative of an established industry, such as the Reading company.

Senator REED. They are at Norristown?

Mr. DENBY. At Norristown; yes, sir. I believe Mr. Howie is here representing them.

Now there is one more reason why a high duty is a great burden on the domestic manufacturers of hosiery, and that is this, that the domestic manufacturers make only certain standard machines which are designed to produce the cheaper, more popular grades of hosiery. They make only the 42, 45 and 48 gage machines. Now as a matter of fact, the Gotham Hosiery Co., which I represent, and the McCallum Hosiery Co., particularly the McCallum Hosiery Co., make a higher grade of hosiery, and they use very largely machines of the finer gage, the 51 and 57 gage machines, which are not made in this country at all.

Senator KING. So they have to import them?

Mr. DENBY. They have to import them whether they want to or not.

Furthermore the domestic manufacturers make only certain standard sizes of machines. They make the 20 and the 24 section legger, for instance, whereas the Gotham Silk Hosiery Co. by reason of the size and shape of their building want to use a 22-section machine. That they can not obtain from the domestic people.

I should say there also that before the House committee the domestic manufacturers rather indignantly denied that they were unable, as they said, to make any of these finer gages or different sizes. But admitting that they are not unable to do so, they say quite frankly that they do not do so, and have never done so; and as a reason for that they give their desire to fall in with the Hoover

program of standardization. But unfortunately, one thing you can not standardize is women's tastes in hosiery; and the manufacturers are practically obliged, and of course they want to make the finer gage hosiery.

In addition, the American manufacturers do not make machines designed to produce the finer styles of hosiery, such as lace hosiery. They do not make what is known as the lace or the double lace or the Jacquard lace machines which are designed to make the fancy hosiery with openwork and that sort of thing. Those are also imported, and the duty has to be paid on those even though they can not be obtained in this country. Forty-five per cent of the imports in 1928 consisted of machines of types which could not be obtained in this country. As a matter of fact the domestic manufacturers are anxious and willing to use the domestic machines because they are cheaper, and the Gotham Silk Hosiery Co. has five American machines to one imported machine. The same is true with the Wayne Knitting Mills. But, as I said, the demand has greatly increased just in the last few years.

Senator REED. Do these machines wear out?

Mr. DENBY. Why, they do wear out, but they last a long time. I am afraid I can not answer that exactly, but undoubtedly Mr. Drexel could tell you that, or one of the men who will follow.

Senator REED. So it is a problem of original installation?

Mr. DENBY. Yes, sir. They last a long time. For instance, the McCallum people tell me that they have machines which they bought many years ago which still function.

Senator KING. However, with the changed styles I would imagine that those machines would not measure up to the requirements.

Mr. DENBY. Well, the McCallum Hosiery Co. have some 5-gage machines which make the finest quality hosiery, which they have had running for some years. But of course, as I said, the demand has increased greatly just within the last few years, and the manufacturers are eager to get machines. The exports of hosiery are very small now, about 3 per cent of the domestic production.

Senator KING. Because of the local demand?

Mr. DENBY. Because of the local demand. The imports are entirely negligible. Practically only the very fancy French chiffon stockings are imported. As a matter of fact I believe the imports are 9,000 dozen against 27,000,000 dozen made in this country. So it is entirely insignificant.

So that we may say in summary that the reason we feel that the duty should be reduced is in the first place because the domestic prices are considerably lower than the prices of the imported machines. Second, because many of the types of machines required by the domestic trade are not made by the manufacturers in this country. Third, because the manufacturers in this country are a year behind in the orders. They are only quoting delivery now practically a year ahead.

Then we fell that a reduction will be beneficial to the American hosiery manufacturers because they will be able to increase their production, and develop an export trade, and of course that will be beneficial to the public in reducing the price of hosiery still further. It will be beneficial also to the hosiery workers by giving them greater employment.

Senator KING. Mr. Denby, I think you have made a very clear statement.

Mr. DENBY. I have prepared a brief, a copy of which I will give to the stenographer. I am also filing at this time a protest from one more manufacturer. I have already filed protests from 76. I believe this makes about 106 who have put themselves on record as opposing this increase in duty.

Senator REED. We do not want to put the 102 protests in the record.

Mr. DENBY. They are all the same.

Senator REED. You can hand those to the clerk.

Mr. DENBY. Not to be put in the record; no.

Senator KING. You might put one in the record and then say that is similar to the 102.

Mr. DENBY. I might put that one in the record if you want me to.

Senator KING. Yes; put one in and then say that that represents a hundred and some odd.

Senator REED. Senator King suggests that we put one of these in, with the statement that the others are available.

(The form protest signed by the Elliott Knitting Mills (Inc.), Hickory, N. C., being one of 106 protests referred to by Mr. Denby, is as follows:)

FINANCE COMMITTEE,
United States Senate, Washington, D. C.

GENTLEMEN: The undersigned, manufacturers of full-fashioned hosiery with mills operating in eight States, employing approximately 40 operators, respectfully invite your attention to the provisions of paragraph 372 of H. R. 2667 as introduced in the Senate of the United States on May 29, and referred to the Committee on Finance, in which the rate of duty applicable to imported full-fashioned hosiery machines is advanced from 40 per cent ad valorem, as provided in section 372 of the act of 1922, to 45 per cent ad valorem in the following language: "Machines for knitting full-fashioned hosiery, 45 per centum ad valorem."

As manufacturers of full-fashioned hosiery requiring in the operation of our mills machinery of this character, we most emphatically protest against the advance in rate from 40 per cent to 45 per cent ad valorem, and urge you to eliminate this advance in the bill as reported by your committee to the Senate. In fact, we request that the rate applicable to this machinery be reduced from the rate of 40 per cent ad valorem to 30 per cent ad valorem.

Our grounds for this request are predicated upon:

1. The fact that the manufacture of full-fashioned hosiery machines in this country is limited to the Textile Machine Works, Reading, Pa., and Wildman Manufacturing Co., Norristown, Pa. Of these two companies the former controls 90 per cent of the total domestic production of full-fashioned hosiery machines in the United States, and the latter the remaining 10 per cent. The types of machines manufactured by these two corporations are limited as to the number of sections and the gage thereof, as well as to the attachments necessary to the American hosiery manufacturers, and they do not, nor are they in any position, to deliver many of the gages and number of sections which have been and may be required in the operation of our mills.

2. The Textile Machine Works are as we are advised, operating to their full capacity and are not in a position to deliver promptly such machines as are demanded by the hosiery manufacturers. In fact, the said company are booked up with orders to such an extent that delivery can not be had within a reasonable time—in less than one year.

3. In addition to the foregoing, the said company is exporting its machinery, in spite of the fact that it is unable to deliver the domestic demand promptly, to Canada at a price much less than that charged to its American customers.

4. The said companies are selling in the markets of the United States such types of machines as are manufactured by them at substantially lower prices than are obtained for the imported machines of similar type.

5. The two domestic manufacturers above referred to had a total annual production in the year 1928 of 1014 machines, of which 943 were manufactured by the Textile Machine Works, and 71 by the Wildman Manufacturing Co., whereas the total demand for knitting machines during the year 1928 was at least 60 per cent greater than the total of the above figures and it is anticipated that during the year 1929 the demand will be for over 2,000 machines.

6. To grant an increased protection to these corporations who are already working to their full capacity; who are unable to meet the demand either in quantity or types required by the hosiery manufacturers; and who are, nevertheless, exporting at lower figures than they are exacting from the American mills, can only result in increased cost to us of such machines as are required in the operation of our mills, with a consequent increased cost of capital expenditure by us. Such increased capital expenditure necessarily must be reflected in the increased prices which we must demand for our products, thereby increasing the cost of living in our commodity for the benefit of two manufacturers who, as far as we are advised, are already prosperous and operating to full capacity.

At the same time we respectfully direct the attention of the Finance Committee to an iniquitous and indefensible provision contained in the pending tariff bill in section 402 (b), which takes from the United States Custom Court and the United States Court of Customs and Patent Appeals the review heretofore granted in matters of valuation. This section gives to the United States appraiser and the Secretary of the Treasury final and conclusive power to determine the kind of value applicable to imported merchandise, and makes their decision "final and conclusive upon all parties in any administrative or judicial proceeding." This section makes administrative offices final on question of law, a method unfair, inequitable, and contrary to the American spirit, which presumes that no such power should be granted to an administrative officer without the right of judicial review.

We urge your careful consideration of the foregoing and request that the two provisions above referred to be so amended in the Senate as to remedy the injustice which the enactment of the bill as passed by the House would visit upon us and other mills producing similar merchandise.

Respectfully,

ELLIOTT KNITTING MILLS, INC.,
E. SYERBY, *Sec. & Treas.*
Hickory, N. C.

Dated June 18, 1929.

(The brief submitted by Mr. Denby is as follows:)

BRIEF OF GOTHAM SILK HOSIERY CO., MCCALLUM HOSIERY CO., WAYNE KNITTING MILLS, AND AMERICAN FEDERATION OF FULL-FASHIONED HOSIERY WORKERS.

COMMITTEE ON FINANCE,
United States Senate, Washington, D. C.

GENTLEMEN: Gotham Silk Hosiery Co., McCallum Hosiery Co., Wayne Knitting Mills, and American Federation of Full-Fashioned Hosiery Workers file this brief in protest against the increase from 40 per cent to 45 per cent in the duty on full-fashioned hosiery machinery, imposed by the provisions of paragraph 372 of Title I of H. R. 2667 (see p. 93, lines 3 to 9, of the House bill), by virtue of the following clause:

"* * * knitting, braiding, lace braiding, and insulating machines, and all other similar textile machines, finished or unfinished, not specially provided for, for per centum ad valorem; machines for knitting full-fashioned hosiery, 45 per centum ad valorem; all other textile machinery, finished or unfinished, not specially provided for, 40 per centum ad valorem * * *."

We submit that the duty should instead be reduced to 30 per cent, for the following reasons, which will be more fully explained below:

1. A reduction in duty from 40 per cent to 30 per cent will fully protect the American manufacturers of full-fashioned hosiery machinery from foreign competition, because—

(a) Domestic machines are now selling at a price far below that of the competing foreign machines.

(b) Even under the existing rate of duty, domestic production is steadily increasing, while foreign importation is decreasing.

(c) Although the domestic machine manufacturers are far underselling their foreign competitors, they are, nevertheless, operating at a substantial profit and at capacity.

2. An increase in duty will seriously injure American hosiery manufacturers and American hosiery workers, while a decrease in duty would benefit them and the consuming public without injury to domestic machine manufacturers, because—

(a) Many types of full-fashioned hosiery machinery are not made in the United States at all and must be imported. A duty on these merely penalizes the consumer without benefiting any American machine manufacturers.

(b) Even in the standard sizes, the domestic machine manufacturers are unable to produce rapidly enough to satisfy the need for such machines.

(c) Increased hosiery production will give security of employment to American hosiery workers, and reduce the price to the consumer.

3. An increase of duty would give Textile Machine Works and Wildman Manufacturing Co., the only American manufacturers of full-fashioned hosiery machinery, a monopoly and would promote a situation of grossly unfair competition, favoring the Berkshire Knitting Mills, a subsidiary of Textile Machine Works, at the expense of other hosiery manufacturers.

In addition to the present petitioners, the following 103 manufacturers of full-fashioned hosiery in every part of the country have filed protests against an increase in the duty in question and in favor of a decrease to 30 per cent. Those marked with (*) have filed formal written protests with your committee; those marked (†) have filed a separate brief; and the balance have written letters of protest to the Senators from their State.

Pennsylvania:

*Largman Gray Co., Croyden.
*Edward H. Richardson, Devault.
*Fleetwood Silk Hosiery Co., Fleetwood.
*Green Lane Hosiery Co. (Inc.), Green Lane.
*West Branch Knitting Co., Milton.
†*Arteraft Silk Hosiery Co. (Inc.), Philadelphia.
*Belber Silk Hosiery Co., Philadelphia.
*Brentmore Knitting Mills (Inc.), Philadelphia.
*Burlington Hosiery Mills (Inc.), Philadelphia
*Cadet Knitting Mills, Philadelphia.
*Cambria Silk Hosiery Co., Philadelphia.
†*Emmeth Textiles (Inc.), Philadelphia.
*Federal Knitting Co. (Inc.), Philadelphia.
*Fox Chase Knitting Mills (Inc.), Philadelphia.
*Howard Hosiery Co., Philadelphia.
*Lehigh Silk Hosiery Mills, Philadelphia.
*Majestic Hosiery Co., Philadelphia.
†*Minisac Mills (Inc.), Philadelphia.
*Nickels & Lauber (Inc.), Philadelphia.
*Robinson Hosiery Mills (Inc.), Philadelphia.
†*Silliko Hosiery Co., Philadelphia.
*[illegible]dart Silk Hosiery Co., Philadelphia.
*[illegible]eal Silk Hosiery Mills, Philadelphia.
*Sunrise Knitting Mills, Philadelphia.
*United States Silk Hosiery Mills (Inc.), Philadelphia and South Langhorne.
†Vogue Silk Hosiery Co., Philadelphia.
*Wallace Wilson Hosiery Co., Philadelphia.
*Weber & Friedrich (Inc.), Philadelphia.
*Gold Seal Knitting Mills, Reading.
*Nolde & Horst Co., Reading.
*Princes Royal Hosiery Mills, Reading.
*Fedden Bros. Co., Shillington.
*Society Maid Hosiery Mills (Inc.), Willow Grove.
*Alfred Zabel Full Fashioned Silk Hosiery Co., Willow Grove.
*Triumph Hosiery Mills (Inc.), York.
*Bangor Hosiery Co. (Inc.), Bangor.
Kruemer Hosiery Co., Nazareth.
Reading Full Fashioned Hosiery Mills, Reading.
Belle Terre Hosiery Co., Reading.
D. S. W. Hosiery Co., Reading.
Miller Hosiery Co., Bethayres.
Hancock Knitting Mills, Philadelphia.

New Jersey:
†Midland Park Knitting Mills, Paterson.
*Boonton Full Fashion Hosiery Mills, Boonton.
*Onlibest Hosiery Mills, Berlin.
*Conrad Hosiery Co., Clifton.
*Hackettstown Silk Hosiery Co., Hackettstown.
*American Full Fashion Silk Hosiery Co., Paterson.
†*Atlantic Silk Hosiery Co., Paterson.
†*Atlas Silk Hosiery Co., Paterson.
*Berkley Silk Hosiery Co., Paterson.
*Doris Silk Hosiery Co., Paterson.
Jersey Hosiery Mills, West Orange.
*Sheertex Hosiery Co., Woodbury.
†Arrow Silk Hosiery Co., Irvington.
Van Raalte Co., Boonton.
Pyramid Hosiery Co., Rockaway.
North Carolina:
*Wiscassett Mills Co., Albemarle.
*McCrary Hosiery Mills, Asheboro.
†May Hosiery Mills, Burlington.
*McEwen Knitting Co., Burlington.
*Standard Hosiery Mills, Burlington.
†Hatch Full Fashioned Hosiery Co., Belmont.
Hudson Silk Hosiery Co. (Inc.), Charlotte.
*Nebel Knitting Co., Charlotte.
Durham Hosiery Mills, Durham.
Golden Belt Mfg. Co., Durham.
*Elizabeth City Hosiery Co., Elizabeth City.
*Diamond Full Fashion Hosiery Co., High Point.
†*Morganton Full Fashioned Hosiery Co., Morganton.
*Ridgeview Hosiery Mills Co., Newton.
†*Pilot Full Fashion Mills, Valdese.
*Mock, Judson, Voehringer Co., Inc., Greensboro.
*Waldensian Hosiery Mills, Valdese.
*Hoover Hosiery Co., Concord.
*Elliott Knitting Mills, Inc., Hickory.
California:
†*Mission Hosiery Mills, 3746 Moneta Avenue, Los Angeles.
Connecticut:
*Laurel Silk Hosiery Co., Hartford.
Georgia:
†*Richmond Hosiery Mills, Rossville.
†Arrowhead Fashion Mills, Rossville.
Indiana:
†*General Hosiery Co., Fort Wayne.
National Silk Hosiery Co., Indianapolis.
*Real Silk Hosiery Mills, Indianapolis.
*New Haven Silk Hosiery Co., New Haven.
Louisiana:
Alden Mills, New Orleans.
Maryland:
*Union Manufacturing Co., Frederick.
Massachusetts:
†*Corticelli Silk Co., Florence.
†*Harris Silk Hosiery Co., Springfield.
†Ipswich Mills, Inc., Gloucester.
*Shaughnessy Knitting Co., Boston.
New York:
Julius Kayser & Co., Brooklyn.
*Progressive Silk Mfg. Co., Amsterdam.
*Merit Hosiery Co., Ozone Park, Long Island.
Michigan:
Globe Knitting Works, Grand Rapids.

Tennessee:
Davenport Hosiery Mills, Chattanooga.
Kingsport Hosiery Co., Kingsport.
* Bryan Hosiery Mills (Inc.), Chattanooga.
* Miller-Smith Hosiery Mills, Chattanooga.
* Woosley Knitting Mills, Shelbyville.
† Walter Fred Hosiery Mills, Nashville.
Wisconsin:
* Holeproof Hosiery Co., Milwaukee.
† Phoenix Hosiery Co., Milwaukee.
Kentucky:
Claussner Hosiery Co., Paducah.

The following is a fuller statement of the reasons above assigned as the basis for our position:

1. A reduction in duty from 40 per cent to 30 per cent will fully protect the American manufacturers of full-fashioned hosiery machinery from foreign competition.

The only reason for a high tariff on any manufactured article is to permit American manufacturers whose costs are high to compete with foreign manufacturers whose costs are low. To support a claim for higher duty, therefore, the American machine manufacturers must satisfy Congress that they can not sell their product at a profit in competition with imported goods of the same kind. The burden is on them to support this demand with some evidence of a necessity for such an increase by a showing of their costs and their profits. A careful examination of both briefs filed by them before the Ways and Means Committee of the House of Representatives reveals absolutely no justification for their demand. These briefs contain not one word indicating excessive manufacturing costs; not one word to the effect that they are suffering from foreign competition; not one word to show a falling off in their production.

The request of the American machine manufacturers for an increase of duty can not be sustained, because—

(*a*) Domestic machines are now selling at a price far below that of the competing foreign machines.

So far from suffering from competition from the imported machines are the domestic manufacturers that they are able to sell their machines which, according to the findings of the Tariff Commission, are the same in quality as the imported product, at a substantially lower price than the latter. The standard domestic 42-gage, 24-section legger costs $7,225 f. o. b. Reading, Pa., less a discount of 7½ per cent for quantity purchases, which brings the price down to about $6,683. The corresponding imported machine sells for $8,050 f. o. b. New York City.

(*b*) Even under the existing rate of duty, domestic production is steadily increasing, while foreign importation is decreasing.

Not only do the domestic manufacturers undersell the foreign manufacturers, but their production has, by their own admission, steadily increased from 20 per cent of the total consumption in 1910 to 60 per cent in 1928. The domestic production in 1928 was 6.4 per cent greater than that in the previous year. This relative increase is steadily continuing and the domestic manufacturers are now booked up with orders for at least eight months in advance. At the same time, the Tariff Commission has found that "the year 1928 showed a decline of imports [of these machines] from 1927." Foreign competition is, thus becoming less severe rather than more severe.

(*c*) Although the domestic-machine manufacturers are far underselling their foreign competitors, they are, nevertheless, operating at a substantial profit and at capacity.

The fact that the domestic-machine producers are nearly a year behind their orders, though they are working at capacity, is in itself a contradiction of their claim that they are being injured by foreign competition. In addition to this, however, they are operating at a tremendous profit. It is generally understood in the trade that the Textile Machine Works made a profit last year of between 25 and 50 per cent. It is significant, therefore, that their brief before the Ways and Means Committee was quite silent as to this matter.

It will thus be seen that the American manufacturers, being able to undersell their foreign competitors by from 10 to 15 per cent, and yet manufacture profitably and at the full capacity of their mills, are benefiting by a higher duty than is necessary to protect them from foreign competition. The difference between

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the necessary protection and the protection they now have constitutes merely a burden upon the American consumer and limitation upon American labor. It is clear from these facts and figures that, based upon the amount by which the domestic manufacturers are underselling the importers, the duty should be reduced from 40 per cent to 30 per cent. Such a reduction will not only fully protect the American hosiery-machine manufacturers, but it will benefit the American hosiery manufacturers by permitting them to buy more machines and increase their production, it will give more employment to American labor, and it will benefit the American consumer by reducing the price of the product. It is for this reason 106 hosiery manufacturers and the American Federation of Full-Fashioned Hosiery Workers are asking your committee to recommend a reduction in the duty to 30 per cent.

2. An increase in duty will seriously injure American hosiery manufacturers and American hosiery workers, while a decrease in duty would benefit them and the consuming public without injury to domestic-machine manufacturers.

It has been shown that an increase in duty is not needed by the domestic-machine manufacturers to protect them from foreign competition. On the other hand, any increase would seriously injure the American hosiery manufacturers and workers and the consuming public.

(*a*) Many types of full-fashioned hosiery machinery are not made in the United States at all and must be imported. A duty on these merely penalizes the consumer without benefiting any American-machine manufacturers.

The American manufacturers now make only 42 and 45 gage machines, which mostly produce the cheaper grade of hosiery. We are informed that they have discontinued making 48-gage machines; and we know that they do not make 51, 54, or 57 gage machines, which are required for the manufacture of the finer grades of hosiery; nor single lace, double lace, or Jacquard lace machines, required for the production of fancy hosiery. All of these machines must be imported. They represented 45 per cent of the imports of full-fashioned-hosiery machinery in 1928, and the demand for them is increasing, due to the increased call for the sheerer types of hosiery.

Granting the desirability of standardization in the industry, it is nevertheless true that a great variety of machines are required to produce the kinds of hosiery the public demands. A high duty on imported machines merely increases the price of hosiery and reduces production.

Not only do the domestic manufacturers not produce many types of machines, but even in the gages made by them they confine themselves to the production of only 24-leggers and 28-footers. Many of the hosiery mills, among them the Gotham Silk Hosiery Co., are not adapted to accommodate machines of this size and require special sizes which they can obtain only abroad. It is not fair that the price of these machines should be unduly increased by a higher tariff when they can not be obtained in this country.

(*b*) Even in the standard sizes the domestic machine manufacturers are unable to produce rapidly enough to satisfy the need for such machines.

The American hosiery manufacturers are anxious to purchase American machines to as great an extent as possible. The demand for full-fashioned hosiery has greatly increased in the last few years, however, and additional machines must be installed in many hosiery mills to meet this demand. The domestic machine manufacturers are wholly unable to supply the need, even in machines of 42 or 45 gage and of standard sizes. They have sought to maintain that this is not so. It is a fact, however, that delivery can not be made within eight or nine months of standard machines ordered now. The McCallum Hosiery Co., for instance, ordered 10 such machines in the early fall of 1928. The first two machines under this order are being delivered this week (week of June 16); no more can be delivered until mid July. The balance can not be delivered until mid-August and mid-September.

In this state of affairs it is an injustice to require American hosiery manufacturers to pay unnecessarily high prices for imported machines; it would be flagrantly unfair to cause those prices to increase even farther with a higher duty.

(*c*) Increased hosiery production will give security of employment to American hosiery workers and reduce the price to the consumer.

American labor is as directly concerned in the duty on full-fashioned hosiery machinery as are the American hosiery manufacturers. As is stated in a letter from the American Federation of Full Fashioned Hosiery Workers, whose headquarters are in Philadelphia, Pa.:

"As wage earners engaged in and vitally interested in the prosperity of the full-fashioned hosiery industry, we protest with all vigor against the proposed

advance in rate from 40 per cent to 45 per cent ad valorem and would urge you to eliminate this advance in the bill as proposed by your committee to the Senate.

"We go further and request that the rate on this machinery be reduced from the rate of 40 per cent ad valorem to 30 per cent ad valorem.

"The American Federation of full-fashioned hosiery workers is composed of employees engaged in the full-fashioned hosiery manufacturing plants of this country and we are perhaps more directly affected by trade fluctuations than the employer himself. If the duty on full-fashioned machinery is increased, the employees in this industry will be immediately and directly affected. It is actually a fact that the manufacturers in the industry who employ members of our union exclusively, and who afford the highest wages and best conditions prevailing in our trade are likely to be the very firms to suffer a disadvantage by the imposition of increased duties on the imported full-fashioned machine.

* * * * * * *

"The prices charged in the United States for foreign-made machines of the full-fashioned type are substantially higher than those charged for the domestic machine. If increased duties are placed on the foreign machine, it will mean therefore, that considerably increased capitalization will be required by a number of mills which will, of course, increase the unit cost of production and finally increase the cost of the product and reduce the effects of such a policy upon the security of employment now enjoyed in the full-fashioned mills."

3. An increase of duty would give Textile Machine Works and Wildman Manufacturing Co., the only American manufacturers of full-fashioned hosiery machinery, a monopoly and would promote a situation of grossly unfair competition, favoring the Berkshire Knitting Mills, a subsidiary of Textile Machine Works, at the expense of other hosiery manufacturers.

There are at present only two concerns in the United States which manufacture full-fashioned hosiery machinery, the Textile Machine Works, of Reading, Pa., and the Wildman Manufacturing Co., of Norristown, Pa. In 1928 the former produced nearly 95 per cent, the latter just over 5 per cent, of the total domestic output.

As has been shown, these manufacturers are now operating at capacity and at a profit. They are not suffering from competition. They need no protection. They are not seeking protection; they are seeking a monopoly in the American market. Two concerns are seeking this monopoly at the expense of hundreds of American hosiery manufacturers.

The Textile Machine Works, producing 95 per cent of the domestic full-fashioned hosiery machines, are virtually owned by Mr. Henry Janssen and Mr. Ferdinand Thun. These two gentlemen also control the Berkshire Knitting Mills, by far the largest manufacturers of full-fashioned hosiery in this country.

It is obvious that a high duty, tending to exclude imported machines, not only benefits the Textile Machine Works by permitting unduly high prices, but permits unfair and ruinous competition with other hosiery manufacturers by the Berkshire Knitting Mills which, through their relations with the Textile Machine Works, are able to obtain their machines at cost. The purpose of the tariff certainly never was to create such an inequitable situation; and it is submitted that the Congress of the United States should not lend its support to such a scheme.

CONCLUSION

The present tariff of 40 per cent on full-fashioned hosiery machinery should be reduced from 40 per cent to 30 per cent because the lower duty affords ample protection to American machine manufacturers who will, even with the reduced duty, be able to undersell the foreign manufacturers; because a duty higher than is needed for protection increases the cost of hosiery to the American public and thus penalizes the consumer without benefiting anyone; because a lower duty will permit an increase in domestic hosiery production and a consequent improvement in the position of American workers in the hosiery industry. On the other hand, an increase in duty will bear heavily upon American hosiery manufacturers, upon hosiery workers, and upon the public, who will have to bear the brunt of an unnecessary increase in prices—all for the benefit of Messrs. Janssen and Thun, of Reading.

Respectfully submitted.

GOTHAM SILK HOSIERY CO.
McCALLUM HOSIERY CO.
WAYNE KNITTING MILLS.
AMERICAN FEDERATION OF FULL-FASHIONED HOSIERY WORKERS.

STATEMENT OF WALTER DREXEL, REPRESENTING THE McCALLUM HOSIERY CO., NORTHAMPTON, MASS.

(The witness was duly sworn by the chairman of the subcommittee.)

Senator REED. Mr. Drexel, are you in sympathy with the statements that were made to us by the last witness, Mr. Denby?

Mr. DREXEL. Yes; I believe he has outlined it very thoroughly.

Senator REED. Well, then, I do not want to cut you short, but let us try to abbreviate it as much as we can.

Senator KING. What company do you represent, Mr. Drexel?

Mr. DREXEL. McCallum Hosiery Co. We are the makers of the finest silk hosiery in the United States. They have it on the list that our headquarters are at Philadelphia, but they are at Northampton, Mass. We have a branch mill in Philadelphia.

I have a comparative price sheet here comparing the actual quotations on domestic and foreign machines if you would like that.

Senator REED. It may be placed in the record at this point.

(The comparative price sheet referred to is as follows:)

Comparative prices, domestic and imported machines

Type of machine	Domestic machine, before deducting discount f. o. b. factory	Imported machine, f. o. b. New York
ncluding reinforced selvedge and lock-stitch attachment:		
42-gage, 20-section legger	$6,200	$7,100
42-gage, 24-section legger	7,225	8,050
45-gage, 20-section legger	6,400	7,400
45-gage, 24-section legger	7,575	8,350
48-gage, 20-section legger	6,750	7,800
48-gage, 24-section legger	7,925	8,750
42-gage, 20-section footer	6,200	7,275
42-gage, 24-section footer	7,225	8,250
42-gage, 28-section footer	8,100	9,225
45-gage, 20-section footer	6,400	7,550
45-gage, 24-section footer	7,425	8,550
45-gage, 28-section footer	8,300	9,525
48-gage, 20-section footer	6,750	7,975
48-gage, 24-section footer	7,750	8,950
Machines required for finer types of hosiery with lace and picot, not made in United States:		
51-gage, 20-section legger		11,120
51-gage, 24-section legger		12,690
57-gage, 12-section legger		7,700
57-gage, 20-section legger		
51-gage, 22-section footer		11,020
57-gage, 16-section footer		8,300

Mr. DREXEL. The trend in our business has been for finer gages. Mr. Denby made a remark that we had these fine machines running a good many years. Some 16 or 18 years ago we had the Schubert & Salzer people of Germany make us up a 51 gage machine, and we were the only ones to have one for a good many years. Now it has gone still higher than that—54 and 57 gage—which are not made in this country.

Senator KING. That means fineness, does it?

Mr. DREXEL. Yes; very fine. And if there is any increase in the duty it would put the burden onto the manufacturer, for our selling

prices have been coming down gradually, and labor prices have been holding up. And machine prices are very high. It gives us a very hard problem to solve.

Senator KING. Are the prices of these domestic machines any lower than they were 10 or 15 years ago?

Mr. DREXEL. Oh, they are higher.

Senator KING. Higher?

Mr. DREXEL. A lot higher. I believe they are very near double to what they were. But Reading really did not have any control over the machines in this country until the time of the war. Since that time they have practically controlled the full-fashioned machinery in this country.

Senator KING. Do you mean there was some competition, or what?

Mr. DREXEL. Why, they were mostly German machines. They were still in the experimental stage at that time. Though I might say that we have bought in the neighborhood of 130 machines from Reading. When we can get domestic machines to fill our needs we buy them. But we have to make very fine goods, Jacquard lace, and we have the name of making the finest hosiery in the United States.

Senator REED. The Reading machine is a good machine, is it not?

Mr. DREXEL. I find no fault with it whatever.

Senator REED. It is as good as the German?

Mr. DREXEL. It is a very simple machine.

Senator REED. It is as good, is it?

Mr. DREXEL. I can not say it is as good as the German, because we have only had six or seven years of experience with the Reading machine. But they do make good work. We have no kick with the Reading machine.

Senator KING. But they do not make them as fine as the foreign machine?

Mr. DREXEL. They do not make 51, 54 or 57 gage. Neither the Jacquard nor the finer laces. I do not know as I have anything more to say.

Senator KING. Have the limited importations from Germany reduced the price of the Reading machine?

Mr. DREXEL. I believe Reading on one type machine, 24 section, came down about $500 a year ago last April.

Senator KING. Was that subject to competition from abroad?

Mr. DREXEL. I could not tell you.

Senator KING. What was the price before the reduction of $500?

Mr. DREXEL. The section, 45 gage, to-day is $8,275. So it would be $500 more than that.

Senator KING. Added to that?

Mr. DREXEL. Yes. The same machine made in Germany is $9,325. Or ranges anywhere from $900 to $1,200 more for an imported machine.

Senator REED. Had you a brief you wanted to file?

Mr. DREXEL. Mr. Denby has filed a brief for us.

Senator KING. Was there anything else you wanted to mention?

Mr. DREXEL. No, sir.

Senator REED. Thank you very much, Mr. Drexel.

STATEMENT OF C. E. WEINBERG, WEST NEW YORK, N. J., REPRESENTING IMPORTERS OF FULL-FASHIONED HOSIERY MACHINERY

(The witness was duly sworn by the chairman of the subcommittee.)

Mr. WEINBERG. I just wish to correct some of the statements made by the previous witness.

Senator KING. Whom do you represent, Mr. Weinberg?

Mr. WEINBERG. I represent the importers. This increase in duty was not proposed in committee. It was introduced in the House. It was not in the committee—it was in the House. In other words, the Ways and Means Committee did not recommend the increase.

Senator REED. But it was requested of the committee?

Mr. WEINBERG. Yes.

Senator REED. Mr. Howie appeared and asked a 60 per cent duty on these machines.

Mr. WEINBERG. Yes.

Senator KING. And that was rejected, but was put in on the floor of the House?

Mr. WEINBERG. Yes. Now, I see Mr. Drexel, the previous witness, offered a list of prices showing the difference between the prices of the domestic and the imported machines. In connection with that, Senator King, you asked whether there had been any reduction in prices during the last few years. There was a reduction in April, 1928, when the machine that was mentioned before, 24-section, 42-gage legger, was reduced from $7,725 to $7,225.

Senator REED. By the Textile Machinery Co.?

Mr. WEINBERG. By the Textile Machinery Co. And that applied also to a 28-section footer, the same reduction, $500. Now, as we understand it, the reason for that reduction was to be looked for in the fact that the prices of the 20-section machines, both domestic and foreign, were lower than the prices on the 24 and 28. In other words, between the price of a 20-section foreign machine and a 20-section domestic machine there was a spread of a thousand dollars. And between the price of a 24 and a 28 section machine, domestic and foreign, there was merely a spread of $500.

Senator KING. So they just accommodated the larger to the smaller spread?

Mr. WEINBERG. Exactly. So that the difference in price between the two sizes of machines was made the same.

Now it was testified here by the Textile Machine Works that they allowed a quantity discount of 7½ per cent. That discount is also allowed on export shipments to Canada and other countries, regardless of quantity.

In addition to that, Senator King, you asked how long these machines last. Under ordinary circumstances a good machine ought to last between 10 and 20 years, according to the use. But the tendency has been toward finer gauges. And out of the total of 11,600 full-fashioned machines in the United States to-day, there are approximately 4,000 39-gauge machines, which are very coarse machines. And there are several mills that have these machines that do not use them. And these mills will have to replace them.

Senator KING. So they are obsolete?

Mr. WEINBERG. They are obsolete.

Senator KING. That will necessitate, then, a large immediate purchase in order to satisfy the demands of the public for hosiery?

Mr. WEINBERG. Yes. Now, of course, these machines, even though they may have been purchased six or seven years ago, are largely useless. And these manufacturers, as I stated before, will have to buy new machines.

Now, this situation arises: If a manufacturer having these machines goes to the Textile Machine Works and says that he is interested in machines, we know of cases where they have said this to a manufacturer: "If you buy these machines from us we will give you a trade-in allowance of $400 to $500, taking in these old machines and junking them." They are not resold. Which would indicate that the spread of their profits is rather large.

It was testified before that various gauges were not made by them, and I would like to offer in evidence some letters of manufacturers. This is a letter from the Propper Silk Hosiery Mills (Inc.) [reading]:

PROPPER SILK HOSIERY MILLS (INC.),
New York, June 21, 1929.

LOUIS HIRSCH TEXTILE MACHINE WORKS,
New York City.

GENTLEMEN: We are sending you herewith two samples of our product, one made on the 51-gauge machines and the other on the 57-gauge machines.

These machines are imported, because they are not made in the United States.

We also beg to add that there is an unusual demand for this class of merchandise, which is readily replacing French goods.

Yours very truly,

PROPPER SILK HOSIERY MILLS (INC.),
LEO PROPPER, *President.*

Mr. WEINBERG. I have a letter here from the Nolde & Horst Co., of Reading, Pa. [reading]:

THE NOLDE & HORST CO.,
Reading, Pa., June 20, 1929.

LOUIS HIRSCH TEXTILE MACHINES (INC.),
New York, N. Y.

GENTLEMEN: I am inclosing herewith three pairs of 51-gauge ingrain ladies' hose. We have been making the stocking several years and have never had any trouble to sell all that we could make.

These stockings were made on imported machines, and to the best of our knowledge there is no manufacturer in this country making a machine as fine as 51-gage, so if we want to increase our production on this type merchandise we shall be compelled to import the machines.

Yours truly,

HAEES W. NOLDE,
Secretary and Treasurer.

Mr. WEINBERG. If this tariff increase goes through, you understand that the manufacturers who, by reason of their inability in previous years to get satisfactory delivery of these machines from Textile Machine Works or Wildman Manufacturing Co., are using imported machines will have to pay higher prices for their parts also, because, regardless of whether the tariff is raised or not, or what it is raised to, these parts could not be manufactured by the Textile Machine Works because they do not make the machine.

Mr. Denby stated that these machines are 40 feet long. They are approximately 4½ feet wide, and there are approximately 50,000 parts to a machine. These machines weigh 14,000 to 17,000 pounds.

Naturally, the freight bringing them over is quite considerable. It amounts to approximately 5 to 6 per cent.

Senator KING. Of the purchase price?

Mr. WEINBERG. Of the purchase price. So that even now under the present conditions they have an advantage of 45 per cent.

Mr. Denby also made reference to some of these financial reports, and I would like to cite just a few figures therefrom. I have before me a report by R. G. Dun & Co. I do not want to take up the time of the committee to read it all, and I will just read extracts from it. This report is dated June 4, 1929. [Reading:]

Are reported to have an authorized and fully paid capital of $1,000,000. Corporation owns real estate in Wyomissing, Pa., represented by their plant which is modern in every respect, and grounds surrounding, estimated to be worth upward of $2,000,000, clear of incumbrance.

Senator KING. They are speaking of the Reading Co., are they?

Mr. WEINBERG. The Textile Machine Works, yes. [Continuing reading:]

They have been continually adding to the plant for some years and during 1927 remodeled the plant and have one of the largest aluminum and brass castings plants in existence. Machinery is said to be of modern design and worth easily upwards of $1,000,000. Carries large stocks of merchandise, etc. Do a business of large volume, and at present are reported fully sold up for several months to come. The officers control the stock of the Berkshire Knitting Mills, which plant adjoins other subject plant.

Another quotation later on. [Reading:]

Subject company has been extremely busy the past two years and at present are said to have sufficient business booked to keep them running in full capacity for many months.

And another quotation. [Reading:]

It is said that the company has always been able to finance its expansions out of accumulated earnings, or through the individuals in control, and has never floated any securities. This as well as the affiliated enterprises is looked upon as in prosperous condition. There are several reports in this brief. Now, there is one particular report that I would like to call your attention to, in which it is said that the individuals controlling this company as well as the Berkshire Knitting Mills, there are just two, Mr. Thun and Mr. Janssen, of Reading, Pa., who have been in business approximately 25 years, individually are the owners of conservatively selected listed stocks and bonds and personally estimated worth upward of $35,000,000.

Senator KING. That is from Dun?

Mr. WEINBERG. That is from Dun. One more statement I want to make. Rumors have reached us that the domestic manufacturers have attempted to incite the hosiery manufacturers against the importers. They have said that the importers——

Senator REED. What has that to do with the tariff?

Mr. WEINBERG. I will come to that if you will just permit me to do so, Senator.

Senator REED. I do not see its relevancy.

Mr. WEINBERG. Well, I will tell you what it means. If any smuggling has been going on I do not think that increased tariff is the punishment therefor. Then the Treasury Department ought to step in and stop it.

Senator KING. I do not see how you can smuggle those machines in.

Mr. WEINBERG. I do not either. But I wanted to explain the feeling that the domestic manufacturers are trying to create among the American hosiery manufacturers against the importers.

Senator REED. I want to ask you about that. I have been told that these machines are brought in knocked down.

Mr. WEINBERG. Quite correct, Senator.

Senator REED. And that the ordinary customs appraiser is unable to tell whether he sees the fragments of one machine or the fragments of a machine and a quarter. And that the machines actually set up from the imported parts have been more numerous than the machines reported for customs.

Mr. WEINBERG. I can only say in answer to that, Senator, that there have been cases where parts are imported for machines for reasons of convenience. But the very fact that a part is packed with a machine does not indicate that no duty was paid therefor.

Senator REED. I understand that, but also I am told that the German export figures show many more machines exported to America than our import figures show arriving here.

Mr. WEINBERG. That I can not understand. I have absolutely no explanation of that.

Senator REED. Have you never heard of that before?

Mr. WEINBERG. I have never of that before, and I do not see how it is possible considering the size of these machines and the weight. I do not see how it is possible.

Senator REED. I do not mean that they are brought in surreptitiously like jewelry or diamonds, but they are brought in knocked down so the appraiser can not tell how much of a machine is given.

Mr. WEINBERG. That is out of the question. All of the importers are reputable concerns that have been in business for a long time and represent reputable concerns in Europe. And I do not think they would endanger their business, a satisfactory business, by engaging in practices of that sort. But I would be very happy, if there is any proof of this, that the particular importer, whoever it is, and even if he is one whom I am speaking for, would be taken care of in the proper manner.

Senator REED. I am inclined to agree with you that the remedy is by indictment and not by changing the tariff duty.

Mr. WEINBERG. Absolutely.

Senator KING. Do you import?

Mr. WEINBERG. Yes.

Senator KING. Have you never heard of that?

Mr. WEINBERG. It has never come to my knowledge before, until this very time, when it has been attempted to create a feeling among the hosiery manufacturers that the importers ought not to be in business because they engage in those methods.

Senator KING. How many importers of these particular machines are there?

Mr. WEINBERG. There are four importers.

Senator KING. Four?

Mr. WEINBERG. Yes.

Senator KING. Will you get a statement from each one of them and furnish it to us?

Mr. WEINBERG. I will be very happy to do that.

Senator KING. Because it seems to me quite absurd.

Mr. WEINBERG. I just wanted to testify in that respect because this information had possibly reached you gentlemen and I wanted to clarify it for that reason. That is all I have to say.

(Mr. Weinberg submitted the following brief:)

BRIEF OF THE IMPORTERS OF FULL FASHIONED HOSIERY MACHINES

The undersigned appeared before the Committee on Ways and Means in protest against the request of the domestic manufacturers of full fashioned hosiery machinery for an increase in tariff from 40 to 60 per cent ad valorem on full fashioned hosiery machinery.

The grounds of the objection are fully set forth on pages 2478–2482, inclusive, and these grounds are now reiterated. Any increase on full fashioned hosiery machinery is strenuously opposed and the Committee on Finance is respectfully referred to our brief filed before the Committee on Ways and Means.

However, at the hearings before the Committee on Ways and Means on H. R. 2667, now pending before your committee, a brief was submitted (p. 2473) by the so-called Knitting Machine Manufacturers' Association of the United States by one Kenneth Howie, representing the Wildman Manufacturing Co., in which a request was made for an increase in duty on "flat bar knitting machines, and parts thereof, finished or unfinished, not specially provided for, 60 per cent ad valorem" under paragraph 372.

The undersigned, importers of full fashioned hosiery machinery thereupon filed their brief in opposition to any increase in duty on full fashioned hosiery machinery (pp. 2478 et seq.).

Later, and apparently at the last moment, there was printed in the reports (p. 2475) a supplementary brief in behalf of the so-called Knitting Machine Manufacturers' Association of the United States, to which the undersigned have had no opportunity to reply, as the hearings before the Committee on Ways and Means had been closed and it was too late to secure the printing of any reply brief.

The use of the name "Knitting Machine Manufacturers' Association of the United States" is in itself misleading in that out of the admitted total membership of 14 only 2 of such members are manufacturers in this country of full fashioned hosiery machines, to wit, Textile Machine Works and Wildman Manufacturing Co. It is furthermore to be noted that the amendment proposed by these two manufacturers was artfully worded so as to hide the real purpose they had in view. They requested an advance on flat bar knitting machines, of which full fashioned hosiery machines are only one type. It is apparent the purpose was to cause the Committee on Ways and Means to believe that all American manufacturers of knitting machinery of every type were interested in securing an increase in duty. This is not the fact.

This statement is fortified by the fact that in both briefs submitted in behalf of the Textile Machine Works and Wildman Manufacturing Co. all statements and statistics submitted relate only to full fashioned hosiery machines.

We deem it our duty to direct your committee's attention to a remarkable situation which arose at the time H. R. 2667 was before the House of Representatives for action, leaving the good taste and ethics thereof to be judged by your honorable committee.

When the bill was introduced into the House of Representatives by the Committee on Ways and Means it embodied no increase in rate on full fashioned hosiery machinery, the committee evidently being satisfied that the domestic manufacturers of this type of machine had ample protection in the rate of 40 per cent provided for it in paragraph 372 of the act of 1922, which conclusion was no doubt fortified by the report and findings of the United States Tariff Commission.

It happens that the representative for the fourteenth Pennsylvania district, Representative Charles J. Esterly, who, in the Congressional Directory of May, 1929, Seventy-first Congress, first session, describes himself as associated with Berkshire Knitting Mills, Reading, Pa., took the floor in behalf of an amendment introduced by Representative Bacharach, of the second district of New Jersey, and used his vote and influence to secure the passage of the said amendment. In the discussion Mr. Esterly admitted his connection with the Berk-

shire Knitting Mills and admitted further that the said Berkshire Knitting Mills were a subsidiary corporation controlled by the Textile Machine Works, controlling 90 per cent of the production of full fashioned hosiery machines in the United States. In short, we have the spectacle of a Representative in Congress using his vote and influence in behalf of personal interests. The Congressional Record for Monday, May 27, carries with it the record of the proceedings and the debate between Representative McReynolds, of Tennessee, and Representative Esterly.

In the reply brief of the so-called Knitting Machine Manufacturers' Association of the United States it is stated that the authorized member of one of the importers who signed this brief was present at that and other meetings of the so-called association when the tariff was discussed. This is not denied, but attention is called to the fact that attaching to the domestic manufacturers' brief a copy of the minutes of that meeting does not disclose to your committee the actual proceedings and speeches made by the various members thereof.

The annual production figures estimated by us in our brief (1,200 machines per year for the Textile Machine Works and 150 for the Wildman Manufacturing Co.) were based upon representations made by the salesmen of the Textile Machine Works to hosiery manufacturers. Of course, the Textile Machine Works had the actual figures more accurately than we could supply them, and we are willing to accept their statement that instead of producing 1,200 in the year 1928 they produced only 943, and that Wildman, instead of producing 150 machines in 1928, produced only 71. These figures indicate that the Textile Machine Works controlled practically 95 per cent of the total output of domestic made full fashioned hosiery machines. These figures are also an argument against any increase in duty on full fashioned hosiery machinery because it is apparent that the two companies in question, with a total production capacity in 1928 of 1,014 machines, are in no position to fill the demands of the United States hosiery manufacturers, who require approximately 2,000 of such machines per year under present conditions.

It is certainly surprising to us to see in the supplementary brief the statement, "Neither the Textile Machine Works nor the Wildman Manufacturing Co. are booked up for 1929 with orders. Both concerns are still accepting specifications for delivery in this year." We have been informed by a number of hosiery manufacturers who have placed orders with the Textile Machine Works for full-fashioned hosiery machinery that the Textile Machine Works are behind in their deliveries and, in the case particularly of the Gotham Silk Hosiery Co., with mills at Philadelphia, Pa., and Dover, N. J., where the contract of purchase specifies delivery in February, 1929, delivery has not been completed to this date.

The brief of the domestic manufacturers makes a great point that the Grosser Knitting Machine Co., of New York, one of the signors of our original brief, has also filed a brief with your committee regarding the importation of needles for full-fashioned knitting machines wherein they (Grosser Knitting Machine Co.) claims that over 800 full fashioned machines are imported annually, and from said statement desire the Committee on Ways and Means to believe that the figures given by us, namely, 538 machines imported in 11 months of the year 1928, were incorrect. A reference to the brief of the Grosser Knitting Machine Co. in relation to "Spring-Beard and Latch needles" (p. 2104 of the hearings before the Committee on Ways and Means) shows clearly that the Grosser Knitting Machine Co. did not allege that 800 full-fashioned machines were imported annually, but merely stated that this allegation was made by the Spring-Beard Knitting Needle Manufacturers' Association in their plea for higher duties. We can not refrain from throwing back upon the Textile Machine Works a quotation from their own brief:

"It occurs to us that if the foregoing statements are samples of the 'facts' supplied by them (the domestic manufacturers), their whole brief appears to be unreliable, to say the least."

We are in complete accord with the standardization program of President Hoover and the Textile Machine Works and desire to conform thereto. Unfortunately, however, neither the domestic manufacturers nor the importers of full fashioned hosiery machines are able to dictate to the demands of fashion or to the requirements of the hosiery mills of the United States. The fact is, and it can not be denied, that there exists a notable demand in this country for machines of 51, 54, and even finer gauges, on the part of the hosiery manufacturers in the United States which has never been filled or attempted

to be filled by the Textile Machine Works. It may be true that the 48-gage has been manufactured by the Textile Machine Works, but we are reliably informed that the largest number of such machines are operated in the Berkshire Knitting Mills (controlled by the Textile Machine Works) and that they have discontinued the sale of such gauge machines.

As to the number of sections required by American hosiery manufacturers and the statement of the Textile Machine Works that they are endeavoring to educate the American hosiery mills to the adoption of standard section machines, we can but reply that such efforts must be fruitless in the case of many mills whose buildings are not of sufficient width to contain 24 and 28 standard section machines of the type made by the Textile Machine Works. It is hardly to be expected that such mills, and there are many of them, are going to rebuild their mills for the purpose of holding machines of the type which the Textile Machine Works are, according to their statement, trying to force upon the trade.

We reiterate our statement that machines such as single lace machines, double lace machines, Jacquard lace machines, and others are being imported into this country by reason of the fact that such machines are not and never have been made in this country. In fact, we are willing to state it is extremely doubtful whether the Textile Machine Works or the Wildman Manufacturing Co. are capable of building such machines. Yet the classification and duty requested by them would apply to such machines as well as to the ones previously referred to in this brief. Fashion demands and the American hosiery mills need machines of the types just mentioned in order that the desires of the women of America may be met in the hosiery produced by them.

It is interesting to note that the Textile Machine Works allege that "no full fashioned machines are being brought into this country that can not be built by American manufacturers." However, this is far from asserting that such machines have been or are being manufactured by the Textile Machine Works.

We notice that the Textile Machine Works recently repudiated the suggestion that high protection would be followed by an advance in price. If this is the fact and the American manufacturers are working to 100 per cent of their capacity, an allegation nowhere denied by them, what is the basis for their request for higher rates of duty? We can only draw the inference that it is a desire to shut out the competition afforded by the imported machines and the fear that is generally held by the hosiery mills of the United States as will be attested by their representations made to this committee and to the members of the United States Senate for the States in which such mills are situated.

It has been, we believe, the policy of the majority in both the House and the Senate to increase rates only on such commodities as require an increase in order to compensate for differences in labor costs. Again, we must call the attention of the Congress to the fact that neither of the two briefs filed in behalf of the domestic manufacturers is there furnished any information in relation to their labor costs, material, overhead, or profits and what elements enter into the calculation of all and each of these factors. These figures and facts are peculiarly in the possession of the domestic manufacturers and it is generally considered the duty of one having such information in their possession to produce the same or have the inference drawn that the production thereof would militate against them. Nowhere have we seen a denial of our statement that the domestic machines are selling at prices lower than similar types, gages, and sections of imported machines are selling for in the markets of this country. This in itself indicates the remedy that lies open to the domestic manufacturers without recourse to assistance from the Congress of the United States. It is apparent that they can raise their prices and still undersell the imported machines. But why they do not resort to this simple expedient is inexplicable and can hardly be reconciled with the fact that the Textile Machine Works have recently voluntarily reduced the price of the domestic made machine, increasing thereby the spread between their product and the imported product by that much.

That the domestic manufacturers have been prosperous under the duty accorded them by the act of 1922 is perhaps best set forth in the financial report of R. G. Dun & Co., which is here fully enumerated.

Textile Machine Works, manufacturers braiding and full fashioned knitting machines, Reading, Pa. (Wyomissing), Berks County; Henry Janssen, president; Ferdinand Thun, secretary and treasurer.

Financial condition.—It has always been their policy to decline financial statement.

Are reported to have an authorized and fully paid capital of $1,000,000. Corporation owns real estate in Wyomissing, Pa., represented by their plant, which is modern in every respect, and grounds surrounding estimated worth upward of $2,000,000, clear of encumbrance. They have been continually adding to the plant for some years and during 1927 remodeled the plant and is one of the largest aluminum and brass casting plants in existence. Machinery is said of modern design and worth easily upward of $1,000,000. Carries large stocks of merchandise, have considerable in accounts receivable, and maintain substantial cash balances. Current indebtedness is reported extremely limited in comparison to assets, and they have always given evidence of sufficient working capital. Do a business of large volume and at present are reported fully sold up for several months to come. The officers control the stock of the Bershire Knitting Mills, which plant adjoins other subject plant. The last statement available of the Berkshire Knitting Mills was that of October 31, 1925, when they claimed a paid-in capital of $7,900,000 with a surplus of $3,851,976. Their assets totaled $13,015,269, of which approximately $8,300,000 was quick, while their liabilities totaled about $1,000,000. The officers also control the Narrow Fabric, manufacturers of braid, which plant adjoins that of the Berkshire Hosiery Mills. Individually are the owners of conservatively selected listed stocks and bonds and personally estimated worth upwards of $35,000,000. Authorities consulted estimate the subject company as representing a financial responsibility of at least $5,000,000.

Trade conditions.—Financial institutions regard them favorably; while in recent years their balances have been substantiated and they have not borrowed, a willingness is shown to grant their requirements.

H. C.	Payments	Comments
$15,000	Discount.	Terms, 30½—10; sold for years; do not limit.
30,000	Discount.	Terms, 30½—10, very satis.; consider A1.
10,000	Discount.	Sold for many years, very satis.

Antecedents.—Thun & Janssen started business on a very small scale in 1892, at 222 Cedar Street. They met with success from the start, and in 1896 incorporated the business under Pennsylvania laws and removed the plant to Wyomissing, a suburb, where they now occupy a large up-to-date plant. They are also the principal stockholders and officers of the Berkshire Knitting Mills and Narrow Fabric Co.

Fire, burglary, water loss.—Reported clear.

General remarks.—The personnel are well regarded, referred to as capable and conservative. They command the confidence of those with whom they would deal. Subject company has been extremely busy the past two years and at present are said to have sufficient business booked to keep them running in full capacity for many months. They also maintain a casting department specializing in the quality and command a good income from that source. The plat is modern in every respect and kept in excellent state of repairs. Are reported to carry adequate fire insurance. Employ upwards of 1000 hands.

R. G. Dun & Co. Report. Textile Machine Works (Inc.) Manufacturers Reading, Berks County, Pa. Henry K. Janssen, President; Ferdinand Thun, Secretary and Treasurer, March 12, 1929. Record.

A Pennsylvania corporation chartered August 14. 1900, with authorized capital $60,000, shares $100, which was increased December, 1915, to $1,500,000 It took over the business established in 1892 by Thun & Janssen, a firm composed of the above-named officers. Reading is used as post-office address, but the plant is located in Wyomissing, a near-by suburb. It is under practically the same control as the Berkshire Knitting Mills and the Narrow Fabric Co., and these three concerns make up what is commonly known as the "Wyomissing Industries."

Janssen and Thun are looked upon as the main factors in these enterprises and they have various other local connections. They are natives of Germany who came here as very young men and obtained their start as employes in textile plants.

STATEMENTS

A statement is declined, and no figures have been submitted since December, 1924, when there was shown assets of $1,832,018 against debts of only $40,000. The physical assets were not included but were estimated in excess of $1,000,000, free of encumbrance.

GENERAL INFORMATION

The court records show there have never been any liens against the property aside from some temporary mortgages in connection with ground purchases, the largest having been $100,000 and all satisfied. In later years the plant has been considerably enlarged, additions completed during 1928 being estimated at $500,000 or more. The total assets are estimated upwards of four or five million dollars and the liabilities only normal current bills.

The corporation has been one of the pioneers in developing textile machines, especially those used in the hosiery industry, and is recognized as one of the largest manufacturers of this kind in the country. It is said that the company has always been able to finance its expansions out of accumulated earnings, or through the individuals in control, and has never floated any securities. This as well as the affiliated enterprises is looked upon as in prosperous condition, and in trade and bank circles their credit is unquestioned. Former investigations found bills discounted or paid promptly on net terms.

FIRE HAZARD

Own all building occupied, of brick construction, mostly built in comparatively recent years, and all in good condition. The properties are separated by streets or vacant ground from buildings of other owners.

CONCLUSION

It is respectfully submitted that there is no justification in economics or in equity for the plea of the domestic manufacturers, and it is urged that the Senate Finance Committee will strike out of H. R. 2667, in paragraph 372, the words "Machines for knitting full-fashioned hosiery, 45 per centum ad valorem," and thus allow full-fashioned hosiery machines to find their classification as heretofore in the provision for "Knitting, braiding, lace braiding, and insulating machines, and all other similar textile machinery or parts thereof, finished or unfinished, not specially provided for, 40 per centum ad valorem."

Respectfully,

ALFRED HOFMANN (INC.).
GROSSER KNITTING MACHINE CO.
LOUIS HIRSCH (INC.).
ROBERT REINER (INC.).

STRAUSS & HEDGES,
11 Broadway, New York, N. Y.

AFFIDAVIT OF CARL E. WEINBURG, MAX NYDEGGER, AND LOUIS HIRSCH

Senator REED. At this point I want to state on the record that I have received from Mr. Carl E. Weinburg an affidavit made by him and by Max Nydegger and Louis Hirsch, regarding the charge of smuggling parts of full-fashioned hosiery machines, which I submit for printing in connection with the testimony on full-fashioned hosiery machines.

(The affidavit referred to is as follows:)

The undersigned importers of full-fashioned hosiery machines testify as follows: That they are engaged in importing full-fashioned hosiery machines and

represent the following firms: Carl E. Weinburg, representing Alfred Hoffman (Inc.), West New York, N. J.; Max Nydegger, representing Grosser Knitting Machine Co., New York; Louis Hirsch, of Louis Hirsch (Inc.), Weehawken, N. J.

It has come to our attention that rumors have been circulated that the importers whose names appear above have been engaged in smuggling; in particular, that they have brought into the United States without the payment of duty full-fashioned hosiery machines by having parts of these machines packed with complete machines, later assembling these parts for which no duty is said to have been paid into complete machines. We hereby go on record that we have not been engaged in practices of this sort, and absolutely and emphatically deny that we have been engaged in importing into the United States any parts of machines by any method whatsoever other than the legal method of making declaration for importations and paying duty therefor. Since these rumors have not only been circulated in the trade but have come to the attention of Members of the United States Senate, we hereby respectfully request that the Treasury Department be invited to make an investigation of these alleged charges, and the undersigned importers will gladly place at the disposal of the Treasury Department or its agents any information and every assistance that they may require, so that these insidious rumors can be established as being wholly false and untrue.

In witness whereof we have hereunto set our hands this 10th day of July, 1929.

CARL E. WEINBURG.
MAX NYDEGGER.
LOUIS HIRSCH.

Subscribed and sworn to before me, a notary public in and for the District of Columbia, this 10th day of July, 1929.

[SEAL.] TRAVERS J. CROCKER, *Notary Public.*

STATEMENT OF T. WALTER FRED, REPRESENTING WALTER FRED HOSIERY CO., NASHVILLE, TENN., AND OTHERS

(The witness was duly sworn by the chairman of the subcommittee.)

Senator REED. What is your company?

Mr. FRED. Walter Fred Hosiery Mills.

Senator REED. Where is that located? In Tennessee?

Mr. FRED. Yes, sir; in Nashville.

Senator REED. All right, sir, you may proceed.

Mr. FRED. As manufacturers of full-fashioned hosiery the price of these machines comes out of our pockets. Of course we may have to charge more for the hosiery, but we are the ones that are most interested in this proposition. And when the matter came up before the House Ways and Means Committee, we were not given an opportunity—it was rushed through. Of course the House was very busy. We knew nothing about it until it passed through the Ways and Means Committee.

Senator KING. Was it put on in the House or in the committee?

Mr. FRED. In the commitee.

Senator KING. Who appeared before the committee urging this increase in the tariff?

Mr. FRED. I do not know.

Senator KING. Some representatives of the Reading Co.?

Mr. FRED. The Reading people are my friends——

Senator KING. Or the Wildman Co.?

Mr. FRED. Mr. Howie appeared and filed a brief.

Senator KING. He represents the Wildman Co.?

Mr. FRED. He represents the Wildman Co., who have just been manufacturing machines for a few years and on a small scale.

Senator KING. Well, you heard the testimony of Mr. Denby and the last witness. Do you agree substantially with their statements?

Mr. FRED. Yes. Just to make it very short and to the point. I can not conceive of any fair reason why the duty should be increased, when there now exists a monopoly in the manufacture of the machine. They can only supply approximately 40 per cent of the present domestic consumption of the machines. They are months and months behind with deliveries—not behind with deliveries, but can not make deliveries for months and months, and they can not supply the domestic demand, and they are underselling the foreign machine by 10 to 15 per cent. I can not see any reason why it should be increased. And there certainly seems to me a good reason why it should be decreased to equalize the two machines. Because our business is intensely competitive. There are approximately 350 full-fashioned hosiery manufacturers. The price of silk stockings has been constantly declining. And if you increase our capital investment by increasing the costs of the machines, it makes it that much harder.

Another situation which I think Mr. Denby mentioned is the fact that these people—I say "these people," because the Textile Machine Co. manufacture 92 per cent—have already enjoyed for a period since the last tariff an extra amount of protection that no other textile machinery people did. In other words, their machine has been carrying a 40 per cent duty, whereas all other textile machines have been carrying anywhere from 15 to 30 per cent or 35 per cent. They have enjoyed that for a long time. And I can see no reason for increasing. I feel it should be decreased. What their profits are I do not know. I do not object to them, but I do not like to pay more money for machines than we have to pay; and I do feel now that these machines are entirely too high.

Senator REED. Mr. Fred, you made one statement which is scarcely accurate. You said that there was no hearing on this. I find that Mr. Howie made a statement and filed a brief, and that that was replied to by Mr. John F. Strauss, of New York, representing the importers of machines.

Mr. FRED. Senator, you misunderstood me. I said the hosiery manufacturers—that is, the people who buy the machines—were not heard from at that time.

Senator REED. Well, that is correct.

Mr. FRED. I did not mean to give the impression that the importers were not heard from.

Senator REED. Some of the people opposed to the increase in the duty were heard from and did file briefs.

Mr. FRED. The importers filed briefs, but we feel that we are the ones that are much more interested in this. I mean we represent a much larger body of people. We represent several hundred manufacturers employing thousands and thousands of workers. And I feel that we deserve more consideration than just the importers.

Senator KING. It is so unusual for the public to be heard here, they never come to protest—it is only the importer or the manufacturer—that it is quite unique to have you gentlemen come.

Mr. FRED. Well, this is a big item with us. I mean these machines cost nearly $10,000 apiece.

Senator REED. How many machines have you in your plant?

Mr. FRED. Why, this particular plant I am president of now, we have just completed and we are just installing some machines. We have 50 about to go in there, and we are just starting to install them.

Senator REED. And the tariff amounts to about $2,000 to $2,500 per machine, is that right?

Mr. FRED. I think that is approximately correct.

The only other point that I would like to make, and I will make this very short, is that we have just started sending silk stockings to England, and I feel that if we are going to keep hosiery production in this country at full pitch and prosperous, we have to develop our foreign markets. With American ingenuity and mass production methods we can compete with almost any country in the world.

Senator KING. You are exporting now to England, are you?

Mr. FRED. Yes, sir. And I feel that if an excessive tariff increases the price of machines we will not be in a position to compete in foreign markets.

Senator REED. What do you use, rayon or silk?

Mr. FRED. Pure silk.

Senator KING. And you can compete in England?

Mr. FRED. I am. I know of one concern that is doing a very enormous business in England, and that is Kayser. We just started there.

Senator REED. How much tariff protection have you?

Mr. FRED. Why, I think there is tariff protection of—I am not quite sure exactly what the figures are. There is so little silk hosiery imported.

Senator REED. It is not in this schedule. I myself do not know.

Mr. FRED. I am not sure what it is. I am told that it is 60 per cent on silk hosiery.

Senator REED. Sixty?

Mr. FRED. It never worries us one way or the other.

Senator KING. You would not be much afraid to reduce the tariff on silk?

Mr. FRED. Personally I would not care. But I am not speaking for any other hosiery manufacturer in taking that position. I have a brief here that several hosiery manufacturers have joined me in signing, which I would like to leave with you gentlemen.

Senator REED. It will be put in the record following your testimony.

(The brief referred to is as follows:)

BRIEF OF FULL-FASHIONED HOSIERY MANUFACTURERS

This brief deals with the provisions of paragraph No. 372 of H. R. 2667, which was introduced into the Senate on May 29 and referred to the Committee on Finance. The effect of this paragraph is to increase the duty on full-fashioned hosiery machines from 40 per cent ad valorem, as provided in section No. 372 of the act of 1922, to 45 per cent ad valorem, in the following language: "Machines for knitting full-fashioned hosiery, 45 per centum ad valorem."

This provision was offered as an amendment at the eleventh hour and was rushed through the House so quickly that the people who were most concerned in the measure did not have an opportunity to present their side—in fact, most of the users of imported full-fashioned machines did not even know about the provision until after it had been passed by the House.

The two domestic manufacturers of full-fashioned machinery—the Textile Machine Works, of Reading, Pa., and the Wildman Manufacturing Co., of Norristown, Pa.—filed their brief; and there was also offered a brief from the importers of full-fashioned machines—but there was not one word heard from the hundreds of hosiery manufacturers, who are most vitally effected by this bill, since they have to pay any increase in duty—nor was there any brief in the interests of the American public, who would have to share the increased cost of the machines by paying higher prices for their silk hosiery, which in the present day is considered a necessity by every class of woman.

The full-fashioned hosiery manufacturers consist of over 300 corporations, located in practically every section of the country, who have millions of dollars invested, who employ over 100,000 people, and who do a total annual volume of at least $300,000,000.

We respectfully submit:

First. That there is no need for an increased tariff.

Second. That the present tariff should be reduced from 40 per cent to 30 per cent.

We base this request for reduction in tariff on the following facts:

1. *The manufacture of full-fashioned hosiery machines in this country is practically a monopoly.*—There are only two companies in the United States making full-fashioned machines, and one of them, the Textile Machine Works, makes 90 per cent of the total output, the Wildman Manufacturing Co. making approximately 10 per cent.

The brief filed by the Knitting Machine Manufacturers Association, requesting this increase in tariff, is misleading in that it is signed by a great many manufacturers of knitting machines—none of whom make full-fashioned hosiery machines except the two firms already mentioned! It appears that the signatures of a large number of concerns who are not financially interested is a deliberate camouflage to cover up the fact that the manufacture of full-fashioned hosiery machines in this country is a monopoly, in the hands of practically one organization. Hearings before the Committee on Ways and Means, House of Representatives; Vol. III, Schedule 3, p. 2476.)

2. *The present 40 per cent tariff creates unfair competition for the American manufacturers of full-fashioned hosiery.*—The Textile Machine Works (who, as stated before make 90 per cent of all full-fashioned machines in this country) own the Berkshire Knitting Mills, of Reading, Pa., which is by far the largest manufacturer of full-fashioned hosiery in this country—in fact, to use the exact words of the Knitting Machine Manufacturers' Association, it is "The largest ladies full-fashioned-hosiery mill in the world."

It is reported on good authority that the Berkshire Knitting Mills have 1,800 full-fashioned-hosiery machines, which is practically equivalent to two years' total production of the two manufacturers of full-fashioned machines in this country.

The Textile Machine Works, therefore, have the American full-fashioned-hosiery manufacturers between the upper and nether millstones. They can charge excessively high prices for the machines—since there is no domestic competition—and they can, through their subsidiary, the Berkshire Knitting Mills, produce silk stockings at a lower cost than can any other American manufacturer, because their investment in machinery is so much lower.

This excessive tariff creates unfair competition. It is contrary to American spirit that any one concern should have all the other members of an industry so completely at their mercy. (Summary of Tariff Information, 1929, by the Tariff Commission, p. 820–1; hearings before the Committee on Ways and Means, House of Representatives; Vol. III, Schedule 3, p. 2477.)

3. *The finer gauge machines and jacquard attachments for making clocks and lace and fancy goods are not made in this country at all.*—Full-fashioned-hosiery machines of 51, 54, and 57 gage are not made in this country. The domestic manufacturers of full-fashioned machines objected to the statement that they could not make these finer gage machines; but the point is, they have not made them. If, for the sake of argument, we admit that they could make these machines, they must admit that they could not furnish them within a reasonable lengh of time. Proof should be given that they can and have manufactured 51, 54, and 57 gage machines, together with list of the mills where they are in operation.

Machines of this kind are being used constantly in this country, and they are being imported all the time. Why should American manufacturers of hosiery have to pay duty on something that is not made in this country?

The demand for finer gage goods (which are made on foreign machines) is constantly increasing; in the words of the Tariff Commission, "The trend in demand for hosiery has been toward the finer gages. Up to the present at least, German machines have been available in finer gages than domestic, and more attachments have been offered for the production of novelties and fancy effects." (Summary of Tariff Information, 1929, by the Tariff Commission, p. 821.)

4. *There is no low-price foreign competition. Imported machines are now sold at considerably higher prices than domestic machines of the same type.*—A standard type machine, 42-gage, 24-section legger is priced by the domestic manufacturers at $7,250 net, quantity discount at 7½ per cent, making net textile price $6,706, whereas a similar type machine of foreign make is $8,050. In other words, the Textile Machine Works,[1] under the present tariff of 40 per cent, are underselling their foreign competitors by more than 10 to 15 per cent.

According to their own statement in their brief, "Machines built in the United States are in no way inferior to those imported. On the contrary, the output of the American factories is equal in every respect to the imported product." This is corroborated by the findings of the Tariff Commission, "In quality and design, there is little choice between foreign and domestic machines of similar type!"

Therefore it is apparent that the present tariff is too high by 10 per cent to 15 per cent, and should be lowered so that the imported machines can be sold at a price more nearly equal that at which the domestic product is now selling.

If the Textile Machine Works are not getting a fair profit at the present time, it is their privilege to increase their selling prices to the level of the foreign machines, rather than to commit the absurdity of asking for additional protection, when they are not taking advantage of the protection already provided by the act of 1922.

However, there has been no proof introduced to show that their present profits are not satisfactory in every way. It is significant that nowhere in their brief have they stated the actual cost of manufacturing a full-fashioned machine! (Summary of Tariff Information, 1929, by the Tariff Commission; p. 821.)

5. *The domestic manufacturers of full-fashioned machines can not take care of the demand.*—Although they deny this in their brief, the Textile Machine Works, in response to inquiries from legitimate manufacturers, have stated that they could not accept orders for delivery in less than a year's time.

Since, by their own figures, they have been supplying only 60 per cent, of the demand, how could they possibly take care of the other 40 per cent., not to consider the increase in demand for full-fashioned hosiery and consequently full-fashioned machines?

The statistics show that the proportion of machines being imported into this country is decreasing, rather than increasing. The Tariff Commission found that to be the case, as they state, "The year 1928 showed a decline in imports from 1927."

We wish to call your attention to the fact that the foreign machines are all made in Chemnitz, Germany, which is in the interior of the country, so there are railroad charges to the seaport, and then ocean freightage across the Atlantic. These machines are heavy—weighing from 14,000 to 17,000 pounds—and the freight amounts to practically 5 per cent of the cost—so in reality there is now a 45 per cent protection, rather than 40 per cent.

We respectfully submit that the Textile Machine Works in their brief, which was signed by the Knitting Machine Manufacturers' Association, have not presented a true picture of the situation in that—

(A) They failed to state the cost of their machines and so prove that they need additional protection.

It is the belief of the hosiery manufacturers, who are familiar with machinery costs, that the cost of these machines is not over half of their selling price. If their present prices are not yielding them a satisfactory profit, why

[1] For the sake of brevity, we occasionally refer to the Textile Machine Works rather than to the Knitting Machine Manufacturers' Association, the "manufacturers of domestic full-fashioned hosiery machines," etc. Be it clearly understood that in such instances we have reference not only to the one company specifically mentioned, but to the other company, the Wildman Manufacturing Co., which manufactures 10 per cent of the output.

do they not make a frank statement of their costs, so that you can see for yourselves whether or not they are entitled to additional protection?

We submit that it is a fair request to ask them to file their income tax reports for the past three years—showing the profits made by the Textile Machine Works and their subsidiary, the Berkshire Knitting Mills—together with the salaries paid the leading officials of both organizations. If they are acting in good faith and deserve increased protection, there is no reason why they should object to giving you this information, so that you can draw your own conclusions in the matter.

It is true that labor is cheaper in Germany than in the United States, but the American plants are on a mass production basis, and modern methods of efficiency have made man power more productive than European methods of production. So the difference in actual wages paid labor is largely offset by America's mass production methods. As an illustration of this fact, it is well known that we can make automobiles cheaper in America than anybody else in the world regardless of the cheaper foreign labor costs.

(B) They have failed to tell you that both the textile machine works and the Wildman Manufacturing Co. are swamped with orders for months ahead.

(C) They have misstated the facts when they say in their original brief (p. 2475), "There are no full-fashioned knitting machines in demand that are not being manufactured in this country;" in their supplementatry brief they have shown gross ignorance of existing conditions when they say (p. 2477), "To our knowledge there are no full-fashioned machines being brought into this country that can not be built by the American manufacturers."

It is a matter of common knowledge in the knitting trade that there are no 51, 54, or 57 gauge machines being made in this country, and that there is a very definite demand for them in the United States—a demand which is constantly increasing, on account of the ever-increasing demand for finer gauge hosiery. Many of the signers of this brief are running 51, 54, and 57 gauge machines.

If the Textile Machine Works are correct in their statement, let them give the names of the mills in this country who are running machines of these gauges of domestic manufacture, and let them give the names of any mills using the Jacquard lace machines of domestic manufacture, in any gauge. As far as we have been able to learn, there is not a single one of these machines in operation that was made in this country.

SUMMARIZING OUR COMMENTS ON THE BRIEF OF THE TEXTILE MACHINE WORKS

A careful study of their original brief and of their supplementary brief fails to show a single reason why the present tariff should be increased. They do not show that their present profits are not satisfactory; apparently they are, since they are underselling the similar machines of foreign manufacture. They do not contend that they are suffering for business—both the Textile Machine Works and the Wildman Manufacturing Co. are sold up for many months. According to their own figures, they can not produce more than 60 per cent of the present demand.

It strikes us that in their brief these people have quoted a lot of irrelevant figures on the industry in general, but have given nothing to support their request.

CONCLUSION

The present tariff of 40 per cent should be reduced to 30 per cent—

First. Because the domestic manufacturers do not make a full line of machines now in demand.

Second. Because the American manufacturers can not take care of more than 60 per cent of the demand for full-fashioned machines.

Third. Because such a reduction would not reduce the profits or the prices of the American manufacturers of full-fashioned machines, since they are now underselling foreign machines of similar type by at least 10 to 15 per cent.

Fourth. Because this reduction would promote American industry by enabling American hosiery manufacturers to install more machines to take care of the foreign and domestic demand for American-made hosiery, thereby increasing the wealth of the country and giving more employment to American workers.

Fifth. Because this reduction would tend to reduce living costs, since silk stockings are now a very important item of apparel with every woman, rich and poor alike.

In closing we submit that the welfare of the great American knitting industry, composed of hundreds of companies and hundreds of thousands of workers, and producing hundreds of millions of dollars of merchandise, and the interest of millions of American women deserve more consideration from you than requests for legislation than can be beneficial to only one or two companies. Especially is this true when the proof shows that these two corporations, the Textile Machine Works and the Wildman Manufacturing Co., already have a higher protective tariff than they are utilizing.

Respectfully submitted.

Mission Hosiery Mills, Los Angeles, Calif.; Pilot Full Fashioned Hosiery Mills (Inc.), Valdese, N. C.; Morganton Full Fashioned Hosiery Co., Morganton, N. C.; May Hosiery Mills (Inc.), Burlington, N. C.; Hatch Full Fashioned Hosiery Co., Belmont, N. C.; Lillian Knitting Mills Co., Albemarle, N. C.; Hoover Hosiery Co., Concord, N. C.; Richmond Hosiery Mills, Rossville, Ga.; General Hosiery Co., Fort Wayne, Ind.; Wayne Knitting Mills, Chicago, Ill.; Arcadia Hosiery Mills, Paducah, Ky.; Clausner Hosiery Co., Paducah, Ky.; Corticelli Silk Co., Florence, Mass.; Harris Silk Hosiery Co., Springfield, Mass.; Ipswich Mills (Inc.), Gloucester, Mass.; Arrow Silk Hosiery Co., Irvington, N. J.; Atlas Silk Hosiery Co., Paterson, N. J.; Atlantic Silk Hosiery Co., Paterson, N. J.; Midland Park Knitting Mills, Paterson, N. J.; Real Silk Hosiery Mills, Philadelphia, Pa.; Minisac Mills (Inc.), Germantown, Philadelphia, Pa.; Emmeth Textiles (Inc.), Philadelphia, Pa.; Vogue Silk Hosiery Co., Philadelphia, Pa.; Silko Hosiery Co., Philadelphia, Pa.; Artcraft Silk Hosiery Mills, Philadelphia, Pa.; Cadet Knitting Co., Philadelphia, Pa.; Arrowhead Fashion Mills, Chattanooga, Tenn.; Kingsport Hosiery Mills, Kingsport, Tenn.; Walter Fred Hosiery Mills (Inc.), Nashville, Tenn.; Cadet Knitting Mills, Columbia, Tenn.; Phoenix Hosiery Co., Milwaukee, Wis.

The following mills have, we understand, filed a separate petition with the Senate Finance Committee, requesting that the present tariff on full-fashioned machines not be increased, but reduced from 40 to 30 per cent:

Wiscassett Mills Co., Albemarle, N. C.; McCrary Hosiery Mills, Asheboro, N. C.; McEwen Knitting Co., Burlington, N. C.; Hoover Hosiery Co., Concord, N. C.; Durham Hosiery Mills, Durham, N. C.; Waldensian Hosiery Mills, Valdese, N. C.; Real Silk Hosiery Mills, Indianapolis, Ind.; New Haven Silk Hosiery Co., New Haven, Ind.; Merit Hosiery Co., Ozone Park, Long Island; Shaughnessy Knitting Co., Boston Mass.; Ipswich Mills, Ipswich, Mass.; Onlibest Hosiery Mills, Berling, N. J.; Conrad Hosiery Co., Clifton, N. J.; Van Raalte Co., Boonton, N. J.; American Full Fashioned Hosiery Co., Paterson, N. J.; Berkley Silk Hosiery Co., Paterson, N. J.; Jersey Hosiery Mills, West Orange, N. J.; Federal Silk Hosiery Works, Brooklyn, N. Y.; Wm. Brown Co., Philadelphia, Pa.; Bangor Hosiery Co., Bangor, Pa.; Largman Gray Co., Croydon, Pa.; Belber Silk Hosiery Co., Philadelphia, Pa.; Cambria Silk Hosiery Co., Philadelphia, Pa.; Homard Hosiery Co., Philadelphia, Pa.; Majestic Hosiery Co., Philadelphia, Pa.; Realart Silk Hosiery Mills, Philadelphia, Pa.; Robinson Hosiery Mills, Philadelphia, Pa.; Sunrise Knitting Mills, Philadelphia, Pa.; Weber & Friedrich, Philadelphia, Pa.; Nolde & Horst Co., Reading, Pa.; Princess Royal Hosiery Mills, Reading, Pa.; Fedden Bros. Co., Shillington, Pa.; Society Maid Hosiery Mills, Willow Grove, Pa.; Fleetwood Hosiery, Corporation, Fleetwood, Pa.; Bryan Hosiery Mills, (Inc.), Chattanooga, Tenn.; Holeproof Hosiery Co., Milwaukee, Wis.

LETTER FROM THE HARRIS SILK HOSIERY CO., SPRINGFIELD, MASS.

MAY 28, 1929.

Hon. DAVID I. WALSH,
United States Senate, Washington, D. C.

MY DEAR MR. WALSH: We are informed that even though the Hawley bill originally did not contain a provision increasing the rate of duty on full-fashioned hosiery machines, the revised bill of the Ways and Means Committee, which will shortly be discussed before the Senate contains a provision increasing the rate of duty on full-fashioned hosiery machines from 40 per cent to 45 per cent.

In previous correspondence to you we have already set forth the fact that imported full-fashioned hosiery machines at the present time are sold at higher prices than the domestic product, furthermore, that the domestic manufacturers do not manufacture at all some of the machines which are required in the full-fashioned hosiery business, and further that the demand for full-fashioned hosiery machinery is greater than the supply. All of this is borne out by facts brought out through the investigation of the tariff commission.

It is very apparent, therefore, that this attempt to increase the rate of duty on full-fashioned hosiery machines is made to favor the two domestic manufacturers of this class of machinery and to eliminate competition.

We are afraid that unless you oppose this increase in duty most effectively, it will become law and since it would operate to the detriment of our business in that it would increase our cost of operations we urge you to give us your wholehearted cooperation in opposing this movement.

Very truly yours,

HARRIS SILK HOSIERY CO.,
EDGAR G. HARRIS, *President.*

STATEMENT OF KENNETH HOWIE, NORRISTOWN, PA., REPRESENTING UNITED STATES KNITTING MACHINE MANUFACTURERS' ASSOCIATION

(The witness was duly sworn by the chairman of the subcommittee.)

Senator REED. I see that you testified and filed a brief at page 2473 of the House hearing, Mr. Howie.

Mr. HOWIE. Yes, sir.

Senator REED. All right, sir. We have heard four of your adversaries. Now we want to hear from you.

Mr. HOWIE. We are asking for a separate classification for the flat-bar knitting machines, and an increase in the duty on these machines from 40 to 60 per cent ad valorem.

I might say that I am here representing the association, but I am also the general manager of the Wildman Manufacturing Co.

Senator REED. How many members are there in this association?

Mr. HOWIE. I have a list of the members here in the brief that we are filing. There are about, I think, 16 members.

Senator REED. Sixteen makers of these machines in America?

Mr. HOWIE. Not the full-fashioned machines; no. This includes both the circular and the flat-bar machines.

Senator REED. How many makers of the full-fashioned machines are there?

Mr. HOWIE. There are two in operation to-day, with a third one getting under way, and a rumor of a fourth one about to start

Senator REED. Where is the third one to be?

Mr. HOWIE. The third one is in Reading. They are all in Pennsylvania.

Senator KING. Will they be competitors of yours?

Mr. HOWIE. Yes.

Senator KING. The business has been so profitable that another is going to start, and a fourth is talked of?

Mr. HOWIE. I do not think they are starting because the business is so profitable. Our large business is in circular machines. We got into the full-fashioned machine business a few years ago by buying out a company that had been in operation for about 20 years. They manufactured only full-fashioned machines, and could not exist. I think history will show that full-fashioned

manufacture can not exist in this country if things run as they ran in the past.

Senator KING. There are changes constantly taking place in our industries and in our economic life.

Mr. HOWIE. Yes.

Senator KING. Rayon is coming into use, and there has been a diminution in the use of woolen goods and cotton textiles, and so on; so that you would expect in this business, as well as in all other lines of industry, more or less changes as the result of the development of this mechanical age; would you not?

Mr. HOWIE. Yes; but it is more rapid than that. It is a style business. I might say that we probably build the largest line of knitting machines of any manufacturer in the world, the most diversified line.

Senator KING. You are speaking now of those two companies, the Wildman Co. and the Reading Co.

Mr. HOWIE. Well, they simply build full-fashioned machines; that is a part of their general business.

Senator KING. They build other machines, too, do they?

Mr. HOWIE. They build braiding machinery; yes, sir,

Senator REED. Go ahead, Mr. Howie.

Mr. HOWIE. We are asking for that change on account of the great increase in the imports. We have those figures, taken right from the Government report. They figure that in 1927 about 45 per cent of the machines sold in this country were imported.

Senator KING. You mean, now, the full-fashioned machines?

Mr. HOWIE. Full-fashioned. I am speaking entirely of full-fashioned hosiery, because that is the principal kind that is in style at present.

Senator KING. Let me ask, for my own information, are there imports with respect to the other grades of machines which are being used in the production of hosiery?

Mr. HOWIE. Are there any imports of hosiery?

Senator KING. No, no; not of hosiery, but of machines used for making hosiery?

Mr. HOWIE. Very little. Of course on these circular machines the tariff is not an item. They have been protected by patents largely. We had a monopoly on circular machines. If I had appeared before you in 1922 they would have said that we were two years behind in our deliveries on those machines, which we were. In the last two years we have not sold three of them in this country. That gives you some idea of what the business is. Now we have taken on this full-fashioned business to replace that business. Of our total output to-day, 80 per cent we did not build at all five years ago.

Senator KING. Let me make this inquiry: There are various kinds of machines, I take it, that are used in the hosiery business?

Mr. HOWIE. Yes, sir.

Senator KING. Various types and grades. Of those various types and grades other than the full-fashioned hosiery machines, I understand the importations are very few?

Mr. HOWIE. Very small.

Senator KING. Why are there not importations there, if Germany or Belgium or Holland can make them so much cheaper?

Mr. HOWIE. Germany did not get into that market particularly. The European market has always been more a full-fashioned market, and Americans developed the circular machine because of the greater production and the cheaper output; but that market has passed out so far as ladies' hosiery goes. In other words, when cotton hosiery was in vogue, the cost of manufacture was a big item. We will assume that a dollar represented the cotton material in a dozen stockings. Now, if the cost of labor was 75 cents on a circular machine, as opposed to probably $2.50 on the full-fashioned machines, it made a big difference in the selling price of stockings; but when the full-fashioned machines started in this country and got under way in a big way, silk was selling around $16 a pound. Now, 75 cents on $16 or $2.50 on $16 makes very little difference in the price of the finished hosiery. That made a difference. Before, it was largely cotton hosiery that was manufactured. The cheaper the article the cheaper the wage had to be. The effect on the price is so much less.

Senator KING. There has been a great development, then, in the use of these hosiery machines?

Mr. HOWIE. The circular machines?

Senator KING. Yes.

Mr. HOWIE. Yes; there has been a tremendous development.

Senator KING. And you are unable to meet the demands of the public?

Mr. HOWIE. For the circular machines?

Senator KING. For the full-fashioned hosiery.

Mr. HOWIE. For the full-fashioned hosiery there has been a big demand. We do not consider it a permanent demand by any means.

Senator KING. At any rate, you are unable, as the witnesses testified yesterday, to meet the demands, and you are months behind?

Mr. HOWIE. Well, we are quoting in August.

Senator KING. Have you not orders that you could not fill for months in advance?

Mr. HOWIE. Not ourselves; no. We are new in the business.

Senator KING. Well, then, the other company—the Reading Co.?

Mr. HOWIE. I believe they have; but I think they are quoting in May.

Senator KING. May of next year?

Mr. HOWIE. May of next year; but I think you will find the importers in the same condition.

Senator KING. Proceed.

Mr. HOWIE. I am giving here a comparison of the machines made in this country and those imported.

In 1927 there were 953 machines built in this country and 804 imported, or 45 per cent.

In 1928 there were 1,014 built in this country and 685 imported, or 40 per cent.

Senator KING. You are speaking now of full-fashioned hosiery?

Mr. HOWIE. Only full-fashioned; that is all we are dealing with. On the others we are not asking any change.

In 1929, as far as March, there were 257 built in this country, and 194 brought in, or 43 per cent.

The unit value for 1927 was $3,933 on the imported machines, and in 1929 it was $4,613; but a recent decision of the courts brings this value down to about $3,600.

Senator KING. I notice in a brief which was filed before the House committee that in the year 1900, 100 per cent of the consumption of these machines was imported; in 1910 only 80 per cent of the consumption was represented by imported machines, and in 1928 only 40 per cent of the consumption was represented by imported machines; showing that since 1910 the domestic production has increased from nothing to 60 per cent of the consumption.

Mr. HOWIE. That is perfectly true; but during the growth of this business the foreign machines were kept out of the country entirely by the war.

Senator KING. At any rate, from 1910 the progress of domestic manufacture is as indicated in the statement which I have just read.

Mr. HOWIE. About that.

Senator REED. Mr. Howie, I got the impression from the witnesses who testified last night that one reason why the importations are as large as they are is that you and the Reading Co. can not meet the demand.

Mr. HOWIE. Well, of course, there is an unusual demand to-day.

Senator REED. And that the foreign machine is selling higher than you are selling the same thing for.

Mr. HOWIE. No; I do not think their price is higher than our price.

Senator REED. Their price is higher than the Reading price, is it?

Mr. HOWIE. I do not believe so, when you take into consideration the terms that they give.

Senator REED. What terms do they give that make the price equal?

Mr. HOWIE. They practically finance the purchase in some cases.

Senator KING. You mean they take time—extend credit?

Mr. HOWIE. They take time—extend credit through longer terms than we do.

Senator REED. Do you do that at all?

Mr. HOWIE. Our general terms do not run over a year, and in most of our others we keep it down to six months.

Senator REED. How about the Reading Co.?

Mr. HOWIE. I think they are keeping it down to about a year. I am not sure. They have in the past, I think, gone beyond that.

Senator KING. Are not the importers just matching the terms given by the Reading firm, extending similar credit?

Mr. HOWIE. I do not think so. I think their policy has always been, in all the foreign countries, to extend much longer credits than we do here.

Senator KING. Are you speaking now just from rumor or from knowledge with respect to these machines?

Mr. HOWIE. Our contact with the trade. We have had our customers tell us, when we have lost business, that they can get three years.

Senator REED. Now go ahead. We have been interrupting you.

Mr. HOWIE. This figure that the machines are brought in on of course we can not match.

As far as the labor goes, you have had that thrashed over a great many times. I need not stress it, except to say that these machines are made in the Chemnitz district of Germany, which has probably the cheapest labor, and we are in contact with probably the highest-priced labor in this country. I mean, we come in contact with the hosiery manufacturers, which trade is a very high labor trade; so that more or less forces our prices up in the manufacture of that machine.

Senator KING. Mr. Howie, the brief which was filed yesterday states that the domestic machines are now selling at a price below that of the competing foreign machines. Do you controvert that statement?

Mr. HOWIE. As far as our machines are concerned, yes; I think I do. It is very difficult to get their prices. They do not publish a price-list.

Senator KING. Are you underselling the Reading Co.?

Mr. HOWIE. No; we are higher than the Reading Co.

Senator KING. Can you name any person or any firm who has recently purchased a foreign machine at a price less than that for which you have sold your machines?

Mr. HOWIE. I can not quote their prices. I do not know them. I only have the hearsay of customers—what they say.

Senator KING. We have a brief here presented by a gentleman who made a very frank and very fair statement. I want to know if you categorically deny that.

Mr. HOWIE. They have our prices. They are published prices. Everybody gets them. We have not their prices. I have never seen the prices of the German manufacturers. The report in this case shows that they could not get them. If you will read this case that we cite here, it shows that they could not get the prices in Germany. According to the Government investigator, the prices are controlled by an association over there, made up of all the manufacturers. The association state that they do not publish a price-list, and do not give the prices.

Senator KING. It is very easy to ascertain the prices here from their manifests and the papers which they have to sign at the time of entry.

Mr. HOWIE. They are priced, according to that, at about $3,500.

Senator KING. What do you sell your machine for?

Mr. HOWIE. Our list on a 24-section machine is $8,300, less 10 per cent cash discount.

Senator KING. Do you mean to state that a machine comparable to one that you sell for $8,300 is sold for $3,500?

Mr. HOWIE. No; I say the invoice shows a $3,500 value coming in, customs duty. They are paying duty on a $3,500 value.

Senator KING. Proceed.

Senator REED. Go ahead, Mr. Howie.

Mr. HOWIE. They talk about the mass production in this country, which of course is out of the question with the quantity of machines that are built. The shoe is entirely on the other foot. The German production is about three times the American production. We estimate that Schubert & Salzer and the five other manufacturers produce about 321 machines a month—those figures are estimates,

not definite figures—and about 20 to 25 per cent of those machines come into this country.

Our exports practically amount to nothing. As far as we are concerned, we have never exported a machine even to Canada. The exports from the Textile Machine Works—they are the only people that export—were 6.7 per cent in 1927, 60 machines, and only 5½ per cent in 1928; and practically all those machines went to Canada, to mills that also had plants in this country.

They talk about the fine-gage machines. The fine-gage probably represent 1½ per cent of the total machines in use, producing proably a half of one per cent of the hosiery, because the production is much less.

Senator REED. Do you make them?

Mr. HOWIE. We are taking orders now for 54-gage. We have an order in the shop now for 54-gage.

Senator REED. Does the Reading Co. make them?

Mr. HOWIE. I do not think they have built any yet; no.

Senator KING. I notice, in a brief filed in the House, the statement that—

> The demands of the American hosiery manufacturers include 42-gage, 45-gage, 48-gage, 51-gage, 54-gage, and 57-gage machines, of which the Textile Machine Works manufacture only the 42-gage and 45-gage—

Is that true?

Mr. HOWIE. Forty-two and forty-five? No; they manufacture 48.

Senator KING (reading):

> as well as machines equipped with special attachments not yet developed by the Textile Machine Works. It is understood that they have attempted to produce the 48-gage, with results so unsatisfactory that orders placed for such were voluntarily canceled by them.

Mr. HOWIE. No; they have a great many 48-gage machines in use.

Senator KING. That you manufacture?

Mr. HOWIE. Yes.

Senator KING. All right.

Senator REED. What is meant by these gage members? Is that the number of threads to the inch?

Mr. HOWIE. No, sir; it is the number of needles to an inch and a half. It comes from the old way of leading the needles in. The leading was an inch and a half long, and they counted the number. On the circular machines they speak of cuts, which means exactly the number of needles to the inch; but in the full-fashioned machine they call it "gage."

I have samples of hosiery here, if you would like to look at them, showing the difference in the gage. In the case of these finer gages, I do not believe you would be able to tell the difference.

Senator KING. The ladies would.

Mr. HOWIE. I do not think the ladies know anything about gage, and it is a very foolish way of selling hosiery. It means nothing to the buyer. They are marked with the prices.

Senator KING. This is 57-gage?

Mr. HOWIE. 57-gage. Here is 48-gage. That top one is 48-gage. The prices and the wholesale prices are marked on those stockings. Now, if those were on, and if you did not get close enough to get into trouble, you would not know it. [Laughter.] The effect on

the industry of those 57-gage machines is just the same as though it were said that you could not get a Rolls-Royce car in here in the automobile business. That is about how much effect it has on the industry.

They speak about the Textile Machine Works. They have been a very successful concern. So have we, as far as that goes; but I do not think the Textile Machine Works have made their money out of the full-fashioned machines.

They speak about the Berkshire Mills, which is probably the largest full-fashioned mill in the country. They buy their machines at exactly the same price that the other mills buy them. They also do not get any preference on deliveries. As a matter of fact, I think they are usually the goat as far as deliveries go, just as it is in our own business. When we need to have a machine built for our own purposes, it is sidetracked always for customers' needs. They are operating under that. They are making hosiery like any of the other manufacturers, and they have been very successful in that line, because they have done a very good business. They also run a big foundry, and they also make braiding machines. They make the narrow fabrics. I should say the largest part of their profits have come out of the hosiery business.

Senator KING. There is some testimony here that the owners of the textile properties, including the manufacturing of these machines, are two individuals whose combined fortunes made in the past few years are something like $35,000,000.

Mr. HOWIE. Well, that I can not say. I know they are very wealthy.

Senator KING. By the way, when did the Wildman Company start up?

Mr. HOWIE. When did we start?

Senator KING. Yes.

Mr. HOWIE. In 1889.

Senator KING. When did you start manufacturing these machines?

Mr. HOWIE. We bought out the Richter Machine Co., the only other manufacturers of the full-fashioned machines, in Philadelphia, in 1926.

Senator KING. And began the manufacturing of these machines?

Mr. HOWIE. We carried on the manufacturing. He had been manufacturing for about 20 years, and had been just about one jump ahead of the sheriff all the time.

Senator KING. Have you enlarged it?

Mr. HOWIE. We have enlarged it. We have about doubled the production; yes. He was making from four to six machines a month, and we are making from ten to twelve.

Senator KING. From 10 to 12 a month?

Mr. HOWIE. Yes; in our new plant. We have a separate plant for that.

Senator KING. Did you put new capital into it?

Mr. HOWIE. We took the capital out of the other business—just took it over.

Senator KING. At any rate, the market situation was encouraging enough to impel you to buy this plant and to continue the manufacturing of these machines and to double the output?

Mr. HOWIE. Yes; but we were forced more or less into that business by the drop-off of our other business. We had a seamless business.

Senator KING. You would not engage in a business that did not promise profit, would you?

Mr. HOWIE. You can not tell until you get in. It is not much profit now. If you would like to see our statement I shall be very glad to show it to you.

Senator KING. I understood you to say that you went into it voluntarily because you were losing elsewhere; some other branch of your business has dropped off, and you saw this as an avenue where probably you might make better profits or larger profits than in your other business.

Mr. HOWIE. It was not a case of larger profits. The other business has simply disappeared, due to the change of style.

Senator KING. How many machines does the market require at the present time?

Mr. HOWIE. How many?

Senator KING. Yes; to meet the reasonable demands of the expanding business? What number per month or per year would be absorbed in the market?

Mr. HOWIE. The hosiery business I think to-day would be better off if none of them could get any machines.

Senator KING. Then why are you manufacturing them, and why is the Reading Company manufacturing them?

Mr. HOWIE. Because they will buy them.

Senator KING. We might all be better off if we went barefoot.

Mr. HOWIE. Well, that is what they are doing, unfortunately. [Laughter.]

Here is an article in the Underwear and Hosiery Review for June, 1929, giving the views of some of these people, from which I should like to read two or three short extracts.

One of these men says:

> My personal opinion in the matter is that it is a matter of history that owing to southern competition and the belief of many people that there is always a gold mine in anything new, the gum silk market has become saturated, or it became saturated last year, and that manufacturers looking for an extra outlet for their production many of them turned to ingrain hosiery.

That is the hosiery on the finer gauges.

In the same article, it goes on to say:

> We believe it would be to the advantage of every ingrain manufacturer if they could get together and control their prices so that they could make a legitimate profit from their ingrain business.

That expresses the situation in the hosiery market to-day.

Senator KING. One gentleman who testified yesterday afternoon, the last witness, is selling his product—that is, ingrain hosiery—in Great Britain, in competition there; and his factory is down in Tennessee.

Mr. HOWIE. He is selling his product in Great Britain?

Senator KING. Yes; in Great Britain.

Mr. HOWIE. Oh, he can do that.

Senator KING. He can, you say?

Mr. HOWIE. Yes.

Senator KING. Apparently, then, there is a market not only in the United States but beyond the seas; and he is competing successfully in the European market.

Mr. HOWIE. Yes. We did, too, in our circular product, for a number of years, until the duty was raised in England, and that threw all that market out. We can make hosiery in this country under present methods. They need a duty. What we are asking the duty for is not with the hope of increasing prices at all. That is not our object in asking for it. The manufacturers simply want the future assured. In other words, if we want to go into mass production, which is the only way we can hope to do it, we have got to have a little future assured, which the duty gives us.

You could raise the silk hosiery duty to 300 per cent to-day and it would not affect the price to the consumer one bit. The local competition takes care of that very nicely. I think they need their duty, because there is no reason why if this market is opened up to the European manufacturers, they can not used the same methods in hosiery that we do; so it simply assures that market.

I do not think anywhere to-day the customer gets any more for the money than he gets out of the hosiery made on these machines; and yet a 60 per cent duty on hosiery would represent a 200 per cent duty on machinery. They are entitled to their 60 per cent on hosiery. We have not any argument on that. We believe it; but for them to say that they need 60 per cent duty on the hosiery and we do not need 40 per cent duty on the machines is rather inconsistent. We might as well come in here and say that the steel people do not need a duty on their stuff. They are getting a duty on silk which comes in from Japan—that is the biggest part of their output—and their duty is right. I do not say that there is anything wrong with their duty. They need it. They can compete in the foreign markets. They are making hosiery cheaper than they can make it in England to-day; but England, if it had our market to look to, would soon make it cheaper than we can make it. As long as we close them out of that big market that assures mass production, they will not go into it. A man has to have some future to look to before he will invest his money in that; and this means a big investment.

They speak about the American manufacturers making money. Turn to the statement of the importers. Take Mr. Hoffman's statement. He shows fixed assets of about twenty-some thousand dollars.

Senator KING. Who is Mr. Hoffman? We have not had him before us.

Mr. HOWIE. I think he appeared, or probably it was not Mr. Hoffman; it was the representative of the Schubert & Salzer Co. of Germany, the largest manufacturer in Germany.

Senator KING. We had no appearance before us from them.

Mr. HOWIE. That is one of the importers. The statement shows fixed assets of twenty-some thousand dollars, as I said. The help they employ come over here to set up these machines on permits, a large per cent of them, from Germany. They are here on a limited time to set up those machines.

In their statement they show reserve for taxes, $75,000. We have put nearly a million dollars in the business and we do not show any return of that kind on full-fashioned hosiery.

Senator KING. Well, proceed. We have other witnesses.

Senator REED. Is there anything else, Mr. Howie?

Mr. HOWIE. I just want to say in conclusion that our asking for the duty is not with the idea of increasing the price. That is not our idea at all. I think the local competition which the present demand will engender will in time bring down the price of the machines, as it has with the hosiery.

We are filing a supplementary brief.

Senator REED. Give it to the reporter, please.

Mr. HOWIE. I should like to say, as far as a great many of those hosiery manufacturers are concerned who have filed briefs, that they were all written to by the importing group and asked to sign those papers. The majority of them had machines on order and were told in the letter that the prices would be advanced.

Senator REED. The letter from the Fleetwood Co. will be put in the record at this point.

(The letter referred to is as follows:)

FLEETWOOD HOSIERY CORPORATION,
Fleetwood, Pa., July 3, 1929.

HON. DAVID A. REED,
Chairman Subcommittee on Metals,
Senate Finance Committee, Washington, D. C.

DEAR SIR: Referring to brief in opposition to paragraph No. 372 of H. R. 2667 in which we oppose increase on machines for manufacturing full-fashioned hosiery from 40 to 45 per cent.

We hereby desire to withdraw brief which we filed with your committee.

Very truly yours,

FLEETWOOD HOSIERY CORPORATION,
N. B. RINGLER, *Manager.*

Senator REED. You have a brief, also?

Mr. HOWIE. Yes; I have a brief, also.

Senator REED. Hand it to the reporter, and it will be printed following your oral statement.

(Mr. Howie submitted the following brief:)

BRIEF OF UNITED STATES KNITTING MACHINE MANUFACTURERS ASSOCIATION

SENATE FINANCE COMMITTEE,
Washington, D. C.

SUBJECT

Paragraph 372 of H. R. No. 2667 (H. Doc. No. 23), in particular that section on pages 49–50 which reads as follows: "Knitting, braiding, lace braiding, and insulating machines, and all other similar textile machinery, finished or unfinished, not specially provided for, 40 per cent ad valorem; machines for knitting full-fashioned hosiery, 45 per cent ad valorem."

The tariff act of 1922 reads as above with the exception of the new classification of "Machines for knitting full fashioned hosiery, 45 per cent ad valorem."

REFERENCE BRIEF WAYS AND MEANS COMMITTEE

Our brief filed with the Ways and Means Committee—(reference, Tariff Readjustment 1929—Hearings, vol. 3, Schedule 3, pp. 2473, 2474, 2475, 2476 and 2477) respectfully requested this section to be changed to read as follows:

"Knitting machines of the circular type, braiding, lace braiding, and insulating machines, and all other similar textile machinery of parts thereof, finished or unfinished, not specifically provided for, 40 per cent ad valorem."

Flat bar knitting machines, and parts thereof, finished or unfinished, not specifically provided for, 60 per cent ad valorem."

CHANGES REQUESTED

In short, we requested two changes:

(a) Separate classification for custom purposes of flat-bar knitting machines and parts thereof.

(b) Increase in duty on flat-bar knitting machines from 40 to 60 per cent ad valorem.

No change was requested for the circular type knitting machines, braiding, lace braiding, and insulating machines, and all other similar textile machinery or parts thereof, as this class is afforded ample protection in the 1922 tariff act.

USE OF FLAT-BAR KNITTING MACHINES

Flat-bar type knitting machines are used for the manufacture of elastic fabrics, sweaters, sport garments, neckties, jersey cloth and glove material, as well as for full fashioned hosiery. With the exception of the last named class, the manufacturers of flat-bar knitting machines for the other articles have practically been forced out of business. This is a criterion of what might happen to the full-fashioned machine industry, if the floodgates are permitted to be open as they have been during the last five or six years. A good example is the Lamb Knitting Machine Co., of Chicopee Falls, Mass.

The full-fashioned hosiery machine industry is comparatively young in the United States and so far only comprises two concerns. A third concern has recently been started, but is not as yet in production and there are rumors in the trade of a fourth about to start. These two factories supply at present less than 60 per cent of the machines required by the hosiery industry, while over 40 per cent are imported from Germany. The following figures taken from Government reports bear this out:

Importations

Year	Quantity	Value	Duty collected at 40 per cent	Value machine
1927	804	$3,162,481	$1,264,992	$3,933
1928	[1] 685	2,512,559	1,005,024	3,668
1919 (January-March)	194	895,090	358,035	4,613

[1] In the Tariff Information of 1929 this figure is given as 591, but a check up made by the Department of Commerce on May 20, 1929, shows that actually 685 machines were exported from Germany to the United States of America. We are attaching a photostatic copy of the letter of the Department of Commerce. (Marked Exhibit "A.")

COMPARISON

The comparison of machines produced in this country during this time is as follows:

	Produced	Imported	Per cent
1927	953	804	45.7
1928	1,014	[1] 685	40.3
1929 (January-March)	257	194	43.0

[1] In the Tariff Information of 1929 this figure is given as 591, but a check up made by the Department of Commerce on May 20, 1929, shows that actually 685 machines were exported from Germany to the United States of America. We are attaching a photostatic copy of the letter of the Department of Commerce. (Marked Exhibit "A.")

VALUE

The unit value for 1927 is $3,933 and for 1929 $4,613, but this should be reduced to $3,520.70 since a decision handed down June 13, 1929, by Judge Garrett, of the United States Court of Customs and Patent Appeals, Washington, affirms this value in the case of the United States *v.* P. C. Kuyper & Co. (Inc.) (Grosser Knitting Machine Co., New York), Customs Appeal No. 3166,

The United States customs authorities had valued these machines at $4,142, but from now on the lower valuation will undoubtedly prevail.

According to importers' prices these machines are sold in the United States at an average price of $8,050 for a 42-gauge 24-section machine, while finer gauge machines are sold for $10,000 and over.

From the foregoing it will be seen that both quantity of imported machines and value in the 1929 tariff information is subject to correction.

COST OF MACHINE

This figure of $3,520.70, which naturally includes the German manufacturers' profit, is far below the cost of manufacturing a similar machine in this country. How much lower the actual cost of manufacturing machines in Germany is, can only be surmised, as it seems impossible to obtain figures. Even the customs division of the United States have not been able to get any facts as is evidenced by testimony introduced in above mentioned case 3166. We refer you to the Transcript of Record on pages 189, 198, and 199.

PRICES

In Germany an association of all the full-fashioned machine manufacturers regulates the domestic and foreign prices and as the association does not publish a price list and is unwilling to give out the information, it has been impossible to compare the foreign with the domestic prices.

COMPARISON OF WAGES

In Germany the wages paid in this industry are only a fraction of those paid in the United States:

	United States	Germany
Skilled mechanics	$0.75- 1.20	$0.15-$0.22½ per hour.
Unskilled labor	.40- .50	$0.12½-$0.17½ per hour.
Women and girls	15.00-30.00	$4.50 and up per week.

These figures are taken from German Metal Working Machinery Industry and Trade, by Theodore Pilger, American Trade Commissioner, Berlin. United States Department of Commerce Bulletin, No. 540, March, 1928.

We quote the following from the same source:

"On the whole American wages are about three and one-half times as high in gold as the German, and about two and one-half times as high when the relative cost of living is considered."

And on page 27 of the same publication, the American Trade Commission has the following to say regarding prices:

"German prices are generally divided into two classes, domestic and foreign. Foreign prices are usually considerably under the former, on the ground that foreign competition must be met. Germans give special attention to foreign business in the form of preferred treatment, price, and other concessions".

PRODUCTION OF FULL-FASHIONED MACHINES IN GERMANY

According to best available information, the following full-fashioned machines are being produced monthly in Germany:

German manufacturers	Quantity	American agents
Schubert & Salzer	170	Alfred Hoffman.
Boessneck	15	R. Reiner.
C. Leiberknecht	60	Louis Hirsch.
Pilscher	70	Grosser Knitt. Co.
David Richter	6	E. O. Spindler.
Total	321	

Of the above enumerated machines 20 to 25 per cent are exported to the United States, and it is easy to surmise what would happen if the tariff were reduced, especially if a change in style trends in Europe, as it has on several occasions, should take place. This whole production would simply be dumped on the American market.

PRICES IN UNITED STATES OF AMERICA

It is claimed by the importers that they are able to obtain higher prices for their machines than the American manufacturer. This is undoubtedly due to their peculiar sales methods, as it is understood in the trade that credits are extended which the American manufacturer would consider unsound and detrimental to the stability of the business. The American manufacturers have definite prices which are equal to everybody and a fixed policy as to extended payments, but on various occasions have lost orders because they were not willing to deviate from this policy and extend payments over very long periods. In some cases they were asked to even grant these terms without proper financing charges and interest and were told that their competitors granted these. Again we quote from Bulletin 540, page 16, United States Department of Commerce, regarding credit practices by German concerns:

"Nearly 46 per cent of total working capital tied up in bills receivable. It reads more like a bank statement than that of a machinery builder. That it is difficult for them to get away from the habit is clear when we see that over one-third of their working capital is now tied up in credits."

EXPORTS

Only a very few machines have been exported from the United States and practically all of these have gone to Canada and then mostly to companies that also operate mills in the United States.

The total exports for the period from 1927 to date were as follows: 1927, 6.7 per cent; 1928, 5.5 per cent.

From present indications there will be no material change in these figures for 1929.

GAUGES

At present the following sizes and gauges are commonly used in the United States: 20, 24, 28, 30, sections; 42, 45, 48, gauge.

There is a very limited number of 51, 54, and 57 gauge machines in use—we estimate not more than 1½ per cent of the machines running in this country—and as the production from these machines is much smaller than from the machines of standard gauge, the output of this fine gauge hosiery is not much more than one-half of 1 per cent of the total full-fashioned hosiery manufactured. The price of this hosiery is so high that it can be purchased by only a very small number of consumers.

It would seem from the statements of a number of manufacturers making this type of hosiery that there is an over production and they are having difficulty in getting fair prices. In this connection we would call your attention to an article on page 183 of the June issue of the Underwear and Hosiery Review.

SOME HOSIERY MANUFACTURERS ARE OPPOSING AN INCREASE IN THE DUTY

A number of the hosiery manufacturers have gone on record as being opposed to the increase in duty, fearing that this would lead to an increase in the price of machines and ultimately increase the price of hosiery to the consumer. Even if this were so and the prices of the machines were increased, the added cost to the hosiery manufacturer would not amount to more than a one-half cent per pair of stockings.

Some of the full-fashioned hosiery manufacturers who are opposing the increase in duty on full-fashioned machines have within the past year suggested that prices on full-fashioned machines should be increased in order to make it more difficult for new mills to start. The over production in the trade they claimed was so great that they could not get prices for the hosiery which would show a profit.

INCREASED DUTY NEEDED TO INSURE MARKET

The full-fashioned machine manufacturers are not asking for an increase in duty with a view to increasing the prices but simply so they can be assured of a large enough market to warrant the expense of up-to-date equipment for mass production, which is hardly possible when they have less than 60 per cent of the home trade and practically no foreign business. Knitting machine manufacturers who have been in business for a number of years have seen styles in the knitting trade change so quickly that they have been cautious about equipping for mass production until quite a volume of business was in sight. A few years ago the Wildman Manufacturing Co. was 18 months to 2 years behind in its orders on a circular spring needle machine for making ladies' hosiery, but in the last 2 years, due to the change of style, not more than 2 or 3 of these machines have been sold in this country.

CONCLUSION

In conclusion, we would say that we have every reason to believe that the increase in duty would tend to decrease the price of machines due to the local competition which the higher duty would encourage. This has proved to be the case with the full-fashioned hosiery and we have every reason to believe that it would be the same with the machines.

The Knitting Machine Manufacturers Association consisting of the following members respectfully submit the attached brief: H. Brinton Co., 3700 Kensington Avenue, Philadelphia, Pa.; Scott & Williams (Inc.), 366 Broadway, New York, N. Y.; Lamb Knitting Machine Co., Chicopee Falls, Mass.; Wildman Manufacturing Co., Norristown, Pa.; Hemphill Co., Pawtucket, R. I.; Grosser Knitting Machine Co., 260 West Broadway, New York, N. Y.; Stafford & Holt, Little Falls, N. Y.; Leighton Machine Co., Manchester, N. H.; Charles Cooper Co., Bennington, Vt.; Textile Machine Works, Reading, Pa.; Acme Knitting Machine & Needle Co., Franklin, N. H.; Tompkins Bros. Co., Syracuse, N. Y.; Standard Trump Bros. Machine Co., Wilmington, Del.; Fidelity Machine Co., 3936 Frankford Avenue, Philadelphia, Pa.

Very truly yours,

KENNETH HOWIE,
Chairman of Committee.

EXHIBIT A

DEPARTMENT OF COMMERCE,
BUREAU OF FOREIGN AND DOMESTIC COMMERCE.
Washington, May 25, 1929.

Mr. F. AHLFELD,
Textile Machine Works, Reading, Pa.

DEAR MR. AHLFELD: I am very sorry indeed that the "8" was omitted from our telegram. Exports shown should be for the year 1928 from Germany and the total number was 685 machines. According to the information submitted from Berlin, however, they did not state that all of the machines were full-fashioned knitting machines although I can not imagine any other type of equipment coming into this country.

We certainly hope that the information will be of some assistance and I am wiring you to-day stating that the figures were for 1928 instead of 1920.

If this bureau or our Philadelphia district office located in Room 812, 20 South Fifteenth Street, can serve you at any time, please do not hesitate to call upon us.

Very truly yours,

R. G. MATTHEWS,
Assistant Chief, Industrial Machinery Division.

The following is a list of members of the Knitting Machine Manufacturers' Association of the United States of America: H. Brinton Co., Philadelphia, Pa.; Scott & Williams (Inc.), New York City, N. Y.; Lamb Knitting Machine Co., Chicopee Falls, Mass.; Wildman Manufacturing Co., Norristown, Pa.; Hemphill Co., Pawtucket, R. I.; Grosser Knitting Machine Co., New York City, N. Y.;

Fidelity Machine Co., Philadelphia, Pa.; Stafford & Holt, Little Falls, N. Y.; Leighton Machine Co., Manchester, N. H.; Chas. Cooper Co., Bennington, Vt.; Textile Machine Works, Reading, Pa.; Acme Knitting Machine & Needle Co., Franklin, N. H.; Tompkins Bros. Co., Syracuse, N. Y.; Standard Trump Bros. Machine Co., Wilmington, Del.

At a meeting of the Knitting Machine Manufacturers' Association, held December 20, 1928, the following resolution was proposed and unanimously adopted:

"*Resolved*, That a committee, consisting of Mr. Ahlfeld and Mr. Howie, be appointed to compile the necessary information relating to import of knitting machinery, and prepare a brief for presentation to the Ways and Means Committee of Congress, such brief to be submitted for consideration by the entire membership."

At a meeting held January 3, 1929, the tariff committee appointed at the December meeting, presented their report and submitted a form of brief to be submitted to the Ways and Means Committee.

On motion, duly made, seconded, and carried, this report was accepted, and the brief was approved, and the committee was continued with power to act for the association before the committees of Congress in all matters relating to tariff on knitting machinery.

Attest: H. S. HORROCKS,
Secretary Knitting Machine Manufacturers' Association.

Sworn and subscribed before me this 9th day of July, 1929.

[SEAL.] WILFRED VAUGHAN,
Notary Public.

SUPPLEMENTAL BRIEF OF KNITTING MACHINE MANUFACTURERS' ASSOCIATION OF THE UNITED STATES

SUBCOMMITTEE ON METALS,
Senate Finance Committee, Washington, D. C.

Statement made by Attorney Charles Denby, jr., to the effect that "substantially he represented 60 per cent of the full-fashioned hosiery production in the United States," by reason of his presenting briefs from one-third the total number of manufacturers of this article, is incorrect.

Total full-fashioned hosiery manufacturers in United States, 315; total full-fashioned machines in United States, 13,500; total manufacturers filing briefs, 106; total full-fashioned machines (manufacturers), 4,633; total or one-third manufacturers with one-third production.

The briefs filed for these manufacturers were furnished and instigated by the importers.

Many of these manufacturers being under financial obligation to the importers, no doubt felt under pressure to sign.

Further being practically new concerns they are unacquainted with the hoisery business and do not have benefit of the complete picture in mind.

The manufacturers not protesting are the leaders in the full-fashioned hosiery industry and are well aware of what will happen to the industry if 40 per cent foreign imports per year are permitted.

The Rosedale Knitting Mills, Reading, Pa., which ranks fifth in the industry with all foreign machines installed, is in favor of the proposed increased duty of 5 per cent.

The domestic manufacturers of other textile machines in the United States were given an additional 5 per cent in the House bill, so this 5 per cent increase on the knitting machines item is logical.

Attention is again drawn to the fact that on the 51 to 57 gage machines already installed in the United States, now totaling 200, the market is oversaturated, and Mr. M. H. Grotian, secretary-treasurer New Haven Silk Co., New Haven, Ind., says in a hosiery article, entitled "Ingrain Hose Survey Show Need for Regulated Production," in the Underwear and Hosiery Review for June, 1929:

"We think it would be much better for the ingrain manufacturers to hold their prices at a certain standard, and if they find that they are accumulating a large stock in certain colors it would be much better if they would grade them as irregulars and sell them as such, instead of selling them as first quality hose at a low price.

"We believe it would be to the advantage of every ingrain manufacturer if they could get together and control their prices so that they could make a legitimate profit from their ingrain business."

It is needless to point out that the above plan is unlawful in the United States and would be a matter for investigation by the Federal Trade Commission.

The new Commissioner of Customs, just appointed by President Hoover, F. X. A. Eble, has a very significant comment to make on the matter of the foreign fullfashioned hosiery manufacturers' trust.

Mr. Eble, while customs attache in Berlin, Germany, made the following recommendation to the Secretary of the Treasury, dated Berlin, Germany, March 16, 1927 (from U. S. Court of Customs Appeals, transcript of record, No. 3166, pp. 189–199):

"This office has upon several occasions endeavored to obtain the associations' price list for home consumption and export. Manufacturers so requested have always stated: "We can not give this information without the authority of the association." The head of the association, in turn, refuses to give the price list, because he claims it is confidential information for the members only and he is not authorized to give out such information * * *; there are only five manufacturers of the knitting machines in Germany. This is the association * * * which fixes and controls the inland as well as the export price of knitting machines * * *.

"* * * Proper steps might be taken by the department to enforce the provisions of section 510 of the tariff act of 1922, and prohibit the importation into the United States of these knitting machines so long as the interested manufacturers continue in their refusal to allow a proper inspection of the above-mentioned records and documents."

This case, No. 3166, was decided in favor of the importer with a value of $3,500 placed on a 42-gage full-fashioned hosiery machine which according to the importers' statement is resold to American manufacturers at the price of $8,050 or over 100 per cent increase.

Very respectfully,

KNITTING MACHINE MANUFACTURERS' ASSOCIATION OF THE UNITED STATES,

Per KENNETH HOWIE, *Chairman.*

TEXTILE MACHINERY

[Par 372]

BRIEF OF ATKINSON HASERICK & CO., BOSTON, MASS.

Hon. REED SMOOT,
Chairman Committee on Finance, United States Senate,
Washington, D. C.

DEAR SIR: We are importers of textile machinery from Great Britain, France, and Germany. We have been greatly surprised at the apparent intention of Congress to increase the tariff rate on textile machinery. Actually it is our belief that the present rate is absurdly high and that the textile industry, which has been in such an unhappy condition, would benefit from a lower rate on textile machinery.

We believe that you are deeply interested in the recovery of prosperity by the textile mills and that you agree with the President, who stated, after referring to agriculture, that revision should be confined to "any other line of industry in which there is and has been during the past few years a substantial slackening of activity, with a consequent decrease of employment due to insurmountable competition from imports." We desire to show that the American textile machinery industry is not one of the industries which the President intended to describe, that foreign competition in the United States in textile machinery is of extremely small proportion, that the American textile machine shops can compete with foreign shops in a foreign country without the aid of a tariff or subsidy and in fact under the handicap of a foreign country's tariff, and that the United States textile industry would benefit by a lower tariff which would permit the purchase of foreign machinery at reasonable prices.

There can be no valid claim that the United States textile machinery industry has been distressed on account of foreign competition. Such distress as it has

suffered has been due to the condition of the textile industry, as the periods of prosperity of the machine shops is almost always concurrent with those of their clients. With the exception of the Saco Lowell shops, all the long established American textile machinery makers are in a strong financial condition, and even the Saco Lowell shops are at present busier than they have ever been since the war.

Under the tariff act of 1913, article 167, the duty on textile machinery and containers was 20 per cent ad valorem. No final conclusions can be drawn from a study of the imports under this act on account of war conditions and the lack of classifications of machinery imports by the United States customs. It may be noted, however, that from 1915 to 1918 the average yearly importations amounted to $720,239, which included textile machinery of every kind and description—knitting, printing, weaving, braiding, and woolen, worsted and cotton preparing and spinning machinery.

Immediately after the close of the war rayon machinery began to be imported. This machinery is extremely expensive and runs into large figures for a comparatively small amount of product. It unquestionably formed a substantial proportion of the importations of $1,135,656 and $2,842,110 in 1919 and 1920, respectively.

During these two years of great activity the demand for machinery in the United States was so great that the amount delivered by both American and foreign shops was limited only by their capacity. Importations had no effect on prices. Then came the crash of 1921.

In 1922 the present tariff act came into force and for the first time in the history of tariff legislation textile machinery was separately named in the bill and the rate of duty was increased from 20 to 33 per cent on this machinery and it containers. At that time just before the act came into effect the landed cost in the United States of foreign cotton spinning and preparing machinery was at least 25 per cent higher than the prices at which domestic machinery was freely offered.

From 1921 to 1923 the average yearly importations of all classes of textile machinery was $5,148,327, of which a large proportion in value probably consisted of rayon machinery. This can be readily appreciated, when one learns that the yearly production of rayon in the United States had increased from 8,000,000 pounds in 1919 to 75,000,000 pounds in 1927, and that much of the machinery for this increase was purchased from foreign firms, who were the pioneers in rayon manufacture.

Since 1923 the United States customs have classified textile machinery in its several classes, and we are, therefore, able to find the values of importations of cotton preparing and spinning machinery since that time. We mention this particular classification because several other branches of the textile machinery industry would, we believe, themselves admit that they had no need of any tariff whatsoever, as, for instance, weaving machinery makers; and, furthermore, because other branches, such as the manufacture of worsted, drawing, and spinning machinery are practically nonexistent in the United States and are not adaptable to American conditions.

The importations of cotton preparing and spinning machinery from 1924 to 1927 have been: 1924, $84,641; 1925, $440,420; 1926, $304,890; 1927, $402,511; or an average yearly importation of $308,115. Taking the value of machinery in a cotton-spinning mill to be $16 per spindle, this yearly importation equals for new and replacement 19.256 spindles in an industry of 37,000,000 spindles, or about five one-hundredths of 1 per cent.

From our own experience as importers of cotton and worsted preparing and spinning machinery under the present tariff act we know that importations have been confined almost exclusively to such types of machinery as are not made in the United States, and, therefore, our own importations during this period can have had no appreciable effect on the prosperity of the American textile machinery industry.

Now, as for American exports. What has been and what is now the situation in Canada? Up to February 16, 1928, the duty on foreign textile machinery entering Canada was 10 per cent for all countries, including the United States. The Canadian customs statistics show that from 1912 through 1928 the total imports of textile machinery from all countries into Canada amounted to $44,496,915, of which the importations from the United States amounted to $34,417,262, or an approximate yearly exportation of textile machinery from the United States into Canada of $2,024,545. This latter figure you will note is somewhat higher than the average yearly importations ($1,517,200) of textile machinery in the United States from all countries from 1915 to 1921 under the 20 per cent tariff rate. Since February 16, 1928, British machinery has entered

Canada free of duty, while American machinery has had to pay 10 per cent. During the period of about 10 months, February 16 to December 31, 1928, the importations of textile machinery into Canada from Great Britain have been $526,548; from the United States $2,545,173; and from all other countries, $298,767. During 1927 exports of cotton machinery other than looms from the United States to all foreign countries amounted to $485,396, whereas imports of cotton preparing and spinning machinery into the United States from all foreign countries during this same year amounted to $402,511.

What is the conclusion? Either American textile machinery makers can produce so cheaply that even in spite of a foreign tariff they can compete in Canada on more than an even basis with foreign makers and hence need no protection whatsoever in the United States, or else the American shops under a well-known "gentlemen's agreement" behind a high tariff wall can exact such high prices from the American textile mills that they can afford to dump a large percentage of their product in foreign countries. Whichever conclusion you may reach, the present situation is evidently to the detriment of the American textile mills. If you reach the second conclusion, then the American textile machine shops, by supplying machinery to Canada at a lower price than to American mills are fostering a competitor in foreign trade against our American textile mills.

Do American textile mills need foreign machinery? Would they be benefitted by the possibility of purchasing foreign machinery at reasonable prices? We have no hesitation in saying "Yes." Since the war tremendous strides have been made in the improvement of textile machinery abroad. In cotton preparing and spinning machinery many of the processes as made by British shops are superior to similar American machinery to-day. Every process of worsted preparing and spinning machinery on the Bradford system is vastly superior to the product of the American shops. The French system of worsted preparing and spinning machinery is not built in America. The latest foreign rayon machinery is distinctly superior. The German dyeing machinery is in a class by itself. On the other hand, in weaving the American machinery is so far superior for American conditions that there can be no question of importations. We say that American textile mills should be permitted to benefit by the improvements abroad at reasonable prices, and that for the benefit of the mills some of the slack should be taken out of the American machine makers "agreed" prices by a reasonable amount of importations. We have no hesitation in saying that a reduction from 35 to 20 per cent in the tariff would prove beneficial to American mills and would still permit the American machine makers to make a reasonable profit, and that for such machinery as is not now made in America, a free-of-duty schedule could well be advocated.

Now, what is the actual present protection? The duty amounts to 35 per cent. The ocean freights and importing costs outside of any commission for the importer himself average 10 per cent on the foreign values of cotton and worsted preparing and spinning machinery. The packing and containers for American shipment by foreign shops averages 10 per cent, upon which 35 per cent duty is also collected, whereas the crating by American shops for domestic and Canadian shipments costs practically nothing. For example, take the following:

	£	s.
Foreign shop floor value	100	0
Packing and containers at 10 per cent	10	0
Foreign packed value	110	0
United States duty at 35 per cent	38	10
Ocean freight and import charges at 10 per cent on shop floor value	10	0
Landed cost duty paid	158	10

Hence the actual protection is not 35 per cent; it is 58½ per cent. We believe that such protection is unnecessary for the American textile machinery industry, and is both directly and indirectly to the detriment of one of our greatest but at present ailing industries.

We hope that the facts which we have submitted will be of use to your committee in determining the duties to be assessed on textile machinery under the next tariff act.

We have tried in this letter to cover all the essential points, but if we have failed to do so, we should be glad to explain any of the points or give you further information if we have it in our possession.

On a separate sheet we submit a list of the authorities which we have employed for statistics.

Yours respectfully,

ATKINSON, HASERICK & Co.,
By WILLIAM P. HOMANS.

DISTRICT OF COLUMBIA:

Personally came before me, a notary public in and for said District of Columbia, William P. Homans, who being by me first duly sworn, deposes and says the foregoing statement is true to the best of his information and belief.

WILLIAM P. HOMANS.

Sworn to and subscribed before me, this 18th day of July, 1929.

[SEAL.] CHARLES F. PAGE, *Notary Public.*

My commission expires February 18, 1931.

AUTHORITIES

Statistics.—Year Book of the National Association of Cotton Manufacturers. 1928 (pp. 167, 172–4, and 184).

Importation of textile machinery into the United States.—Foreign Commerce and Navigation of the United States, issued by the Bureau of Foreign and Domestic Commerce.

Canadian importations.—Letter dated June 17, 1929, from the acting Chief of the Dominion Bureau of Statistics, external trade branch.

Figures for 1928 from the Government records taken by Messrs. Thompson, Ahern & Co., of Toronto.

Description of textile machinery as given in the Canadian tariff act.—"Machinery and apparatus, of a class or kind not made in Canada, and parts thereof, especially constructed for preparing, manufacturing, testing, or finishing yarns, cordage, and fabrics made from textile fibers, imported for the exclusive use of manufacturers and scholastic or charitable institutions in such processes only."

SUPPLEMENTARY BRIEF OF ATKINSON, HASERICK & Co.

Our main brief was written before we had seen the hearings before the Committee on Ways and Means, House of Representatives, Seventieth Congress, Volume III, Schedule 3, and Summary of Tariff Information, 1929.

Referring to the hearings, page 2486, we ask you to note the sentence: "This necessity for getting some business in order to keep alive is also the principal reason w · a small amount of textile machinery is exported each year by the American builders." As a commentary on this statement, please refer to our main brief, page 3, paragraph 4, and page 4, pargaraph 1, and to the Summary of Tariff Information, page 828, first half. The figures given in our brief, page 3, paragraph 2, for imports of cotton preparing and spinning machinery compared with the figures given in the Summary, page 828, show the exports to exceed the imports in the ratio of 3–1.

As for the comparison of imports to domestic production, please refer to the Summary, page 827, paragraph 1, lines 4 and 5, and to our brief, page 3, paragraph 2. Domestic production is given as $10,000,000 to $12,000,000 and imports $402,511, or a ratio ranging from 25 to 1 to 33 to 1. Also as a commentary on the inclusion in the imports of machines having special features, please see the Summary, page 827, paragraph 2, lines 6 to 10, and our brief, page 3, paragraph 3.

As a check on our figures on imports of cotton preparing and spinning machinery, see our brief, page 3, paragraph 2, and the Summary, page 827, paragraph 2, lines 1 to 6, and to the table on page 827.

Regarding worsted machinery, we have made the statement in our brief page 3, paragraph 1, that "The manufactures of worsted drawing and spinning machinery are practically nonexistent in the United States and are not adaptable to American conditions." This statement may be compared with the Summary, page 826, paragraphs 5 and 6. Also please note our brief page 4, paragraph 2, lines 7 to 10. It is a definite fact that the English worsted machinery is superior to that which has been made in the United States by either the Saco Lowell

Shops or the Whitin Machine Works. The Saco Lowell Shops found that the manufacture of worsted machinery, both of the Bradford and French systems, was not adaptable to American conditions and gave up its manufacture and has been much more prosperous since doing so. Why, then, should the American worsted mills be forced to pay a tariff on worsted drawing and spinning machinery in order that the Whitin Machine Works should try the same experiment, when there is plenty of competition among foreign shops to keep prices down?

As for rayon machinery, we beg to call the committee's attention to the Summary, page 830, paragraph 6, in which certain statements may lead to a misconception. We wish to state that rayon spinning machinery is very complicated and requires the utmost care in design and accurate manufacture. Some parts can actually only be made by watchmakers. We also can not impress upon your committee too strongly the importance of the value of rayon machinery included in our figures for textile machinery as a whole, see our brief, page 2, paragraph 6, and the Summary, page 814, the table entitled "Total Imports of Textile Machinery." The figures for imports in the Summary, page 814, may be compared with the total domestic exports (see table, p. 815), which appears to confirm our statement, our brief, page 5, paragraph 1.

We have no figures on comparative wages in textile-machinery works abroad and in the United States. We should, however, be glad to obtain them. It is our belief that the figures given by Mr. Guild in his brief in the hearings, page 2484, lead to a misconception, because from our experiences as manufacturers of cotton-combing machinery in Worcester, Mass., the wages in the United States for toolmakers are 70 cents to 90 cents per hour and for machinists 45 cents to 65 cents per hour. Whether Mr. Guild's figure of $33.60 per week for machinists is the average wage or the high limit of wage, we can not tell, but we should assume that he had taken the high limit, and that for foreign countries he had taken the low limit. We offer to obtain the information from abroad if desired.

We ask the committee to bear in mind that the present duty is 35 per cent, but that the actual protection is 58½ per cent. We believe that 20 per cent duty would be fair for all textile machinery of which like types and kinds are manufactured in the United States. There are, however, an important number of types which are not made in the United States and which might well be permitted to enter the United States free of duty, to the great benefit of the textile mills. We cite the following: Cotton and worsted mules, worsted and woolen "Universal" twisters, French worsted system combing and preparing machinery.

For the admission of such machinery free of duty, a clause based upon the wording of the present Canadian tariff act, as cited, under our "authorities" in our brief, might well be employed. To carry out this suggestion the following clause might well be substituted for lines 7 to 9, page 93, paragraph 372 of H. R. 2667:

"Machinery and apparatus, of a class and kind not made in the United States, and parts thereof, especially constructed for preparing, manufacturing, or finishing yarns or fabrics made from textile fibers, imported for the use of manufacturers, scholastic, or charitable institutions in such processes only, free of duty; all other textile machinery, finished or unfinished, not specially provided for, 20 per centum."

Respectfully submitted.

ATKINSON, HASERICK & Co.,
By WILLIAM P. HOMANS,
152 Congress Street, Boston, Mass.

DISTRICT OF COLUMBIA:

Personally came before me, a notary public in and for said District of Columbia, William P. Homans, who being by me first duly sworn, deposes and says the foregoing statement is true to the best of his information and belief.

WILLIAM P. HOMANS.

Sworn to and subscribed before me, this 18th day of July, 1929.

[SEAL.] CHARLES F. PACE,
Notary Public.

My commission expires February 18, 1931.

BRIEF OF E. KENT SWIFT, REPRESENTING THE TEXTILE MACHINERY MANUFACTURERS

COMMITTEE ON FINANCE,
United States Senate, Washington, D. C.

GENTLEMEN: This brief is filed with the committee on behalf of the principal manufacturers of textile machinery of the United States. The duty on textile machinery under the present tariff is 35 per cent ad valorem, levied under paragraph 372, Schedule 3, as "textile machinery or parts thereof, finished or unfinished, not especially provided for." The House bill has placed this duty at 40 per cent. We have asked that this rate be restored to 45 per cent, foreign valuation.

PREVIOUS TARIFFS

For over 50 years, until the war began in 1914, the rate of duty on textile machinery had remained at 45 per cent, with the sole exception of three years, 1894 to 1897, under the Wilson tariff, when the rate was 35 per cent. From 1913 to 1921, during the war period and the abnormal inflation which followed, when there was no competition from abroad, the Underwood tariff bill of 20 per cent was in force. The conditions of that period, however, were such that the effect of any tariff, high or low, was negligible.

The Fordney bill now in force became law in 1922. The House bill as passed at that time called for 35 per cent American valuation, which was estimated as the equivalent of slightly more than 45 per cent foreign valuation. The Senate bill presented called for 50 per cent foreign valuation. This was changed at the last moment on the floor of the Senate to 35 per cent foreign valuation, and so it remained when the law of 1922 was enacted.

Table of previous rates on what is now classed as "other textile machinery"

Act	In effect	Rate, ad valorem
		Per cent
Act of 1864	1864–1872	45
Act of 1872	1872–1883	45
Act of 1883	1883–1890	45
McKinley tariff	1890–1894	45
Gorman-Wilson tariff	1894–1897	35
Dingley	1897–1909	45
Payne-Aldrich	1909–1913	45
Underwood	1913–1921	20
Fordney Act of 1922	1922	35

Our industry needs the protection which the House intended to give it when it passed the 35 per cent American valuation in 1921. A duty of 45 per cent foreign valuation is nearly the same.

Textile machinery as mentioned in this paragraph covers the staple lines of cotton and woolen machinery, such as picking, carding, roving, spinning, twisting, looms, etc., and these lines are directly competitive with like machinery produced by the foreign builders. According to the biennial census of manufacturers of 1927, released by the Department of Commerce in December, 1928, there were 367 establishments in this industry, employing around 25,000 men, and indirectly, many more.

The manufacture of textile machinery started in this country with our first mills, in the early part of 1800, and has grown up with the textile industry in the United States. Likewise, the manufacture of textile machinery is one of the most highly developed industries of Europe.

There are many large and well-equipped textile-machinery shops in England, France, Germany, Poland, Switzerland, and Italy. They are well equipped, with the latest machinery, well organized for volume production, and with very low labor costs. The English shops particularly are very large in size. One English plant alone employs, when busy, 12,000 men, with its own coal and iron mines.

The English shops not only have their own very large home market, but for a great many years have paid particular attention to the export trade. With their large size, production, and close organization within themselves they have

been able to fix and dominate to a large extent the export markets of the world. In this, their banking and Government connections have been very helpful.

Since the war, on woolen machinery particularly, the Polish and German machine shops, with their very low labor costs, are entering this country with prices for their product far below our costs of manufacture.

Below is a comparative statement as to the cost of labor in the principal competing countries stated as weekly earnings in dollars:

	Laborers	Machinists	Molders
France	$5.28	$7.68	$8.64
Germany	9.30	10.05	14.10
Great Britain	9.75	13.75	14.60
United States	18.72	33.60	36.00

The foregoing comparative weekly-wage statistics are derived from Monthly Labor Review of August, 1927, published by the Bureau of Labor Statistics, United States Department of Labor.

The above labor figures do not tell the whole story, as it is customary in European shops to use a great number of low-priced apprentices, boys ranging from 14 to 20 years of age, and serving their time for five years. In some plants this percentage will run as high as one-quarter of the total employees. The English rate for apprentices starts at $3 a week for boys 14 years old and ends with $8 a week for boys 20 years old. It will be noted from the above that the foreign rates for labor will run one-quarter to one-third, as an average, of the American rates. This is particularly important in the manufacture of textile machinery, as labor is the large item of cost in its product.

The development of the textile industry in this country has rested very largely on the American textile machinery industry. The machine shops have grown up hand in hand with the mills. The textile machinery industry is most intimately connected with them. It furnishes new equipment, repairs, service, and research work. It has developed many useful and important inventions. Its development and incouragement a e essential to the well-being of the American textile mills.

In this connection the American textile manufacturers have from time to time indorsed the plea of the manufacturers of textile machinery that they be given adequate protection, so as to give the textile mills adequate service. In time of war the textile machinery industry is a necessity to this Government. Its importance was so recognized by the Government during the World War, and everything was done to expedite the manufacture of textile machinery.

PRESENT SITUATION

The present situation of the textile machinery industry is extremely depressed, and has been so for the last six years. In this period the Mason Machine Works at Taunton, Mass., founded in 1845 and employing approximately 2,000 people, the Lowell Machine Works at Lowell, Mass., founded in 1825, and giving employment to approximately 2,500 people, the Kilburn & Lincoln Loom Works at Fall River, Mass., and, according to the census report, some 22 plants devoted to textile machinery have re ently been abandoned.

The largest manufacturer of cotton-mill machinery in this country shows the following losses: 1924, $786,000; 1925, $545,000; 1926, $1,483,000; 1927, $765,000; 1928, $892,000.

A good illustration of the situation is worsted machinery. The largest maker of this, the Saco-Lowell shops, has ceased its manufacture owing largely to its inability to meet English prices and competition under the present 35 per cent clause. The Whitin Machine Works, while continuing the manufacture of worsted machinery, has steadily lost money in building this type of machinery, owing to English competition.

A certain number of the machine shops dealing with highly specialized products are able to continue with some profit, but it is a fair statement to say that most of the manufacturers of textile machinery to-day are either operating at a profit or are showing material losses. The situation they face is a serious one. The protection which they need is a protection on their labor costs, which so greatly exceed labor costs in foreign plants.

IMPORTS AND EXPORTS

The relation of exports and imports to this business is difficult to evaluate during the last few years, as owing to the depression in the textile industry there has been very little demand for new machinery.

Imports, however, in the grouping of the Department of Commerce, have ranged between $5,000,000 and $6,000,000 a year.

There have also been some exports in this same grouping. An analysis of these would seem to indicate they have been along lines of special machinery peculiar to this country. During the war period also there were considerable exports of textile machinery, and there has been some demand from outside for matching up existing plants and equipment. Repairs, too, have added their share, but as a whole these exports are negligible in amount owing to the above conditions.

Instances of recent foreign quotations can be given. A 3-cylinder set of full roller cards for the woolen trade, price $7,000 f. o. b. Antwerp, landed in New York, duty paid, with commissions, costs less than $10,500. The American price on similar machinery would be approximately $13,000. A 40-inch revolving top flat card laid down in New York, duty paid, costs less than $900. The lowest American price is $960. A cotton spinning frame laid down in Liverpool, boxed for export, costs $3.15 per spindle, which with duty and freight added would come to $4.46 for the American market. The lowest domestic price for a machine of similar specifications would be $5.06 per spindle.

CONCLUSION

In closing would say we have hesitated to make this statement a technical one, but the facts and detail mentioned can be readily substantiated. What we should like to respectfully draw to the attention of the committee is that the textile-machinery industry in the first place is a part and parcel of the textile industry. They have grown up together and it is absolutely essential to the textile industry that it exists for their benefit. It is obvious that the textile-machinery industry is in a very critical and depressed condition. Its future is uncertain. It can be largely destroyed by invasion of its market by foreign builders.

The tariff of 45 per cent under which the home industry has grown we believe necessary to give adequate protection and to foster the growth of the industry. We, accordingly, petition that the rate of 45 per cent be restored.

E. KENT SWIFT, *Chairman.*

COMMONWEALTH OF MASSACHUSETTS,
Worcester, ss:

Then appeared E. Kent Swift, chairman of the above-mentioned committee, before me and acknowledged this brief to be correct to the best of his knowledge and belief.

[SEAL.] EDWARD S. ALDEN, JR., *Notary Public.*
JUNE 20, 1929.

GEAR-HOBBING MACHINES

[Par. 372]

BRIEF OF THE GEORGE SCHERR CO., NEW YORK CITY, UNITED STATES REPRESENTATIVE FOR SCHUCHARDT & SCHUTTE, BERLIN, GERMANY.

Present 1922 law:

"PAR. 372. * * * All other machines or parts thereof finished or unfinished, not specially provided for, 30 per centum ad valorem."

H. R. 2667 as passed by House:

"PAR. 372. Machines for cutting or hobbing gears, 40 per centum ad valorem. All other machines finished or unfinished and not specially provided for, 30 per centum ad valorem."

Change requested: Same tariff that may be provided for all other machines finished or unfinished not specially provided for.

The proposed new tariff under paragraph 372, Schedule 3, discriminates against gear-cutting or gear-hobbing machines by proposing the rate of 40 per centum ad valorem. A gear-hobbing machine is a machine tool on which the duty as a whole remains at 30 per centum. This action of subjecting gear-hobbing machines to a higher duty than machine tools generally, evidently was taken on the strength of a brief submitted to the Ways and Means Committee of the House of Representatives by the Newark Gear Cutting Machine Co., Newark, N. J. (See pp. 2472–2473 of hearings, Volume III.)

We respectfully ask your consideration of the following facts:

It can not be true that the present rate of 30 per centum is not sufficient for the protection of the industry and its workmen, for the reason that none of the other manufacturers of gear-hobbing machines in this country have asked for a higher protection. There are at least four other manufacturers of gear-hobbing machines, viz, Barber-Colman Co., Rockford, Ill.; Gould-Eberhardt, Newark N. J.; Adams Co., Dubuque, Iowa; Brown & Sharpe Manufacturing Co., Providence, R. I.

In making a comparison it can be stated that the Newark Gear Cutting Machine Co. is by no means the most important firm in this line of business, the more so, as we understand that their main business is the manufacture of gears rather than gear-cutting machines. Furthermore, gear-cutting machines are built from the same material, by the same class of workmen, with the same kind of equipment as all other machine tools, and if 30 per cent duty on machine tools generally is sufficient protection, there is no good reason why gear-hobbing machines should make an exception.

Machine tool sales in the United States over the same period referred to by the Newark Gear Cutting Machine Co. have steadily increased as indicated by an index figure compiled by the National Machine Tool Builders Association. To the best of our knowledge there are no separate figures available for individual classes of machine tools, such as gear hobbers, but it stands to reason that gear hobbers should not make an exception. An inquiry to other American manufacturers, such as Barber-Colman Co., of Rockford, Ill., or Gould & Eberhardt, of Newark, N. J., would undoubtedly corroborate this. Incontrovertible proof is also furnished by the fact that exports of gear-cutting machines from the United States have constantly increased according to the statistics of the United States Department of Commerce as follows:

1923	$237,696
1924	391,300
1925	816,361
1926	444,310
1927	905,054
1928	1,094,586

Of these total figures, representing gear-cutting machine exports only, Germany's share is the following:

1923	$40,180
1924	122,879
1925	393,802
1926	50,722
1927	328,370
1928	Not yet available.

Therefore, it devolves that Germany is a large buyer of American-made gear-cutting machines, very much larger probably than she sells gear-cutting machines to the United States. How is this fact reconcilable with the claim by the Newark Gear Cutting Machine Co. that the German competition is threatening to destroy the American industry, if American manufacturers can secure such enormous volume of business for their product in Germany? Compare with the above exports of gear-cutting machines to Germany our own imports of gear hobbers from Germany:

1925	$47,700
1926	82,919
1927	59,243
1928	53,650

This is a ratio overwhelmingly in favor of American exports as against imports from Germany and conforms to the general ratio as established for the machine-tool business as a whole, namely:

	Imports	Exports	Ratio
1927	$413,821	$20,390,654	1 to 49
1928	568,996	27,425,622	1 to 50

To complete this exposé we wish to add that the Schuchardt & Schutte organization has been the foremost pioneer in the introduction of American machine tools on the European Continent, having been engaged in this activity for almost half a century. Even to-day their purchases of American made machine tools far exceed their sale of German made gear hobbers in this market. As an illustration they bought in America in 1927 an approximate amount of $500,000, and in 1928 an approximate amount of $360,000 worth of machine tools, thereby creating a favorable sales balance for American tools in the ratio of 1 to 8.

Schuchardt & Schutte also have been pioneers in the introduction of gear-hobbing machines in the United States, as this type of machine was originally a German development, so that the American machines on the market to-day can be considered copies to a certain extent.

To our knowledge there is but one other firm in the United States which imports gear-hobbing machines from Germany, namely, the Oscar Zernickow Co., 15 Park Row, New York. We are informed that their importations are less than our own.

There may have been a time, namely, shortly after the end of the inflation period in Germany, when prices had not yet adjusted themselves properly on the gold basis, that the imported machines were being sold at lower prices than competitive American makes, but this has not been the case for quite some time. To this condition, the brief of the Newark company has not reference anyway, as their business according to their own figures was then considerably larger than it is now.

We also feel that the argument of the cheaper labor in Germany, if it is advanced, does not hold true, as the tendency in Germany is rising labor costs all the time. The question of labor can not be figured as such only, but it must be taken into consideration that according to available statistics (see United States Commerce Reports for February 7, 1928) the value of production per one employee in the German machinery industry is only 1.04 against 3.38 in the American industry. This proves conclusively that while the German labor is admittedly cheaper, in order to accomplish the same result two to three times as much labor is required on account of the insufficient mechanical equipment placed at the command of the German laborer.

Furthermore, we have prepared a detailed comparison of prices of the leading makes of gear-hobbing machines which proves conclusively that the Schuchardt & Schutte machine is even now higher than any of the corresponding American makes, excepting the Newark, which, however, is also higher than other American competitors is significant and seems to indicate that unusual conditions within their organization or in reference to their manufacturing facilities exist that make their product too expensive. The explanation for this could probably be derived from the fact that their production during 1928 according to their own figures was only $17,068; in other words, some three machines only, indicating that the machines are built singly, not on a production basis, as other manufacturers do.

To substantiate their claims, the Newark Gear Cutting Machine Co. in their brief have shown two comparisons of prices between their own and Schuchardt & Shutte machines. The figures used, however, are incorrect and the data misleading. First they compare their No. 3 machine with the No. 7½ Schuchardt & Schutte. This can not be done, because their No. 3 is a high-production machine, which they themselves style as "Spirit of production," while the No. 7½ Schuchardt & Shutte machine is a universal purpose machine for jobbing, not production work. The No. 3 Newark can only be compared with the No. 5–H Schuchardt & Shutte machine which likewise is a production gear hobber, and when so compared the difference in price is insignificant, the more as the Newark has a considerably larger pitch capacity, which is of primary importance. (The pitch capacity is the larger, the smaller the figure is in which it is expressed.) To obtain a fairer survey, however, we are also showing the American-made Barber-Colman No. 12 machine, which has the same pitch capacity as Newark, although somewhat smaller in other dimensions and weight, but the difference in price is striking.

Make	Newark No. 3	Schuchardt S No. 5-11	Barber-Colman No. 12
Diametral pitch capacity	3 DP.	5 DP.	3 DP.
Face	14 DP.	10¾ DP.	10 DP.
Diameter	18 DP.	20 DP.	12 DP.
Hob arbor	1¼ DP.	1¼ DP.	1¼ DP.
Work arbor	1 1/16 DP.	1¼ DP.	
Weight	6,000 pounds.	6,100 pounds.	4,600 pounds.
Price	$4,400.	$4,125.	$2,150.

In the next example, Newark compare their No. 5, 60–72 inches diameter machine with Schuchardt & Schutte No. 15 60 inches diameter. Again we question the fairness of this comparison, the more so as the price shown is wrong and does not include the arbor support for our machine, while it does for theirs. Inasmuch as their machine admittedly handles diameters up to 72 inches, as also evidenced by their price list, the comparison is not complete unless the Schuchardt & Schutte No. 18 72 inches diameter machine is considered in addition to the No. 15 machine, because the Newark No. 5 is an intermediary size. The survey is then as follows:

Make	Schuchardt S No. 15	Newark No. 5	Schuchardt & Schutte No. 18
Diametral pitch capacity	2 DP.	2 DP.	1½ DP.
Face	14 DP.	14 DP.	19¾ DP.
Diameter	60 DP.	60-72 DP.	72 DP.
Weight	17,500 pounds.	19,000 pounds.	25,000 pounds.
Price	$8,075.	$8,800.	$10,275.

To substantiate the individual comparisons as made above, as well as the general comparison as per Exhibit 1, we attach blue-print copies of our own price lists (Exhibit 2) and photostatic copies of price lists from Gould & Eberhardt and Newark (Exhibit 3) also from Adams Co. (Exhibit 4).

The Newark Gear Cutting Machine Co. in their brief further state that German designers and executives have been at their plant, as a result of which the German design was changed. By implication, though not expressly stated, this would mean that the designers and executives were connected with Schuchardt & Schutte, but nobody of our firm has ever spent any time at the Newark plant. The support mentioned is also not being infringed upon by us, as the basic patent is one controlled by Gould & Eberhardt and we are licensed on a royalty basis by Gould & Eberhardt to use it in the Schuchardt & Schutte machine. We understand that Gould & Eberhardt have a similar understanding with Newark in the matter.

The real business in gear-hobbing machines in this country is done by such firms as Gould & Eberhardt and Barber-Colman Co., who practically control the business in the automotive industry, where it is not unusual that 10, 20, or even up to 50 machines are ordered from one manufacturer. As a general rule, it is also not true that the predominant factor in deciding purchases is the price, but rather the productive capacity of the machine.

Neither the Germans nor we ourselves can give long-time credits, as the manufacturer in Germany requires prompt payment. We sell on the same basis as any other manufacturer, namely, 30 days net, or allow 1 per cent cash discount for payment within 10 days, of which most of our customers take advantage.

The brief of the Newark Gear Cutting Machine Co. then states the case of a German gear-hobbing machine having been sold in Philadelphia. We believe we are right in identifying this as a No. 25 Schuchardt & Schutte machine sold by us to one of the large Philadelphia gear-cutting shops. The machine was sold on regular terms of credit, but was not paid for by the customer for about a year after delivery, the customer claiming at three different occasions that defects had developed for which we were responsible. This the customer used as the basis for withholding payment absolutely against our agreement and in spite of the fact that in every instance we sent a mechanic to remedy the trouble at our expense, the same as is customary with all machine-tool dealers. If the brief of Newark has reference to this machine it is a misrepresentation if it states that the machine after a year's time was taken out and replaced against a new

one. We did make a settlement with the customer instead of taking the matter into court, but did not furnish a new machine.

The statistics given in the brief of the Newark Gear Cutting Machine Co. for their yearly gear-hobber sales, in our opinion, only prove this one thing, viz, that there must be other fundamental reasons for this decrease in business. To us it appears significant, for instance, that the Newark Gear Cutting Machine Co., as we have established on good authority, has not even a catalogue on their No. 5 machine, but is using a reprint of an article in a trade paper which they send out with their quotations.

In the face of the above facts, which we substantiate by the exhibits attached or which we are ready to verify in any other manner required, we claim that the brief as submitted by the Newark Gear Cutting Machine Co. is misleading; that the proposed increase in duty on gear cutting or hobbing machines is an uncalled for discrimination, and we therefore respectfully ask that the duty be made the same as for machine tools in general.

Dated June 20, 1929.

Respectfully submitted.

GEORGE SCHERR,
President of George Scherr Co., New York.

REYMERT & ROZANSKI,
Counsel, New York City

Sworn to before me this 5th day of July, 1929.

[SEAL.] J. S. KOENIGSBERG, *Notary Public.*

Term expires March 30, 1931.

EXHIBIT 1

Make	Schuchardt & Schutte No. 2	Adams No. 1[1]	Schuchardt & Schutte No. 3½	Schuchardt & Schutte No. 5	Adams No. 2[2]	Schuchardt & Schutte No. 7½[3]	Gould & Eberhardt 18H	Schuchardt & Schutte No. 9[4]	Adams No. 3[4]	Adams No. 4[4]
Pitch capacity DP.....inches..	10	6	6	5	5	4	3	3	3	3
Face of gear.....do....	5	6	7	8	12	10	12	12	12	12
Diameter of gear.....do....	8	14	14	20	32	29½	30	35½	36	36
Net weight.....pounds..	1,300	1,250	2,000	2,100	2,500	3,200	4,550	4,300	4,000	4,100
Price with standard equipment, including support and power infeed..dollars..	$1,400	$1,000	$1,750	$1,900	$2,200	$2,500	$2,400	$2,950	$2,500	$2,800

[1] Adams No. 1 is a size between No. 2 and No. 3½ Schuchardt & Schutte, both of which are much higher in price.

[2] Adams No. 2 is considerably larger in capacity and weight, therefore difference in price fully justified.

[3] Schuchardt & Schutte No. 7½ is smaller in capacity and weight than Gould & Eberhardt 18H; still the Schuchardt & Schutte price is higher.

[4] Capacity of these three machines of Schuchardt & Schutte and Adams practically alike, but Schuchardt & Schutte higher in price than both competitive machines.

Heavy duty machines

Make	Schuchardt & Schutte TO5H[1]	Newark No. 3	Barber Colman No. 12	Schuchardt & Schutte No. 10[2]	Gould & Eberhardt 36H	Gould & Eberhardt 36H5	Schuchardt & Schutte No. 13[3]	Gould & Eberhardt 49H5[3]	Schuchardt & Schutte No. 18[4]	Gould & Eberhardt 72H[4]	Newark No. 5[4]
Pitch capacity DP.....inches.	5	3	3	2½	2	3	2	2	1½	1½	2
Face of gear.....do...	10¾	14	10	14	14	16	14	16	19¾	20	14
Diameter of gear.....do...	20	18	12	40	52	42	51	57	71	72	69½
Net weight.....pounds.	6,100	6,000	4,600	11,000	7,660	10,000	12,500	12,000	25,000	19,000	19,000
Price with standard equipment including support and power infeed.....dollars.	$4,125	$4,400	$2,150	$5,700	$4,300	$5,050	$6,800	$6,200	$10,275	$9,000	$8,800

[1] TO5H almost twice as high as Barber Colman, which goes to 3 DP Newark, which is also 3 DP, is higher but they sell none either.

[2] Schuchardt & Schutte No. 10 compares with both No. 36H and 36H5 in capacity or weight; difference in price greatly in favor of American make.

[3] Capacity and weight practically alike, but Schuchardt & Schutte much higher in price.

[4] 3 machines of Schuchardt & Schutte, Gould & Eberhardt, and Newark practically alike in capacity; Schuchardt & Schutte highest in price.

EXHIBIT 2

Price sheet 1, February 1, 1929

Standard gear hobbers to—	
No. 2 machine, single pulley drive or motor drive alongside, including differential, pump and piping, swiveling arbor support	$1,400.00
Tangential feed cutter head	350.00
Spring collet device	13.50
Spring collets each	5.50
Texrope motor drive	40.00
Add for freight direct to Pacific coast	15.00
Deduct for omitting—	
Differential	75.00
Pump and piping	15.00

Price sheet 2, February 1, 1929

Standard gear hobbers to—	
No. 3½ machine, single pulley drive or motor drive alongside, including differential, pump and piping, swiveling arbor support	$1,750.00
Tangential feed cutter head	400.00
Spring collet device	14.00
Spring collets each	6.00
Texrope motor drive	45.00
Add for freight direct to Pacific coast	20.00
Deduct for omitting—	
Differential	80.00
Pump and piping	15.00

Price sheet 3, February 1, 1929

Standard gear hobbers to—	
No. 5 machine, single pulley drive or motor drive alongside, including differential, pump and piping, swiveling arbor support	$1,900.00
Single indexing attachment	80.00
Internal gear cutting attachment	140.00
Tangential feed cutter head	435.00
Spring collet device	15.00
Spring collets each	8.00
Texrope motor drive	45.00
Add for freight direct to Pacific coast	25.00
Deduct for omitting—	
Differential	85.00
Pump and piping	20.00

Price sheet 4, February 1, 1929

Standard gear hobbers to—	
No. 7½ machine, single pulley drive, or motor drive, alongside, including differential, pump and piping, swiveling arbor support	$2,500.00
Rigid type arbor support	80.00
Single indexing attachment	85.00
Internal gear cutting attachment	165.00
Tangential feed cutter head	460.00
Spring collet device	16.00
Spring collets each	8.00
Texrope motor drive	50.00
Add for freight direct to Pacific coast	35.00
Deduct for omitting—	
Differential	100.00
Swiveling arbor support	75.00
Pump and piping	25.00

Price sheet 5, February 1, 1929

Standard gear hobbers to—	
No. 9 machine, single pulley drive or motor drive alongside, including differential, pump and piping, swiveling arbor support	$2, 950. 00
Rigid type arbor support	95. 00
Single indexing attachment	90. 00
Internal gear-cutting attachment	175. 00
Tangential feed cutter head	550. 00
Spring collet device	21. 00
Spring collets, each	8. 00
Texrope motor drive	75. 00
Add for freight direct to Pacific coast	60. 00
Deduct for omitting—	
Differential	150. 00
Swiveling arbor support	100. 00
Pump and piping	30. 00

Price sheet 6a, February 1, 1929

Heavy duty gear hobbers to—	
No. 5H machine, single pulley drive, or motor drive alongside, including differential, pump and piping, automatic change, gear lubrication	$3, 800. 00
Swiveling type arbor support	325. 00
Single indexing attachment	100. 00
End mill attachment	225. 00
Tangential feed cutter head	700. 00
Texrope motor drive	80. 00
Add for freight direct to Pacific coast	40. 00
Deduct for omitting—	
Differential	175. 00
Pump and piping	30. 00
Countershaft	25. 00
Standard cutter head	85. 00

Price sheet 6, February 1, 1929

Heavy duty gear hobbers to—	
No. 10 machine, single pulley drive or motor drive alongside, including differential, pump and piping, automatic change gear lubrication, tooth depth stop	$5, 300. 00
Swiveling arbor support	400. 00
Rigid type arbor support	220. 00
Single indexing attachment	110. 00
Internal gear-cutting attachment	300. 00
End mill attachment	250. 00
Tangential feed cutter head	800. 00
Adjustable collar for work arbor	25. 00
Double roller jack support	130. 00
Spring collet device	85. 00
Spring collets, each	35. 00
Texrope motor drive	85. 00
Add for freight direct to Pacific coast	75. 00
Deduct for omitting—	
Differential	200. 00
Pump and piping	35. 00
Tooth depth stop	15. 00
Countershaft	30. 00
Standard cutter head	100. 00

Price sheet 7, February 1, 1929

Heavy-duty gear hobbers to—	
No. 13 machine, single-pulley drive or motor-drive alongside, including differential, pump and piping, automatic change gear lubrication, tooth depth stop	$6, 300
Swiveling arbor support	500
Rigid type arbor support	275

Heavy-duty gear hobbers to—Continued.	
Single indexing attachment	$130
Internal gear-cutting attachment	380
End mill attachment	300
Tangential feed cutter head	950
Adjustable collar for work arbor	35
Double roller jack support	160
Spring collet device	100
Spring collets, each	40
Texrope motor drive	100
Add for freight direct to Pacific coast	100
Deduct for omitting—	
Differential	250
Pump and piping	50
Tooth depth stop	25
Countershaft	35
Standard cutter head	150

Price sheet 8, February 1, 1929

eavy-duty gear hobbers to—	
No. 15 machine, single-pulley drive, or motor-drive alongside, including differential, pump and piping, automatic change gear lubrication, tooth depth stop	$7,400
Swiveling arbor support	675
Rigid-type arbor support	350
Single indexing attachment	135
Internal gear-cutting attachment	450
End mill attachment	350
Tangential feed cutter head	1,100
Adjustable collar for work arbor	40
Double-roller jack support	200
Spring collet device	110
Spring collets, each	45
Tesrope motor drive	115
Add for freight direct to Pacific coast	125
Deduct for omitting—	
Differential	275
Pump and piping	50
Tooth depth stop	25
Countershaft	35
Standard cutter head	175

Price sheet 9, February 1, 1929

eavy-duty gear hobbers to—	
No. 18 machine, single-pulley drive or motor-drive alongside, including differential, pump and piping, automatic change gear lubrication tooth depth stop	$9,500
Swiveling arbor support	775
Rigid-type arbor support	500
Single indexing attachment	150
Internal gear-cutting attachment	600
End mill attachment	500
Reversing attachment for herringbone gears	1,250
Tangential-feed cutter head	1,350
Adjustable collar for work arbor	45
Double-roller jack support	300
Spring collet device	135
Spring collets, each	60
Texrope motor drive	125
Add for freight direct to Pacific coast	150
Deduct for omitting—	
Differential	300
Pump and piping	55
Tooth depth stop	30
Countershaft	40
Standard cutter head	250

Price sheet 10, February 1, 1929

Heavy-duty gear hobbers to—	
No. 20 machine, single-pulley drive or motor drive alongside, including differential, pump and piping, automatic change gear lubrication, tooth depth stop	$10,750
Swiveling arbor support	825
Rigid type arbor support	525
Single indexing attachment	160
Internal gear-cutting attachment	600
End mill attachment	500
Reversing attachment for herringbone gears	1,500
Tangential feed cutter head	1,475
Adjustable collar for work arbor	50
Double roller jack support	325
Spring collet device	135
Spring collets, each	60
Texrope motor drive	135
Add for freight direct to Pacific coast	175
Deduct for omitting—	
Differential	325
Pump and piping	60
Tooth depth stop	30
Countershaft	45
Standard cutter head	300

PRINTING MACHINERY, ETC.

[Par. 372]

STATEMENT OF HENRY TILFORD, NEW YORK CITY, REPRESENTING THE HOFFMAN TYPE & ENGRAVING CO. AND OTHER IMPORTERS OF PRINTING AND BOOKBINDERS' MACHINERY

(The witness was duly sworn by the chairman of the subcommittee.)

Senator REED. Mr. Tilford, you desire to speak to us about printing presses, do you?

Mr. TILFORD. Yes—printing presses, printing machinery, bookbinders' and box-making machinery.

Senator KING. What paragraph is that?

Mr. TILFORD. Paragraph 372. I had a brief filed. You will find my brief at pages 2491–95 of the House hearings.

Senator REED. Are printing presses especially mentioned?

Mr. TILFORD. They are.

Senator KING. In what line are they mentioned?

Mr. TILFORD. Line 11.

Senator REED. Thirty per cent. All right, Mr. Tilford.

Mr. TILFORD. I represent, besides my own firm, which is the largest importer of printing and bookbinders' machinery, five other importers of such machinery, and I am, therefore, representing about 80 per cent of all such imports.

I am referring to paragraph 372, which covers printing presses, printing machinery not specifically specified, and also bookbinders' and box-making machinery.

I wish to state first that you will find in your Tariff Summary the statistics on printing presses, while all other printing machinery, bookbinders' and box-making machinery went under "general machinery," and it was quite hard for me to get statistics of the imports and exports; but I have them, and have filed the figures here.

In our brief, which you will find on pages 2491–2495, and of which I have a copy here, we requested the committee for a reduction of the present duty of 30 per cent to 15 per cent, which rate would be similar to the Underwood bill, which called for a duty of 15 per cent on printing presses and 20 per cent on printing machinery, also bookbinding and box-making machinery. No consideration has been given to our brief; and the duty as proposed would remain the same as we have now, which is 30 per cent.

The present duty of 30 per cent was adopted as a protection against foreign competition, largely on account of European inflated currency in the years following the war, which caused changes in the price market and unsettled conditions, especially in Germany. Those conditions do not exist any longer. While the selling prices of domestic machines are to-day the same as in 1922, and in many cases have been reduced, the selling prices of the German manufacturers have been raised about five times since 1922. The high duty we have to-day is prohibitive, considering other items which have to be added for sea packing, freight, insurance, custom fees, brokers' commissions, and many other small items, which add another 15 per cent, and bring the cost of importation up to about 45 per cent.

Our request for reduction is based on the following main points:

1. Domestic production:

The figures, which you will find in Tariff Information, 1929, are only for printing presses, while I am giving the figures for printing machinery and also bookbinding and box-making machinery.

Senator KING. I find that in 1925 the domestic production was $36,034,478.

Mr. TILFORD. That is right; but I have different figures here, because I also added the printing machinery and bookbinders' machinery.

In 1921 the domestic production of printing presses alone—and I will leave out the last few figures; I will just give it in millions—amounted to $22,000,000. Other printing machinery, also bookbinders' and paper-box machinery, amounted to $9,400,000.

Senator KING. What would you call that machinery?

Mr. TILFORD. A printing press is just a press for printing.

Senator KING. I know.

Mr. TILFORD. A printing machine would be, say, a paper cutter, wire stitcher, perforator, or different other machines that have never been classified in this new list.

Senator KING. They were how much?

Mr. TILFORD. They amounted to $9,410,000. The total was $31,000,000.

In 1923 the domestic production of printing presses was $30,000,000; other printing machinery $14,000,000—the total went up to $45,000,000.

In 1925 we had a domestic production of $36,000,000 of printing presses alone; bookbinders' and other machinery $14,000,000—amounting to a total of $50,000,000.

In 1928 the total amount was about $58,000,000.

Therefore, the total production value has nearly doubled in seven years.

Then I have the figures of the export conditions.

In 1922, printing presses and all other machinery, also bookbinders' and box-making machinery, amounted to $4,155,000.

Senator KING. For what year?

Mr. TILFORD. 1922.

Senator REED. That is printing presses alone?

Mr. TILFORD. That is printing presses and other machinery. You see, there was no classification in 1922. I could not find other machines. I am just giving the two items.

Senator KING. The Tariff Information Summary states that the value of exports of printing presses in 1919 was $3,827,038.

Mr. TILFORD. I have not got the figures as far back as 1919. I have them from 1922.

Senator KING. And in 1922, according to this Tariff Information Summary, the exports were $4,155,000.

Mr. TILFORD. I have that figure here, too.

Senator KING. But that is printing presses alone, it states here.

Mr. TILFORD. I could not find bookbinders' machinery. I could not find that before.

Senator KING. All right.

Mr. TILFORD. For 1923 I have a figure of $4,603,000.

Now, beginning from 1924, I could find some data, and I have those.

In 1924 we exported printing presses to the amount of $4,800,000; printing machinery and bookbinders' and box-making machinery, $1,755,000—the total amount was $6,580,000.

In 1926 our export of printing presses was $6,232,000; other printing machinery, $4,303,000. That more than doubled in two years. The total amount was $10,535,000.

In 1928, two years later, the exports of printing presses amounted to $6,155,000; other printing machinery, $5,475,000—total, $11,631,000.

That is nearly three times as much as in 1924. In fact, you will find the export value has nearly doubled in four years, and trebled since 1922.

Senator KING. What were the exports in 1928?

Mr. TILFORD. The total exports?

Senator KING. Yes.

Mr. TILFORD. $11,631,770.

I also have a list showing the exports from here to Germany. I wish to state that 95 per cent of all the machines coming in in our line come from Germany, and for that reason I have put in those statements. It will interest you to find that the exports of American machines to Germany increased from almost none—$1,175 in 1922—to about $500,000 in 1928.

American manufacturers exported to Germany in 1924 printing presses to the amount of $49,489; other printing machinery, including bookbinders' and box-making machinery, $106,000.

Senator KING. You are speaking in dollars now?

Mr. TILFORD. In dollars; yes. Total, $155,000.

In 1926 the total was $211,000.

In 1927 the total was $472,000.

In 1928 I could not get the correct figure, but it is a little over the figure of last year—about $500,000.

Senator KING. Your position is that we manufacture here in the United States and can export and sell in Germany in competition with the German manufacturers?

Mr. TILFORD. Absolutely. We export an amount more than double what we import. I have here the list of importations. In fact, the increase to Germany in six years was 420 per cent.

I have here the percentage comparison of domestic production against the imports.

In 1923 the total of the domestic production was $45,000,000. The import was $58,000. Therefore that was one-eighth of 1 per cent.

In 1925 the domestic production was $50,000,000. The import was 59,000. That is about one-tenth of 1 per cent of the domestic production.

In 1928 the domestic production was about $58,000,000. The import was $259,000, which is about one-half of 1 per cent.

Senator KING. The 30 per cent tariff does not seem to have been much of a bar to importations.

Mr. TILFORD. It was, because we only imported in the last year 259,000.

Senator KING. What I mean is this: If we can manufacture and ship to Germany and sell in the German market, it would appear as though the tariff would not be of any benefit to the domestic manufacturer, unless we were dumping. Do you know whether we were dumping?

Mr. TILFORD. No; we can not dump.

Senator KING. Do you know whether we were attempting to sell in Germany at a less price than the domestic buyer of the machines would be charged?

Mr. TILFORD. I checked it up, Senator, and I found that they are selling American machines in Germany a the same prices, adding just the freight to Germany.

Senator KING. For the same prices that they are selling for in the United States?

Mr. TILFORD. The same as they are selling for here, while the German manufacturer can not sell lower here than he sells all over, because they have a certain combination. They control the prices. Besides, the export values are controlled by the United States Government. They have officials there who control the export prices. They can not undervalue; they can not send goods here at lower prices than they sell to South America, Argentina, or somewhere else.

Senator REED. How many manufacturers of printing presses of this type are there in the United States?

Mr. TILFORD. We have, in all, about 12 large manufacturers.

Senator REED. About 12?

Mr. TILFORD. I would say about 15, of which at least 10 or 12 are very large and very wealthy.

Senator REED. Which is the biggest?

Mr. TILFORD. I have a list here. We have here, as the largest manufacturer, the Miehle Printing Press Manufacturing Co., in Chicago. We have, as the second, Harris, Siebold & Potter Co., in Dayton, Ohio. They combine three different manufacturers. As the next one we have the Dexter-Folder Co.

Senator REED. That is enough. How many producers are there in Germany?

Mr. TILFORD. In Germany they have 16 or 18.

Senator REED. Are they organized into a cartel?

Mr. TILFORD. No. They have an agency that keeps all the statistics of exports, imports, and so forth, and that is where I received quite some data.

Senator REED. I am told that recently they had a meeting and decided to establish a sales organization in this country. Do you know anything about that?

Mr. TILFORD. No. If that were true, then I would take the sales organization over. I am importing myself about 75 per cent of all the imports. I do not know anything about it.

Senator REED. You do not know of anything of that sort?

Mr. TILFORD. No.

Senator KING. Are there imports from any other country except Germany?

Mr. TILFORD. Mostly from Germany; about 96 per cent is from Germany. I have also a list of comparison here——

Senator KING. Do you know whether these 8 or 10 or 12 large manufacturers in the United States have substantially a uniform price on their products?

Mr. TILFORD. Oh, yes. They not only have a uniform price, but they really control the whole market. For instance, I could never buy their machines. They will only protect one or two dealers in the whole country.

Senator KING. You mean they would not sell to you?

Mr. TILFORD. No; they would sell to me at the same price as to a printer. If they would sell to me, I would not be importing at all.

Senator KING. Let me see if I understand you. Do you mean that you could not go out to-day and place an order with one of these companies and have it filled?

Mr. TILFORD. I want to explain that. Suppose one of these companies sells a machine for $2,900 to a printer. If I should go to the same company, they would tell me that my price is $2,900. Therefore, I can not buy them. It is just the same as to say I can not buy. We are dealers. We have to resell. So, they all combine, and they all control the prices.

Senator KING. Let me see if I understand that. You do not wish to speak loosely, and I do not wish to misunderstand you. You say they all combine. By that do you mean that there is a combination which fixes the price, below which none of them will go, or above which none of them will go?

Mr. TILFORD. No; I would not say that. There are two combinations whereby some large manufacturer, for instance, the Siebold Co., manufacturing paper cutters, and the Harris Co., manufacturing the Harris offset presses, and the Potter Co., manufacturing a different line of machines, all combine to reduce their expenses. They combine to reduce the selling organization. Instead of having three selling organizations they have only one.

Senator KING. That is to say, those three organizations are combined.

Mr. TILFORD. Yes. The Miehle Co. also combine with some other concerns. I do not know the names. I have the list of those 12, and I have their ratings. From the 12 I can see that about 9 are rated at $1,000,000 and over. They are all very wealthy, and some are working overtime. Some are working double shifts.

Senator KING. Have you any statements from Bradstreet or from Moody's Manual or any of these organizations that furnish a list of the profits, dividends, stock dividends, and otherwise, of these companies?

Mr. TILFORD. I can furnish that.

Senator KING. I wish you would hand that to the reporter, and hand me a copy as soon as you can.

Mr. TILFORD. I will. May I continue?

Senator KING. Yes, sir.

Mr. TILFORD. I have here a comparison of the relative percentages of the American manufacture exports against production; I mean, our total exports, not only to Germany. In 1925 they produced $50,000,000. They exported $6,452,000. Therefore, one-eighth of the total production has been exported. In 1928 the total production was $58,000,000. The exported $11,000,000. They nearly doubled.

Senator KING. What year were the exports $11,000,000?

Mr. TILFORD. $11,631,770 in 1928. That is, one-fifth of the total production was exported.

Senator KING. That includes all classes?

Mr. TILFORD. Yes; bookbinding machines, and so forth. While the tariff information book gives only one-seventh I wish to state that I added the bookbinding and box-making machinery. That brings it up to one-fifth.

With regard to German labor, they have always said that German labor is so much lower, and therefore they can produce cheaper. I investigated and I found that the total cost of labor on machinery generally, according to a statement which was given out by the Department of Commerce on February 27, amounts to 15 per cent. That is labor.

Senator KING. On these machines?

Mr. TILFORD. On the selling price. I wired to Germany, and I have the same admission. They wired me back 16 per cent. Let us assume that a machine is sold for $1,000. On that $1,000 the American manufacturer has $150 labor. The German manufacturer has $50 labor. Therefore the only protection he would need, so far as labor goes, would be 10 per cent.

Senator KING. That is assuming that the cost of labor here is three times that in Germany.

Mr. TILFORD. Yes.

Senator KING. But assume—and I have some statistics here from the Department of Commerce—that the relation of labor there to American labor is 39 to 100; that is to say, one American will perform 100 per cent, using that as a basis, and the German only 39 per cent as much work.

Mr. TILFORD. You mean in production?

Senator KING. In the value of production.

Mr. TILFORD. That is absolutely correct. I have that here also.

Senator KING. You may state it.

Mr. TILFORD. That is correct, on account of the highly developed labor-saving machinery they have here, which they have not in Germany. They have no money to put such machinery in. The amount of work turned out here by each workman is three times as much as in Germany. That is about the proportion you have, Senator.

Another item entering into the manufacturing of machinery is casting. The price of casting in Germany to-day is one and one-half times higher than in 1922. Casting here is about the same.

The cost of steel in Germany to-day is about four times as high as in 1922. Here the price is about the same.

Senator KING. Four times as high as it was in 1922?

Mr. TILFORD. Yes. I have all those statistics from Germany. I have the overhead expenses. They are 75 per cent higher to-day than in 1922. Here they are about the same.

Taxes in Germany to-day are 500 per cent higher than in 1922.

Labor in Germany to-day is four times as high as in 1922.

I have collected all the data I am giving to you to-day from different reports. I have reports here from some of the large manufacturers, from the chambers of commerce in Germany and in New York, and finally from a committee in Germany, including about 96 per cent of all the German manufacturers in that country. In fact, it is admitted by that committee that American manufactured machines are well liked in Germany. I have that in writing from that committee. Nevertheless, there is no prohibitive tariff in Germany against American manufacture in our line. You may be surprised to know——

Senator KING. Is there any tariff at all?

Mr. TILFORD. You would be surprised to know that American machines in Germany are paying from 2 to 3 per cent. We here are paying 30 per cent, and have 15 per cent expenses, besides.

With regard to the imports, you will find that in 1928 we had a larger increase than in previous years, and I want to explain that increase. In 1928 we imported about 165 special machines. They call them the Heidelburg automatic presses. They are used to print envelopes at a speed of about 7,000 an hour. The machine is not built in this country. That, of course, raised the importations. If you were to strike those out, the importations would be even smaller, and would not show any increase at all.

Senator REED. How may of those did you import?

Mr. TILFORD. About 168. I have the correct data here.

Senator KING. You say they are not made in the United States?

Mr. TILFORD. No; they are not made here. I have a circular here if you wish to see it.

Senator REED. If you deduct that from the 244 total machines brought in in 1928, it leaves 76 machines of other types.

Mr. TILFORD. That is all. You see, I imported myself different auto printing presses, and I had to give it up.

Senator REED. Why?

Mr. TILFORD. After the war I took over 12 German agencies. To-day I have three, and I am nearly giving all three up, and unless we get relief in the duty, we can not compete at all.

About four or five years ago I imported 12 or 15 printing presses. The next year I imported about six, and then I had to give it up,

because I could not compete with people in this country. The is one concern in Cleveland which sells about 25,000 or 30,000 machines a year. If you take the number of machines we have here in the United States, there are about 35,000 established printers here in the United States. Besides, we have about 5,000 or 6,000 established bookbinders and box makers. That gives a total amount of about 40,000 establishments. If we take an average, say, of the number of machines for each establishment, I may say that six is a very low figure. That would give about 250,000 machines. What do we import? About 130 a year, or 150, or 200 at the most. If we cut out the Heidelburgs, we import only about 100.

I wish to talk especially about the bookbinding and box-making machinery. The way it stands to-day, we can not compete on printing presses, because even if you put printing presses on the free list, I hardly think you could import any. The competition here is too great. We could continue and do some business in machinery used by printers generally, and bookbinders and box makers. Therefore, I would suggest that a new paragraph should be added just for printing machinery.

The whole domestic production of bookbinding and box-making machinery in 1923 was $5,000,000; in 1925, $8,000,000; in 1927, $7,000,000, and so forth. There is no paragraph applying to that line at all. It is all dumped in in this basket paragraph, No. 372. That was done after the war, on account of the unsettled conditions.

Senator REED. It pays 30 per cent, the same as printing presses.

Mr. TILFORD. Thirty per cent.

Senator KING. What do you call it?

Mr. TILFORD. Box-making machinery.

Senator KING. What else?

Mr. TILFORD. Printing machinery, bookbinding machinery, and box-making machinery.

Senator REED. How much do the imports amount to, in bookbinding machines and box-making machinery?

Mr. TILFORD. I have that here, Senator.

I just wish to say a few words about the bookbinding machinery. You will find that the exports to Germany, on printing, bookbinding and box-making machinery, excluding printing presses, increased from nothing in 1922 to $106,000 in 1924, and they have nearly doubled again in three years, reaching $196,000 in 1927. In the three years, 1925, 1926, and 1927, we imported a total of $350,000 in bookbinding and box-making machinery from Germany. In the same three years we exported to Germany $314,000. That is nearly the same amount.

Senator KING. And we exported to all the countries of the world——

Mr. TILFORD. I have a separate list to show you that the exports to the different countries increased two and three times. I have a list of exports to Canada. I have put it in my brief.

Regarding the domestic production of bookbinding and box-making machinery, we imported in 1923, one-fifth of 1 per cent. We imported $127,000. In 1925 we imported $117,000, which is one-seventh of 1 per cent. In 1927 we imported $144,000, which is one-sixth of 1 per cent.

With regard to bookbinding and box-making machinery, and printing machinery, excluding printing presses, they produced in 1921,

$16,000,000; in 1923, $14,000,000; in 1925, $14,000,000; and in 1927, $16,000,000. I am giving these figures because I think there is reason to have a separate paragraph for these items.

I wish to call your attention to the fact that similar lines to ours—for instance, typesetting machines and machines used by shoe manufacturers—are all on the free list. The same competitive conditions exist on typesetting and shoemaking machinery. We have a very large amount of shoe-machine manufacturers in Germany. Nevertheless, the importation is practically nothing. It is the same way with typesetting machines. That would not harm the manufacturers here at all if we were put on the free list.

If that is not possible, then I propose that paragraph 372 be changed to read:

Printing presses, printing machinery, and any machinery used by bookbinders and box makers.

Senator KING. You want it put on the free list? Is that your recommendation?

Mr. TILFORD. I can not insist on that.

Senator REED. He asks for 15 per cent.

Mr. TILFORD. I am asking for 15 per cent, but I just mention that to show that we are really entitled to be on the free list.

Senator REED. You are thankful for anything.

Mr. TILFORD. That is right.

I have also a third proposition here. That would be to leave the paragraph on printing presses as it is, at the rate which you find correct, 15 or 20 per cent, and then add another paragraph on which we really need protection, which will read: "Printing machinery, bookbinders and box-making machinery" at a rate of 10 or 15 per cent.

Senator KING. When you state you need protection, you mean you need a reduction as compared with the existing rates?

Mr. TILFORD. Oh, yes. The way it is going now, I have not much help, because I am not manufacturing. I am only importing. I employed about 44 men. I reduced them about half, and I am still reducing. I did not order any machines from Germany, with the exception of one factory, in the last six months, and I am at a point where I will give up the whole import business unless I can get relief in the tariff.

Up until now we have had to sell at about the same prices they are selling here, while the German manufacturers are raising the prices to us all the time. We have other expenses. We have to demonstrate those machines. I arranged a school in my place, which meets three times a week. We have to show them how to run some of those machines. We have to sell them on terms of one or two years, and we have to take quite some chances in selling alone. Besides, we have to keep an immense stock of parts. I have invested today about $20,000 just in parts. No man here will buy a machine unless we can give him a written guaranty that we will give him service for a year or two, and also guarantee that we will supply him with parts whenever he needs them. The American manufacturer does not need that. He can make up a part in a few days. We have to be prepared.

May I submit a copy of the same brief I submitted to the Ways and Means Committee?

Senator REED. We already have that.

Senator KING. You can file your additional brief, if you have one.

(Mr. Tilford submitted the following brief:)

Brief of Henry Tilford, New York City

Committee on Finance,
United States Senate.

Senators: I represent besides my own firm, which is the largest importer of printing and bookbinders' machinery, five other importers of such machinery, and I am therefore representing about 80 per cent of all such imports.

I am referring to paragraph 372, which covers printing presses, printing machinery, not specifically specified, and also bookbinders' and box-making machinery.

In our brief, which you will find on pages 2491 to 2495, of the House hearings, Tariff Readjustment, 1929, and of which I am hereby presenting a copy, we requested the committee for a reduction of the present duty of 30 to 15 per cent, which rate would be similar to the Underwood bill, which called for duty of 15 per cent on printing presses, and 20 per cent on printing machinery, also bookbinding and box-making machinery. No consideration has been given to our brief, and the duty as proposed would remain the same as we have now, and which is 30 per cent.

The present duty of 30 per cent was adopted as a protection against foreign competition, lagely on account of European inflated currency in the years following the war, and which caused changes in the price market, and unsettled conditions especially in Germany. Those conditions do not exist any longer. While the selling prices of domestic machines are to-day the same as in 1922, and in many cases have been reduced, the selling prices of the German manufacturers have been raised about five times since 1922. The high duty we have to-day is prohibitive, considering other items which have to be added for sea packing, freight, insurance, customs fees, brokers' commissions, and many other small items and which add another 15 per cent, and which brings the cost of importation up to about 45 per cent.

Our request for reduction is based on the following main points:

1. DOMESTIC PRODUCTION

The figures which you will find in Tariff Information, 1929, are only for printing presses, while I am giving the figures for printing machinery, and also bookbinding and box making.

Total value of domestic production of printing presses—other printing machinery, also book binders and box making machinery, has increased continuously from year to year, for instance:

1921.	Printing presses	$22,368,406
	Other printing machinery, also book binders and paper box machinery	9,410,000
		31,468,406
1923.	Printing presses	30,868,907
	Other printing machinery, also book binders and paper box machinery	14,673,087
		45,541,989
1925.	Printing presses	36,034,478
	Other printing machinery, book binders, etc	14,246,493
		50,280,971
1928.	Total amount about	58,000,000

Therefore, the total production value has nearly doubled in seven years.

2. EXPORT CONDITIONS

1922.	Printing presses and all other machinery, also book binders and box making machinery	$4,155,441
1923		4,603,321
1924.	Printing presses	4,825,425
	Other printing machinery which includes book binders and box making machinery	1,755,199
		6,580,624

1926. Printing presses	$6,232,261
Other printing machinery, etc	4,303,256
	10,535,517
1928. Printing presses	6,155,773
Other printing machinery, etc	5,475,997
	11,631,770

Here you will find that the export value nearly doubled in four years and tripled since 1922.

3. EXPORT TO GERMANY

We are mentioning the exports to Germany because about 97 per cent of all the machines imported here come from Germany, and it will interest you to find that the export of American machines to Germany increased from nearly none ($1,175) in 1922 to about half a million dollars in 1928.

American manufacturers exported to Germany in 1924:

1924. Printing presses	$49,489
Other printing machinery, which includes also book binders and box making machinery	106,031
	155,520
1926. Printing presses	130,065
Other printing machinery, etc	81,872
	211,937
1927. Printing presses	275,662
Other printing machinery, etc	196,433
	472,075
1928. While no correct figures are obtainable, total amount will be shown to be around	500,000

Therefore, we find that the export to Germany increased in six years about 420 per cent.

4. PERCENTAGE OF COMPARISON OF DOMESTIC PRODUCTION AGAINST IMPORT

1923. Domestic production, $45,541,989; imports, $58,354; which is about one-eighth of 1 per cent.

1925: Domestic production, $50,280,971; imports, $59,982; which is about one-tenth of 1 per cent.

1928: Domestic production about $58,000,000; imports, $259,916; which is about one-half of 1 per cent

5. PERCENTAGE OF COMPARISON OF AMERICAN MANUFACTURERS TOTAL EXPORTS AGAINST PRODUCTION

Production in 1925 was	$50,280,971
Total exports amounted to	6,452,811

Therefore one-eighth of the total production has been exported.

Production in 1928 was about	$58,000,000
Total exports amounted to	11,631,770

Therefore one-fifth of the total production has been exported.

I wish to call to your Senators' attention that while the Tariff Information Book gives the percentage of exports as only one-seventh against domestic production, my statement of one-fifth is correct, as the Tariff Information Book refers only to figures for printing presses, and not for printing machinery, book binding and box making machinery.

Regarding German labor, I wish to state that while we admit that German labor is only about one-third American labor, nevertheless you will find in one of the lists that I am presenting that the actual labor amounts to only fifteen per

cent of the selling amount of the finished article. I have collected this data from a list given out by the Department of Commerce on February 27, and I have it confirmed from one of the largest manufacturers in Germany also. For instance, a certain machine would sell for $1,000. On such a machine the labor would amount to 15 per cent; that is, $150. For this labor a German manufacturer would pay only one-third; that is $50. The American manufacturer is, therefore, only at a disadvantage of $100; that is, 10 per cent against a total protection of 30 per cent on duty and other expenses of about 15 per cent. Even the 10 per cent are equalized by the big advantage the American manufacturer has in the highest developed labor saving machinery, and, in fact, the amount of work turned out by each workman here is much higher than in Germany. Other items entering into manufacturing in our line of machinery are as follows:

CASTINGS

The price of castings in Germany to-day is one and a half times higher than 1922, while the prices of casting here against 1922 is about the same.

STEEL

The cost of steel in Germany to-day is about four times as high as in 1922, while here the price is about the same.

OVERHEAD EXPENSES

Overhead expenses are 75 per cent higher to-day than in 1922, while here they are about the same.

TAXES

The taxes in Germany to-day are 500 per cent higher than in 1922.

LABOR

Labor in Germany to-day is four times as high as in 1922.

I have collected all of the data I am giving your to committee from different reports I have from some of the largest manufacturers, chamber of commerce in Germany and New York and here, and finally from a committee in Germany, including about 96 per cent of all the German manufacturers in our line.

In fact, it is admitted by such committee that the American manufactured machines are well liked in Germany, nevertheless, there is no prohibitive tariff Germany against the American manufacturer, and you may be surprised to know that American machines in Germany are only paying 2 to 3 per cent duty against the 30 per cent we have here.

The increase in the import in 1928 was mostly caused through the import of a special printed press (Heidelberg), which machine has no competition in this country, and is mostly used for printing envelopes at high speed.

The different lists I am submitting will show conclusively that the proportion of increase in production and export for printing machinery, bookbinders and box making machinery is even larger than for printing presses.

So you will find, for instance, that the export to Germany in printing, bookbinding and box-making machinery, excluding printing presses, increased from none in 1922 to 106,000 in 1924, and then nearly doubled again in three years, and reached their mark of 190,433 in 1927.

In three years 1925, 1926, and 1927 we imported a total amount of $350,000 in bookbinding and box-making machinery from Germany, while in the same three years we exported to Germany $314,000 during the same three years. Therefore, as we nearly exported as much to Germany as from Germany to this country, we do not think that the American manufacturers needs any protection at as far as this line of machinery is concerned.

Regarding the domestic production of bookbinders and box-making machinery, the figures are as follows:

1923—Paper-box machinery, about	$4, 000, 000
Bookbinding machinery	1, 591, 456
	5, 591, 456

1925—Paper-box machinery, about	$4,644,800
Bookbinding machinery	3,389,126
	8,033,926
1927—Paper-box machinery	4,305,146
Bookbinding machinery	2,789,156
	7,094,302

Against these production figures, we imported:
1923, $127,000, which is about one-fifth of 1 per cent.
1925, $117,000, which is about one-seventh of 1 per cent.
1927, $114,000, which is about one-sixth of 1 per cent.

My own firm and the firms I represent are even more interested for a reduction in the tariff of printing machinery, book binders, and box making machinery than just printing presses, and that is the reason why I have given those figures separately.

It seems to me that a large industry producing printing machinery, book binding and box making machinery, should have a classification for itself. It is a large industry, indeed, if you will figure that the domestic production for printing machinery, book binding and box making machinery amounted in the respective years as follows:

1921	$16,851,000
1923	14,673,082
1925	14,246,493
1927	16,430,288

We feel that the figures we have given you, and many other points which you will find more fully explained in our previous brief, are sufficient proof that our appeal is justified, and we are wondering why under such circumstances, our line of machinery should not be treated the same and be on the free list, like for instance, type-setting machines and shoe manufacturing machines.

If that is not possible, then we propose that the paragraph 372 should be changed to read instead "Printing presses, also printing machinery and any machinery used by book binders and box makers." Or as a third proposition, I would suggest that the paragraph "Printing presses" should stay as it is, and only the rate to be reduced to whatever you may decide, but that another paragraph calling for "Printing machinery, book binders and box making machinery" should be added at a rate of 10 to 15 per cent. I wish to thank you, Senators, for your kind consideration.

Henry Tilford, for Hoffman Type & Engraving Co., New York City; H. H. Heinrich, for Heinrich (Inc.), New York City; Carl Watt, for Columbia Printing Machine Co., New York City; Durbrow & Hearne, for Graphic Arts Machine Agents, New York City; Dr. Robert Reiner, for Reiners Rotaprint (Inc.), New York City; M. Stoessel, for M. Stoessel & Co., New York City.

METAL-SAWING MACHINES

[Par. 372]

BRIEF OF MANUFACTURERS OF METAL-SAWING MACHINES

The undersigned manufacturers of metal-sawing machines in the United States respectfully request favorable consideration for the amendment of paragraph 372 of the tariff bill of 1929 (H. R. 2667) by adding thereto the words "metal-sawing machines," after the words "punches, shears, barcutters," so as to make the paragraph 372, at about line number 18 to 20, viz:

"Punches, shears, barcutters, and metal-sawing machines intended for use in fabricating structural or other rolled iron or steel shapes, 40 per cent ad valorem."

Metal-sawing machines are used in the fabrication of structural or other rolled iron or steel products, the cutting operation being accomplished by rotary saws rather than by knives or slicers, and are used in cutting processes where the latter type of machines are impracticable or unusable.

Severe competition from foreign manufacturers in all types of machine tools is developing with alarming rapidity, and everything indicates the permanent

establishment of such products in American markets. For instance, during the last 18 months more than 75 metal-sawing machines have been laid down in New York City. After the payment of distributors', dealers', and agents' commissions, transportation and duty, together with all other expenses incidental to their importation from a foreign country, they were sold to the purchaser at prices 30 to 50 per cent lower than can be quoted by American manufacturers of the same type of machine. These machines prevented the sale of American machines that would have had a total value of approximately $125,000.

Latest figures available covering the year 1928 of the value of machines sold by undersigned American manufacturers total $216,000.

A metal-sawing machine of 10-inch capacity, manufactured by the Heller Co., of Germany, is sold to the purchaser f. o. b. New York City at about $1,700. A machine of similar type and capacity, made by the Cochrane Bly Co., of Rochester, must be quoted at $3,100, and one made by the Higley Machine Co., of South Norwalk, Conn., at $2,800.

Does this mean that American manufacturing methods are inefficient, or that exorbitant and unreasonable profits are demanded? Absolutely not. The answer is found in the cost items, principally that of wages paid for labor. German machine-tool shops pay their labor an average of 17 to 25 cents per hour, American manufacturers of machine tools have labor costs of approximately 70 to 80 cents per hour. This figure can not be reduced and still obtain the high degree of skill and efficiency required.

In the present tariff bill, paragraph 372, a change from 30 to 40 per cent ad valorem is proposed on punches, shears, and barcutters. Metal-sawing machines are not specifically mentioned, and to include them in this classification it is necessary to identify them as "barcutters," which they are in fact, but which name inadequately expresses their varied uses. The House committee has indicated an intention to increase the duty on "barcutters," thus taking them out of the present classification as "machine tools" at a dutiable rate of 30 per cent ad valorem and placing them in the new grouping at 40 per cent ad valorem. In practice this classification will be dependent upon the opinion of minor officials, and we believe it is of sufficient importance that no loophole should be left in the language whereby the intent of the statute may be defeated. In the interest of clarity and easy understanding the insertion of the words "metal-sawing machines" is respectfully urged.

It is not the desire of the manufacturers of American metal-sawing machines to demand such a rate as to insure the elimination of foreign-made metal-sawing machines from American markets, but to have the foreign-made machines compete with the American-made machines on a more nearly equal economic basis. If the manufactured product is better it will succeed regardless of the dutiable rate; if it is equal, the dutiable rate will equalize the conditions under which it is sold; if it is an inferior product, no harm can come from its exclusion by a high dutiable rate in any event.

Wherefore, it is respectfully requested that paragraph 372 of H. R. 2667, the tariff readjustment bill of 1920, be amended by including after the words "punches, shears, bar cutters" the words "and metal-sawing machines," so as to make paragraph 372 at about line 18 to 20 read, viz:

"Punches, shears, bar cutterrs, and metal-sawing machines intended for use in fabricating structural or other rolled iron or steel shapes, 40 per centum ad valorem."

All of which is respectfully submitted.

HIGLEY MACHINE CO.,
South Norwalk, Conn.
COCHRANE BLY CO.,
Rochester, N. Y.
The ESPEN-LUCAS MACHINE WORKS,
Philadelphia, Pa.,
CONSOLIDATED MACHINE TOOL CO. OF AMEBICA,
Rochester, N. Y.

I, Trafton M. Crandall, treasurer of Cochrane-Bly Co., acting in behalf of above-mentioned companies do solemnly swear that the facts as above set forth are to the best of my knowledge and belief are true and correct.

Sworn to and subscribed to before me this 25th day of June, 1920.

TRAFTON M. CRANDALL.

[SEAL.] H. W. MATTHEWS,
Notary Public.

ESCALATORS

[Par. 372]

STATEMENT OF JOHN C. KNAPP AND EDWIN W. SIMS, REPRESENTING THE OTIS ELEVATOR CO., CHICAGO, ILL.

(The witness was duly sworn by the chairman of the subcommittee.)

Senator REED. You want to talk to us about escalators?

Mr. KNAPP. Yes. It may be rather superfluous, Senator, but I thought I would bring you a picture. I think you know what an escalator is.

Senator KING. Proceed.

Mr. KNAPP. The escalator was developed some years ago by the Otis Elevator Co., and I think it is peculiarly an American invention. It was designed to fill a need that the elevator could not fill, namely, the transportation of a large number of people a short distance, such as between two floors.

Senator KING. Let me see if I understand you. Do you want it taken out of this paragraph, or added to this paragraph?

Mr. KNAPP. We think that the development of the industry has gotten to the point where we need protection for the industry.

Senator KING. It is made by the Otis Elevator Co.?

Mr. KNAPP. It is made by the Otis Elevator Co. It was developed by them.

Senator REED. You did not make this suggestion to the Ways and Means Committee, did you, Mr. Knapp?

Mr. SIMS. Senator, this competition did not develop until about the conclusion of the hearings. We filed a paper over there, but we did not have a hearing.

Mr. KNAPP. We have been developing this apparatus over quite a number of years, and have spent a large sum of money in doing so. The apparatus is now up to the point where it is beginning to be a popular thing, and has taken with the public.

Senator KING. Where is your competition? It is only potential, is it not?

Mr. KNAPP. The competition is more than potential at the present time, because the German, French, and Italian manufacturers have been making a Chinese copy of our apparatus, and are now beginning to quote prices.

Senator REED. You have no patent protection?

Mr. KNAPP. The patent protection ran out last year. It seems that we took just about the life of the patent to get the development to a point where it was in a stable condition. As soon as the patents ran out, and the stability of the apparatus was demonstrated, we began to have manufacturers in Germany, in Italy, and in France——

Senator KING. How many have been imported? What is the value of the importations for 1927?

Mr. KNAPP. There have been none.

Senator KING. What is the value of the importations for 1928?

Mr. KNAPP. There have never been any.

Senator KING. What were the profits of the Otis Elevator Co. in 1928?

Mr. KNAPP. About $5,000,000 or $6,000,000.

Senator REED. Let us find out first about this escalator.

Mr. KNAPP. It is the protection of the industry we are asking for, and not the protection of the Otis Elevator Co.

Senator REED. How many manufacturers of escalators are there in the United States, Mr. Knapp?

Mr. KNAPP. Only the Otis Elevator Co.

Senator REED. Only the Otis Co?

Mr. KNAPP. Very likely there will be others, Senator, now that the patents have run out.

Senator REED. What were your sales of escalators last year?

Mr. KNAPP. Domestic sales?

Senator REED. Yes.

Mr. KNAPP. About a million and a quarter.

Senator REED. What were your export sales?

Mr. KNAPP. We have practically ceased to export, to answer your question indirectly, because we are now manufacturing these escalators in our plants in Berlin and France, to meet the competition over there.

Senator REED. I see.

Mr. KNAPP. Our export sales are normally very light.

Senator REED. What leads you to think that the imports of escalators will come in quantity?

Mr. KNAPP. Because our German competitors are already quoting prices here. In fact, we have lost an order very recently in Philadelphia. They say we could not get the prices. They say the price was so very much under ours that the German escalator is to be purchased.

Senator REED. That is the first German sale that you know of?

Mr. KNAPP. That is the first concrete example, although they have been quoting and making arrangements for the establishment of agencies.

Senator REED. They will be subject to a 30 per cent tariff under the basket clause.

Mr. KNAPP. They will be subject to a 30 per cent tariff under the general clause.

Senator REED. You think that is not enough?

Mr. KNAPP. We feel very sure it is not.

Senator REED. What did you quote on that Philadelphia job?

Mr. KNAPP. I can not answer you. I can get the figures for you, but I can not answer you. The job ran, I know, about $175,000 or $200,000.

Senator REED. Do you remember how much the Germans underbid you?

Mr. KNAPP. We were not permitted to know what it was, but on the basis of quotations that we had seen from Hamburg, and F. A. S. Hamburg, and adjusting for what we know they would have to pay, the 30 per cent duty, freight, and so forth, to get it in, in the four concrete cases we know about, our price would have been, on the four combined, $86,000, as against the German price, allowing a very liberal profit for their agents, of about $60,000, including a 30 per cent duty.

Senator REED. A 50 per cent duty will not protect you if that is the situation.

Mr. KNAPP. A 50 per cent duty will not protect us, but it will help. We feel that this is peculiarly an American industry; an industry that we would like to see developed, now that we have spent quite a number of millions of dollars on it that we have never gotten back. We would like to see it protected, so far as the Government can see its way clear to protect it until such time as we can get it on its feet.

Senator REED. You have established factories which, among other things, build escalators in Germany?

Mr. KNAPP. Yes.

Senator REED. And France?

Mr. KNAPP. Yes.

Senator REED. And in Great Britain?

Mr. KNAPP. In London.

Senator REED. And in Italy?

Mr. KNAPP. We have a factory that is building a few elevators in Italy.

Senator REED. But not escalators?

Mr. KNAPP. Not escalators.

Senator REED. How do your production costs in Germany, England, and France compare with your production costs in America on escalators?

Mr. KNAPP. Using a dollar as the American cost base, the production in Germany is about 57 cents and that in France, where our figures are not quite as good, taking what we know would be about the outcome, a trifle under that. There has been an Italian manufacturer who has just taken our apparatus at Milan, and is now competing with us in England. We expect him over here if we do not get protection. He is underselling our German factory, because we know that they can manufacture in Milan somewhat cheaper.

Senator REED. How do your British costs compare with the American costs?

Mr. KNAPP. Our British costs are slightly higher than the German.

Senator REED. Can you give the figure? Would you say 65 cents?

Mr. KNAPP. It is somewhere around that; yes. I can not be exact about that.

Senator REED. So it would pay you, would it not, to manufacture these things in Germany and import them to the United States?

Mr. KNAPP. It might pay us, but I should say it would be very impolitic.

Senator REED. I should say so, too, but for the time being it would pay you, would it not?

Mr. KNAPP. So far as the dollars and cents are concerned; yes. We could undoubtedly do so. But our relations with the labor unions have to be considered very seriously.

Senator REED. If it costs you 57 cents in Germany to make a dollar's worth of escalator, you would pay some 16 cents in duty, under the basket clause. Add that to your 57 cents, and you get 73 cents. How much ought we to add for freight and transportation to the United States?

Mr. KNAPP. It is very slight, for a peculiar raeson. Apparently the German steamship companies have made very low potential rates on these escalators, to help the German manufacturer out on them. I have had a report from our traffic department only very recently on that point. The difference of $86,000, as against $60,000 in these

four concrete cases that we know about, from what we know of our costs, is just about what it should be. Really, the whole plea, as much as anything else, is for a preventative measure, rather than an inadequate cure later.

Senator REED. Yes. We understand that it is to protect you against an apprehended competition rather than an existing competition.

Mr. KNAPP. Except for the one concrete lost order a very short time ago.

Senator KING. How many orders did you take away from the Germans since you have been there?

Mr. KNAPP. We are running in very close competition in Germany with the German concern which is building our escalator over there. I think it is about 50–50 affair now, but the Italians have stepped into Germany. We bid 30,000 marks on an escalator the other day in Berlin, based on German costs, and the order was taken by the Milan concern for 18,000.

Senator KING. Where does Italy get its iron and steel?

Mr. KNAPP. I believe from England, sir.

Senator KING. They have to import their iron and steel.

Mr. KNAPP. Yes.

Senator KING. And their machinery?

Mr. KNAPP. Yes. It is the labor rate there that is very advantageous.

Senator KING. Mr. Knapp, this escalator is made by machinery, is it not?

Mr. KNAPP. Everything, Senator, is made by machinery, of course.

Senator KING. So that your labor cost is reduced to the minimum because of the production of it by machinery.

Mr. KNAPP. No; I think that is not true. The labor cost is at the maximum with an escalator. It is not like an elevator. An elevator is subject to quite a considerable amount of quantity production. An escalator is built practically specially for each condition, each building, and each characteristic. A great amount of what we call, in our factory slang, "hand labor" goes into the making of an escalator, which is a specialty. I have no doubt that some day the escalator will get more on a productive basis, but at the present time it is very much an infant industry.

Senator KING. What was the value of your production last year?

Mr. KNAPP. Of escalators?

Senator KING. Yes.

Mr. KNAPP. We sold approximately $1,250,000 in the United States.

Senator KING. How much did you sell abroad, manufactured in the United States?

Mr. KNAPP. We sold two escalators to Japan, amounting to about 50,000, and we got a very extraordinarily large order from Canada of $400,000, which comes once in a decade. Those were all the escalators we exported last year from the United States.

Senator KING. Then, about one-fourth of your production was exported.

Mr. KNAPP. Yes, although as I say, that would not give the right impression for the last few years. It was a specially big order, for

one of the big department stores in Winnipeg, I think, if I remember correctly.

Senator REED. I think you were mistaken about your costs in Germany. I see in your brief that the comparative cost is given at 63 cents compared with $1.

Mr. KNAPP. Yes. I stand corrected; 63 cents for Germany and 67 for France.

Senator REED. All right, sir. Is there anything else, Mr. Knapp?

Mr. KNAPP. May I just look at my notes a moment?

Senator REED. You want to file this brief, I presume.

Mr. SIMS. We would like to, Senator.

Senator REED. We will put that in immediately after Mr. Knapp's testimony.

Senator KING. Your brief will be printed with your testimony.

Mr. KNAPP. Thank you. The principal point, I think, we would all like to bring out is this, that we have a very large unamortized development expense on these escalators, that has been running, now, over a period of very nearly 20 years. It is running several million dollars. We had thought that we saw our way now to begin to amortize that amount, and now we see this very clear menace on the horizon. That is really the basis of our plea for protection until we can get the business here thoroughly on its feet.

Senator KING. Of course, that amount you have been spending on your development has come out of your profits and has gone right along with your current expenses.

Mr. KNAPP. We have simply written it off. Is there anything else, Mr. Sims?

Mr. SIMS. May we file this brief, Senator? Just to summarize this, if we can be assured of protection, the company will establish its plants and endeavor to standardize the production of this apparatus.

Senator REED. I think we have your point. Thank you, Mr. Knapp.

(Mr. Knapp submitted the following brief:)

BRIEF OF OTIS ELEVATOR CO.

I. GROUNDS FOR RELIEF

Otis Elevator Co. respectfully requests that the tariff bill, H. R. 2667, be amended so as to incorporate therein, under Schedule 3, "metals and manufactures of," at paragraph 372 or any other appropriate place, a clause placing a duty as follows:

"Escalators and moving stairways, and parts thereof, 50 per cent ad valorem."

The reasons for this request, which are more fully set forth hereafter, are:

(*a*) The activities of foreign manufacturers of escalators and moving stairways did not fully come to the notice of Otis Elevator Co. until after the Committee on Ways and Means of the House of Representatives had closed its public hearings. Such activities assumed such character and force that at this time it is vitally necessary for the protection of this business that the tariff bill as passed by the House of Representatives be amended as above requested.

(*b*) Since there is no specific duty on escalators or moving stairways in the tariff act of 1922, or in the tariff bill of 1929, passed the House of Representatives, they might come under the "machinery not specially provided for" clause of paragraph 372, Schedule 3, 30 per cent ad valorem, which is insufficient.

(*c*) The escalator business is an infant industry developed in the United States at great expense over a long period of years, and is just now reaching the stage of profitable production.

(*d*) Under present conditions, foreign manufacturers can sell this product in the United States at a price approximately 60 per cent less than it costs to produce it here.

II. DEVELOPMENT OF THE INDUSTRY

For many years the Otis Elevator Co. has been engaged in developing and perfecting escalators or moving stairways. It has utilized the best engineering skill available in this country, and has spent large sums of money in this development. It has perfected the device to the point where it is now recognized by architects and builders generally as being wholly practicable and useful. As a further development, however, this company is at present engaged at great expense in redesigning their escalators with the view to their improvement. This is made possible by the previous development work and experience which the company has already had. If the protection now asked for is not granted, it will mean that its competitors in Germany and other European countries will be enabled immediately to copy all of these improvements and undersell the Otis Elevator Co. in the American market; taking advantage, without expense to them, of the large expenditure of time, money, and engineering skill involved in such development work.

Sales or escalators in the United States have progressively increased in the last few years as a result of the perfection of the device and the campaign of education carried on by Otis Elevator Company. Its production is at this time a very important part of the business of this company. The company employs in the United States more than ten thousand persons; it has large manufacturing plants in Yonkers and Buffalo, New York, in Harrison, New Jersey, in Quincy, Illinois, and in San Francisco, California; and it maintains more than two hundred local offices and service stations in cities all over the United Sates.

III. COMPARATIVE COSTS

The Otis Elevator Co. also operates factories in France and Germany in which it manufactures the same design of escalators under very similar production methods as in the United States. An accurate picture of cost comparison is therefore possible between the American and the foreign escalator. The labor employed is largely skilled, abroad as in this country. The materials used are about the same. Otis Elevator Co.'s comparative costs for labor and material, using $1 as a unit, are as follows:

United States	1.000
France	.569
Germany	.635

The cost in France is therefore 0.431 less than in the United States, which would require a duty of $^{43}\%_{69}$, or 75 per cent. The cost in Germany is 0.365 less, which would require a duty of $^{36}\%_{35}$, or 57 per cent.

In support of the above figures, attention is called to the comparative wage table compiled by the United States Department of Labor, appearing in volume 3, schedule 3, page 1733, of hearings before the Committee on Ways and Means. Analysis of that table shows that the average daily wage of laborers in Germany in six industries there listed, most of which are closely analagous to the labor used in producing escalators, is $1.76. The same table shows that the average daily wage of laborers in the United States is $5.43.

IV. INVASION BY FOREIGN MANUFACTURERS

Foreign manufacturers, particularly those in Germany, have now established agencies in the United States. They are now producing these American-developed escalators and are quoting prices through their agents in this country at 60 per cent or more below those at which escalators can be manufactured and sold in this country with a fair profit. To assist in this dumping on the American market, these foreign manufacturers have arranged with transportation companies of their own nations for almost nominal rates of carrying charges to the United States—rates which are far below the usual and customary shipping rates for similar commodities between the same ports.

V. AN INFANT INDUSTRY

One of the basic principles underlying the American tariff policy is the protection of infant American industries. It seems to us that no better example of one worthy of protection can be found, as escalators are purely of American invention and origin. They have been developed through American brains, initiative, and capital, and the industry is only now arriving at a point where the production is showing a return on the original investment.

VI. CONCLUSION

There is now no specific schedule or paragraph placing any duty on escalators or moving stairways or parts thereof, as such. In order to avoid confusion, disputes, and controversies in the future, it is earnestly urged that they be specifically included in the Act.

With the present general schedule applying, based on foreign and not on United States valuation; with the wholesale appropriation of this American invention; with the co-operation of transportation companies; and with decreased cost of labor and material, the foreign manufacturers are making supreme efforts to impair or destroy this domestic industry, built up at great expense of time, engineering skill, and money by the Otis Elevator Co.

Respectfully submitted.

OTIS ELEVATOR COMPANY,
By J. H. VAN ALSTYNE,
President.

EDWIN W. SIMS, *General Counsel.*

PORCELAIN PARTS FOR TEXTILE MACHINES

[Par. 372]

STATEMENT OF JESSE F. MADDEN, REPRESENTING THE PAGE-MADDEN CO., BROOKLYN, N. Y.

[Including par. 212]

(The witness was duly sworn by the chairman of the subcommittee.)

Senator REED. Did you testify before the Ways and Means Committee?

Mr. MADDEN. No, sir.

Senator REED. Did you file a brief?

Mr. MADDEN. No, sir. We import porcelain parts——

Senator KING. Porcelain parts of machines?

Mr. MADDEN. Of textile machines only. The reason we make our request for a hearing is because we have always imported these parts as parts of textile machinery, under paragraph 372. At the present time they do not make any provision at all for these parts. Toward the last of 372——

Senator REED. Wait a moment. The proviso which the House has put in paragraph 372 takes care of parts, only, which are wholly or in chief value of metal.

Mr. MADDEN. Of metal.

Senator REED. So, you are not in that?

Mr. MADDEN. No, sir.

Senator REED. Are you not covered in the porcelain schedule?

Mr. MADDEN. No, sir; absolutely not.

Senator REED. Let us see about that.

Senator KING. Are you a manufacturer or an importer?

Mr. MADDEN. An importer. If they would add to paragraph 372 "wholly or in chief value of metal or porcelain" that would cover it.

Senator KING. What duty have you been paying heretofore?

Mr. MADDEN. Thirty-five per cent.

Senator KING. Under what paragraph?

Mr. MADDEN. Under paragraph 372 of the 1922 act.

Senator KING. Under "finished or unfinished, not specially provided for, 35 per centum"?

Mr. MADDEN. Thirty-five per cent.

Senator KING. That is, "textile machinery or parts thereof, finished or unfinished, not specially provided for, 35 per centum."

Mr. MADDEN. That is correct.

Senator KING. You have been paying duty under paragraph 372.

Mr. MADDEN. Yes, sir.

Senator KING. Now, you say——

Mr. MADDEN. There is no classification at all for our merchandise.

Senator REED. I wish you would tell me why your merchandise is not porcelain or vitrified ware. Isn't it?

Mr. MADDEN. Yes, sir.

Senator REED. Composed of a vitrified, nonabsorbent body?

Mr. MADDEN. Yes, sir.

Senator REED. "Which, when broken, shows a vitrified or vitreous, or semivitrified or semivitreous fracture"?

Mr. MADDEN. Yes.

Senator REED. That is your article, isn't it?

Mr. MADDEN. Yes, sir; porcelain parts for textile machines.

Senator REED. Yes, sir; but I do not see why, if it meets that definition, it does not fall within paragraph 212 in Schedule 2.

Mr. MADDEN. In the Treasury decision, given in 1924, they say that it is not essential that the parts of a textile machine should be of any particular raw material. They can be of porcelain just as well as metal.

Senator REED. That is true, because the 1922 act said "all other textile machinery or parts thereof," and it did not specify metal parts, as the new bill does. It seems to me as though the effect of the new bill would be to throw you over into paragraph 212, in the porcelain schedule. Under the House bill you would pay 10 cents a dozen, plus 60 per cent ad valorem. Let us see the article you bring in.

Senator KING. That would double your duty.

Mr. MADDEN. It would be about 400 per cent increase.

Senator KING. Are these little parts you have exhibited used in connection with textile machines?

Mr. MADDEN. Only in the textile line, on various machines. They are used on brading machines, and different ones on looms.

Senator REED. How much do these parts sell for?

Mr. MADDEN. That depends. These things [indicating] sell for about 20 cents a thousand, or 2 cents each.

Senator REED. So that a duty of 10 cents a dozen on those would be very nearly 50 per cent.

Mr. MADDEN. We sell these for $20 a thousand. At the present time they cost us $12.50, plus 35 per cent duty. We sell them to the trade for $20 a thousand, or 2 cents each. Ten cents a dozen

would increase the specific duty alone about $8.30, plus the ad valorem whatever it happened to be.

Senator REED. Under the House bill it would seem to be 60 per cent ad valorem on top of the 10 cents, would it not?

Mr. MADDEN. Yes, sir.

Senator KING. For each dozen?

Mr. MADDEN. Yes, sir. There are about 83 dozen in a thousand.

Senator KING. Senator Reed, it would seem to me that to classify these little things under a general china, porcelain, or vitrified ware classification would be somewhat inconsistent, in view of its limited use and the smallness of the product, measured by general porcelain and china production, and vitrified wares, unless you had a special paragraph for it.

Senator REED. The language is pretty sweeping. It names charms, vases, statues, statuettes, mugs, cups, steins, lamps, and all other articles composed wholly or in chief value of such ware.

Mr. MADDEN. That is true, but you can not compare these parts to a mug, or any kind of tableware, or anything like that. This is an altogether different line.

We do not ask for a reduction. There will be an increase. What we do ask is that these certain parts be classified and rated at the same rate of duty that the machine on which they are going to be used is rated. In other words, there are perhaps 20 different styles. If style No. 1, for instance, is going to be used on a braiding machine, whatever the rate on that braiding machine is, we would like to have the porcelain classified at that rate.

Senator REED. You would get that result, then, by restoring the language in the 1922 act "textile machinery or parts thereof"?

Mr. MADDEN. Either that, or "porcelain." If it were made to read "wholly or in chief value of metal or porcelain" it would be satisfactory. If they make provision for one part, I can not see why they do not make provision for all parts.

Senator REED. Are these things made in the United States?

Mr. MADDEN. There are only two concerns in that business, Mitchell-Bissell & Co., of Trenton, N. J., and ourselves.

Senator REED. But do you make them in this country?

Mr. MADDEN. No. We import them. The Mitchell-Bissell Co. import about 50 per cent, or perhaps 75 per cent of their textile porcelain parts. The others they manufacture domestically. We tried several times to have these parts made domestically. It can not be done. They simply do not want to tackle the proposition.

Senator KING. They have to have so many styles, I suppose.

Mr. MADDEN. Exactly. I have 30 or 40 letters from different domestic porcelain manufacturers that I would like to put in evidence. He is one that I will read, from the American Porcelain Co., East Liverpool:

> We are in receipt of your letter of the 21st, with samples of your porcelain parts No. 441 and 418.
>
> Very sorry, indeed, to advise that this kind of work is not in our line of manufacture; in fact, we feel that it could not be duplicated in this country.
>
> Thanking you for the opportunity to furnish you with information on these items, we beg to remain.

I have about 30 letters from different domestic porcelain manufacturers that I would like to put in evidence. They will all read about the same way.

Senator KING. I suggest that you put one in the record, and file the rest.

Senator REED. That is all right. I think we understand your point. There is no domestic industry to protect in this line?

Mr. MADDEN. Absolutely not.

I should like to file a brief in the record, Senator.

Senator REED. If you will hand your brief to the stenographer it will be printed immediately after your testimony.

Mr. MADDEN. Do you think it will be necessary to put these samples in evidence?

Senator REED. No. That is not necessary. We will remember what they look like.

(Mr. Madden submitted the following brief:)

BRIEF OF THE PAGE-MADDEN CO. (INC.), BROOKLYN, N. Y.

HONORABLE SIR: May we briefly, knowing that you are burdened with various subjects, bring the following to your attention and consideration.

There is nothing contained in the proposed new tariff, nor in the evidence submitted by American manufacturers, which indicates that protection is sought on porcelain parts for textile machinery, such as we import and manufacture, and which is known in the textile trade as porcelain hooks, pigtails, thread guides and eyes.

In this paragraph, metal parts for textile machinery are covered by specific mention of "wholly or in chief value of metal." A textile mill or machine builder would not consider a textile machine complete until that machine was equipped with all its necessary parts, irrespective of whether or not those parts were metal or porcelain, for its proper functioning.

If the new tariff specifies different machines, and different ad alorem rates, and also specifies just one kind of a raw material part, why not include in this paragraph 372 all of the various parts of those machines instead of limiting and restricting certain parts? Just so long as one particular part is mentioned, we believe that all parts, irrespective of whether they are metal, porcelain, or other raw material should be provided for at the rate of duty that that particular machine calls for.

It is certainly not essential that the parts of a textile machine shall be composed of metal.

Under the 1922 tariff, paragraph 372, our importation is and has been properly classified as parts of textile machinery. We import nothing of porcelain except those parts that are used as parts of textile machinery.

All porcelain articles then, the way we would interpret the proposed law, would, unless specifically classified, seemingly fall under No. 212 china paragraph, with the result that these certain porcelain parts for textile machinery, known as porcelain hooks, pigtails, thread guides, and eyes, are removed from paragraph 372, where they had been previously properly classified at the rate of 35 per cent duty, with a classification under paragraph 212 at 60 per cent ad valorem duty with an additional specific duty of 10 cents per dozen, which would make the price almost prohibitive.

The workings of this specific duty of 10 cents per dozen with the 60 per cent ad valorem duty, showing an increase of 364 per cent would be as follows:

Under present paragraph 372

	Price	Plus 5 per cent	35 per cent duty	Net cost
An article costing	$1.90-M	$2.00	$0.70	$2.70
	3.50	3.68	1.29	4.97
	2.60	2.73	.96	3.69
	2.10	2.21	.77	2.98

If classified under paragraph 212

	Price	Plus 5 per cent	60 per cent duty plus 10 cents per dozen	Net cost	Increased percentage
An article costing	$1.90-M	$2.00	$1.20-$8.32	$11.52	426
	3.50	3.69	2.21- 8.32	14.22	286
	2.60	2.73	1.64- 8.32	12.69	344
	2.10	2.21	1.33- 8.32	11.86	400

The burden of any additional duty on our merchandise would naturally fall upon the textile mills in general, who are the only ones that use our class of merchandise, and who are at the present time, in a very depressed condition, and naturally mills would be compelled to pass the cost of this increased duty to the consumers.

We do not believe that it is the intention of the committee, that this specific rate of duty of 10 cents per dozen, was intended to apply on merchandise such as porcelain parts for textile machinery, but was adapted to protect the domestic tableware manufacturers.

We do not hesitate to mention that if our merchandise was classified under paragraph 212, with either the 60 per cent ad valorem duty, or the specific 10 cents per dozen duty, it would make the importation of these parts almost prohibitive, and just so far as we can see, this exclusion of porcelain parts for textile machinery would satisfy one corporation—understand, one corporation—and would beyond a doubt establish a monopoly for that corporation, covering the entire United States, for this particular type of merchandise. We are in a position to prove these facts for the reason that this particular corporation is the only domestic corporation that manufactures this particular type of article, and is our competitor.

We have in the past few years, made several attempts through correspondence and personal solicitations, to locate a domestic porcelain manufacturer for our class of merchandise, without successful results, as none of the domestic procelain manufacturers can, or will turn out articles such as we have, for any price, and we can produce letters to this effect.

From the above, you can see that it would be unfair to classify our merchandise under any other paragraph except No. 372, Schedule No. 3, and we would kindly ask that that part of paragraph 372, which appears in the Senator's copy of H. R. 2667, page 93, line 21, have the words "or porcelain" inserted, which would make that line 21, page 93, read as follows: "Wholly or in chief value of meta or porcelain of any of the foregoing."

Below is a copy of paragraph 372. We have inserted in *italic* type the words "or porcelain," that we would respectfully request to be inserted:

Paragraph 372: Reciprocating steam engines and steam locomotives, 15 per centum ad valorem; sewing machines, not specially provided for, valued at not more than $75 each, 15 per centum ad valorem; valued at more than $75 each 30 per centum ad valorem; steam turbines, 30 per centum ad valorem; cash registers, 25 per centum ad valorem; printing presses, not specially provided for, lawn mowers, and machine tools, 30 per centum ad valorem; embroidery machines, including shuttles for sewing and embroidery machines, lace-making machines, machines for making lace curtains, nets and nettings, 30 per centum ad valorem; knitting, braiding, lace braiding, and insulating machines, and all other similar textile machinery, finished or unfinished, not specially provided for, 40 per centum ad valorem; machines for knitting full-fashioned hosiery, 45 per centum ad valorem; all other textile machinery, finished or unfinished, not specially provided for, 40 per centum ad valorem; cream separators, valued at more than $50 each, and other centrifugal machines for the separation of liquids or liquids and solids, not specially provided for, 25 per centum ad valorem; combined adding and typewriting machines, 30 per centum ad valorem; apparatus for the generation of acetylene gas from calcium carbide, 20 per centum ad valorem; machines for cutting or hobbing gears, 40 per centum ad valorem; punches, shears, and bar cutters, intended for use in fabricating structural or other rolled iron or steel shapes, 40 per centum ad valorem; all other machines, finished or unfinished, not specially provided for, 30 per centum ad valorem: *Provided*, That parts, wholly or in chief value of metal *or porcelain* of any of the foregoing, shall be dutiable at the

same rate of duty as the articles of which they are parts: *Provided further*, That machine tools as used in this paragraph shall be held to mean any machine operating other than by hand power which employs a tool for work on metal.

Any other details or information on this subject will be gladly furnished.

Yours very truly,

PAGE MADDEN CO. (INC.).

PUNCHES, SHEARS, AND BAR CUTTERS

[Par. 372]

STATEMENT OF G. W. THORBAHN, REPRESENTING HENRY PELS & CO., NEW YORK CITY

(The witness was duly sworn by the chairman of the subcommittee.)

Mr. THORBAHN. I represent Henry Pels & Co., a corporation of New York. We are interested in paragraph 372 which makes a special classification of punches, shears, and bar cutters intended for fabricating structural or other rolled iron or steel shapes.

Senator REED. You did not testify before the House, did you?

Mr. THORBAHN. No; I did not. These machines, under the 1922 law, come in and still are coming in as machine tools at 30 per cent ad valorem, and we believe that there is no reason to make a change in this respect.

We see from the records of the hearings of the Ways and Means Committee that there was a brief filed by one of our American competitors which asked for such an increase and, so far as we can see, this was the only reason for granting it.

There are about 10 important manufacturers of punches, shears, and bar cutters in the United States, and a number of unimportant ones. I have, as evidence, a photostatic copy of a page of Thomas' Register of American Manufacturers. Out of 10 important manufacturers, as far as we can find, there is but one that wants an increase in the rate of duty.

Senator KING. What company is that?

Mr. THORBAHN. The Buffalo Forge Co. This brief is in the record of the Ways and Means Committee hearings. They have filed a brief which does not contain anything to show in the first place that their business has been hurt, nor that there has been a reduction in the employment of American labor. No figures have been given of the extent of their business on this commodity, nor of any reduction in its extent. They make in their brief very general statements, and the only figures they show in this connection are that in ordinary competition our price is an average of 30 per cent under the Buffalo Forge Co., with in many cases a 50 per cent or 60 per cent differential.

Nothing is given to support their contention except that they cite a sale where we are said to have sold a machine at a lower price than they quoted—that is, the International Harvester Co. That statement is that we sold a machine at $15,000 against their price of $19,565. They say that we sold three machines on this basis. The actual fact is that we sold only one machine of this size, and this machine was sold at $17,755. We have certified copies of our invoice attached to our brief as evidence.

In addition, this case has been investigated by the Tariff Commission in line with a number of other cases, and the Buffalo Forge Co.

makes special reference to their complaints filed with the Tariff Commission in their brief; and it is a fact that the Tariff Commission has investigated our sales prices, and so forth, at various times. One of the instances was this case. They investigated, and the Tariff Commission reported on it in our favor. The case was dropped, and this report is on file with the Customs Bureau in Washington.

Senator KING. Have you a copy of that report?

Mr. THORBAHN. References to it are in our brief. A copy of the report is not obtainable. It is confidential.

Senator KING. Proceed.

Mr. THORBAHN. The Tariff Commission investigated another case on the strength of a complaint, presumably from the same source, in which it was said that we sold a machine at $2,000 against a domestic price of $2,900. The fact is that the machine we sold was at $3,206 and some cents, which means that we were $302—or more than 10 per cent—higher than the domestic price—and more than 50 per cent higher than the price at which the Buffalo Forge Co. stated we had sold the machine.

This matter was also the subject of an investigation and report, and the report is on file with the Customs Bureau in Washington. Special reference to it is made in our brief, but no copy of it is obtainable.

Senator REED. Mr. Thorbahn, how long have you been importing these things into the United States?

Mr. THORBAHN. In the neighborhood of 30 years.

Senator REED. Thirty years.

Mr. THORBAHN. Yes, sir.

Senator REED. You have active competition here with American manufacturers.

Mr. THORBAHN. Yes, sir; we have.

Senator REED. This is a very common article, of course?

Mr. THORBAHN. It is a common article, but the line is highly diversified. We have active competition with a considerable number of American manufacturers. The result is that on what I might call standard, or common, shears we almost invariably fall through on account of prices, as we have no show at all.

I have a telegram here from one of our salesmen who had instructions to communicate with an agent in the Middle West—Dayton, Ohio, to report to him to help him on a certain prospect. He reports that the agent does not need assistance, that the price is 50 per cent high. We have instances of that kind in our brief.

Senator KING. What do you mean by the price being 50 per cent high.

Mr. THORBAHN. Our price is 50 per cent higher than our competitors on that machine.

Senator REED. How many machines did you import last year?

Mr. THORBAHN. We imported in the neighborhood of $254,000.

Senator REED. Have you any idea of the value of the American output last year?

Mr. THORBAHN. Figures are not obtainable because in all statistics these machines are coupled with machine tools for the manufacture of metals; but there is no doubt but that the American production is many times as much as the imports—I should say more than five times and possibly ten times as much.

Senator REED. You think that you sell about 10 to 20 per cent of the country's consumption, do you?

Mr. THORBAHN. On punches, shears, and bar cutters. That is my approximate belief, but no figures are obtainable.

Senator KING. How do your prices compare with domestic prices?

Mr. THORBAHN. They are higher, and generally considerably higher. I have an instance here in my brief of a bid submitted to the purchasing department for the Detroit Street Railways, which shows that we offered a certain machine to approximately meet specifications at a price of $3,620. This machine weighs 9,570 pounds. On account of the fact that these are combination punching and shearing machines, adapted to fit different kinds of shearing operations on different kinds of steel shapes, there are always certain variations between competitive machines. Therefore the price per pound is a good basis for comparison, because that, to some extent, or more or less, takes care of the different capacities of each machine.

Senator REED. That would be about 30 cents a pound, would it not?

Mr. THORBAHN. Thirty-seven and eight-tenths cents per pound in this case. Now the Buffalo Forge Co. offered a machine at $3,395.

Senator KING. And your own was what?

Mr. THORBAHN. Ours was $3,620. But, according to their own advertising literature, which is attached to our brief, their machine weighs 11,000 pounds—that is, it weighs about 1,500 pounds more than ours, which is nearly 15 per cent more than ours. The price submitted on their machine was 30.9 cents a pound. In other words, there is a difference of 25 per cent in our price as against the domestic price of this particular competitor. The present duty which was figured on in this case, where we opposed the Buffalo Forge Co., and where they got this order, was 30 per cent of the foreign value, which is in the neighborhood of 20 per cent of the domestic value.

The differential between the domestic price and our price is about 25 per cent, which means that if there were no duty, we would still be about 5 per cent higher.

They also make general reference to the question of labor. We have heard much about the differences in the wage scale of the American and German laborer, and American and German labor costs. The matter was gone into repeatedly before this committee, and I have nothing specific to add, because it is more or less known that labor efficiency in Germany is considerably less than it is in the United States; also the overhead expenses, like taxes, sickness benefits, the fact that laborers are not permitted to be discharged on short notice so they have to be carried over slack times, they have to be carried along in case of sickness. That increases the indirect cost very excessively. This is borne out by the fact that if the duty were removed entirely we would still be higher than the Buffalo Forge Co. price. Evidence of these bids is attached to my brief.

Senator REED. That is all in your brief, is it?

Mr. THORBAHN. That is all in my brief; yes, sir.

Senator REED. File your brief with the stenographer, Mr. Thorbahn, so that it will appear immediately after your testimony.

Mr. THORBAHN. Yes. May I be permitted to say something more?

Senator REED. Surely.

Mr. THORBAHN. There is another case where the comparison between pound prices leads to a figure of 26.9 cents for the domestic machine and 40.2 cents for our machine, which is a difference of more than 50 per cent. The Buffalo Forge Co. says in their brief that they have a list of our prices, which is no doubt a fact; but they have made no comparisons in their brief between their prices and ours on the strength of those price lists. This leads us to believe that they can make no proper showing that we are underselling them.

We have a number of letters which were received from American dealers. One of them is William K. Stammets, Pittsburgh. That is a concern of high standing. He says in his letter that before taking over our agency on this imported line of machines, he communicated with 24 leading users of this class of machinery, like American Bridge, Pennsylvania Railroad, Westinghouse, McClintock-Marshall, and others, and that 23 out of these 24 wrote to him that if machines be equal or nearly equal, they would most certainly buy American tools, but they would not handicap themselves by refusing to buy German equipment if there were a sufficient difference in quality and workmanship to make it to their interest to buy German tools—and this, of course, is the basis on which any manufacturer buys equipment. They go on to say that it is their opinion that the only result of an increase in the tariff will be to cause the American punch and shearing machine users to pay that much more.

I have a letter which I would like to offer in evidence, addressed to the Hon. David A. Reed.

(The letter referred to is as follows:)

NATIONAL ASSOCIATION ORNAMENTAL
IRON & BRONZE MANUFACTURERS,
Washington, D. C., June 22, 1929.

Hon. DAVID A. REED,
Chairman Committee on Finance,
United States Senate, Washington, D. C.

DEAR SENATOR REED: In Section 372 of the new tariff bill there is a special provision to raise the duty on punches, shears and bar cutters intended for use in fabricating structural or other rolled iron or steel shapes, making the duty on such machinery 40 per cent instead of the present provision, which does not enumerate such machines specifically and makes them dutiable at the rate of 30 per cent.

It is my understanding that the House put this provision in the new tariff bill upon the recommendation of the Buffalo Forge Co., of Buffalo, N. Y. The plea of the Buffalo Forge Co. is directed specifically against the machines manufactured by Henry Pels & Co., of Germany.

It is also my understanding that Henry Pels & Co. have filed a protest with your committee against this increase, averring that the statements in the brief of the Buffalo Forge Co. are not in accord with the facts and that there is no justification for the proposed increase.

I should like to present to you and your committee the feelings of this industry with respect to this proposed tariff increase. A large number of the members of our industry are purchasers of the products manufactued by Henry Pels & Co., and use these products in preference to those of the Buffalo Forge Co., which are considered inferior. Our industry is already overburdened with excess capacity and small profit, and if the proposed increase is granted, it will only mean another burden for us.

I am therefore presenting these facts to you and ask that you give them favorable consideration.

Respectfully yours,

THOMAS R. CHARSHEE,
Executive Secretary.

Mr. THORBAHN. To bear out this statement that the Buffalo Forge Co.'s machines are by many considered inferior, I wish to offer in evidence——

Senator REED. I do not think we need to go into that, Mr. Thorbahn. I have no doubt the other people would want to come in and prove that yours were inferior to theirs.

Mr. THORBAHN. Yes. I desire to bring out the fact that our machines are sold at a higher price because the American buyer prefers them for his uses.

Senator REED. You have already brought that out; and I have no doubt you think yours is much better than theirs.

Mr. THORBAHN. Yes.

Senator REED. We will assume that you would. Is there anything else, sir?

Mr. THORBAHN. No. I was merely afraid that I may not have sufficiently impressed you with the fact that we do sell at higher prices. I wish to offer in evidence this copy of a brief which was filed by me with the clerk with a number of exhibits attached to it.

Senator REED. That has not been filed with the Ways and Means Committee, has it?

Mr. THORBAHN. No, it has not.

Senator REED. All right. That will appear, Mr. Thorbahn, after your testimony.

Mr. THORBAHN. I also wish to file a supplementary brief, the original of which I filed with the clerk, there being also attached to it a number of exhibits.

Senator REED. All right. We have your point.

(Mr. Thorbahn submitted the following brief:)

BRIEF OF HENRY PELS & CO. (INC.)

COMMITTEE ON FINANCE,
United States Senate, Washington, D. C.

GENTLEMEN: In the final print of tariff readjustment 1929, hearings before the Committee on Ways and Means of the House of Representatives, Seventieth Congress, second session, volume 3, Schedule 3, page 2482, there appears a brief filed by the Buffalo Forge Co., Buffalo, New York, requesting an increase of duty on punches, shears, bar cutters, etc. to at least 45 per centum. It was the filing of this brief that apparently resulted in the adoption in paragraph 372 (H. R. 2667 as passed by the House of Representatives) of the following provision:

"Punches, shears, and bar cutters, intended for use in fabricating structural or other rolled, iron or steel shapes, 40 per centum ad valorem."

Our attention was not called to this brief until after the hearings before the Committee on Ways and Means were finally closed and we were, in consequence, powerless to place before that committee the proofs necessary to uncover the erroneous statements of facts made by the Buffalo Forge Co., whose brief was directed against us.

We therefore take this opportunity to place before your committee complete refutations of these statements made by the Buffalo Forge Co. and most vigorously to protest against any increase in rate on the aforementioned products.

We request most earnestly that the provision above quoted be completely stricken from the bill to the end that punches, shears, and bar cutters be relegated to their proper classification in said paragraph 372 as "machine tools, 30 per centum ad valorem" this being the same rate as embodied in the act of 1922, paragraph 372, under which importations have been classified since the enactment of the said law.

In the brief of the Buffalo Forge Co. we find the following statement:

"As a matter of price comparison, we might cite the following:

"The International Harvester Co. of Chicago have within the past two years purchased three Pels's FV–75 billet shears. This is a machine weighing approximately 75,000 pounds. The machine we offer in comparison is of the same weight and capacity, and is known as Buffalo No. 15 billet shear. Our price was $19,565, Pels's price $15,000. According to their price sheets, of which we have a record, their regular resale price is $16,650. This is less than 20 cents per pound, and both machines are practically ninety per cent steel construction."

The above quotation is absolutely and in all respects incorrect. It is not true that the International Harvester Co. purchased three Pels's FV–75 machines. It is not true that Buffalo No. 15 machine weights 75,000 pounds and is of the same weight and capacity as Pels's FV–75. It is not true that Pels's price was $15,000.

The facts are that only one FV–75 was sold by us to the International Harvester Co., this sale having been made on their order number 44333, requisition F–14020 of September, 1928. A copy of the bill covering said machine is hereto annexed marked "Exhibit A." This bill shows clearly that the price to the International Hravester Co. was $17,755 and that a commission of 12½ per cent was paid by us to our sales agents, Neff, Kohlbusch & Bissell of Chicago, Ill. The actual reason for our getting this order was not, however, on the basis of the price quoted, as is evidenced by a telegram from our agents (Neff, Kohlbusch & Bissell), dated October 1, 1928, reading:

"Fort Wayne Harvester purchased Buffalo shear one price about four years ago and smashed it and had to buy Pels."

This means that the sale in question was made by us to the International Harvester Co. to replace the smashed machine of the Buffalo Forge Co. The difference between our sales price to the International Harvester Co. ($17,755) and the Buffalo Forge Co.'s alleged quoted price of $19,565 is fully accounted for by the following differences between the respective machines.

	Pels	Buffalo
Weight of machine.....pounds..	78,000	80,000
Length of knives.....inches..	18	25
Strokes per minute.....	6	10

These specifications are taken from Pels Bulletin 19–C attached hereto and marked "Exhibit C" and Buffalo bulletin attached hereto and marked "exhibit B."

From the foregoing it is obvious that the weight and capacity of the Buffalo machines are greater than those of the Pels machines. This will account for the difference between our sales price to the International Harvester Co. and the alleged quoted price of the Buffalo Forge Co.

As to the statement of the Buffalo Forge Co. that their Buffalo No. 15 billet shear is of the same weight and capacity (78,000 pounds) as Pels's FV–75, we attach hereto, marked "Exhibit B," an advertising sheet of the Buffalo Forge Co. wherein appears the weight of their Buffalo No. 15 as 80,000 pounds. It will be readily seen that a machine weighing 2,000 pounds more than ours must fetch a higher price under ordinary circumstances. It is to be remarked that the Buffalo Forge Co. has in this statement, as in all others made by them, confined themselves to glittering generalities and to statements not in accordance with actual facts.

The reference by the Buffalo Forge Co. to our having sold three FV–75's to the International Harvester Co. may have been predicated upon the fact that we sold our type FV–70 to the International Harvester Co. on two separate occasions, to wit, in July, 1923, and in June, 1925. It must be noted, however, that our FV–70 can not be compared either with Buffalo No. 15 or with our own FV–75, because FV–70 is a machine which weighs only 56,000 pounds (as against Buffalo No. 15 80,000 pounds, and our FV–75 78,000 pounds). This lighter machine has a correspondingly smaller capacity and naturally sells at a less price than either our FV–75 or Buffalo No. 15.

In the brief of the Buffalo Forge Co. it is stated:

"We know positively that the average selling price per pound of Pels's machine is 20 cents at least, compared with our actual cost price per pound of from 25 cents to 60 cents per pound, the latter figure applying to some of the smaller machines and the 25-cent figure on the large billet shears of greater weight."

This statement is in all respects untrue and misleading. It is untrue in that it states that our sales price is 20 cents per pound, it being in fact for the heaviest type of machine (FV–75) 22.8 cents per pound, and misleading in that it implies that our per pound sales price for the heavy type of machine is a basis of comparison for the per pound price in the lighter type machine.

It is well known that the heavier the machine the lower the pound price because there is less machine work per pound in the construction of heavy machines as compared with the machine work per pound in the lighter machines. In proof of this assertion we submit herewith an invoice marked "Exhibit D" covering a sale to the Coburn Trolley Track Manufacturing Co., Holyoke, Mass., for our ME–10 machine which is a machine of which there are frequent sales and the price of which is $1,250. Its weight, as evidenced by our bulletin attached hereto and marked "Exhibit E," is 2,550 pounds. This shows clearly that the per pound price of this machine is 49 cents.

We attach also for the consideration of the committee a letter dated June 5, 1928 received by us from Herberts Machinery & Supply Co., Los Angeles, Calif., marked "Exhibit F," and a letter dated November 12, 1928 received by us from Perine Machinery Co. (Inc.), Seattle, Wash., marked "Exhibit G," from which it appears that the Buffalo Forge Co. allow dealers a commission of from 20 per cent to 30 per cent of the sales price of their machines, whereas we allow a commission of only 12½ per cent. This naturally places the agents of the Buffalo Forge Co. in a position which enables them to allow their customers a portion of their commission and which, it has been our experience, results from time to time in extensive price cutting by the Buffalo Forge Co.'s dealers whereby we are completely undersold in the markets.

In the brief of the Buffalo Forge Co. the statement is made that:

"We are also confronted by long terms of consignment to dealers which, of course, is not in strict accordance with the American business code."

This statement is distinctly misleading and unfair in its implications. Consignments of power machines have only been made by us and will only be made by us to exclusive agents and solely for the purpose of exhibition and demonstration thereof. The number of machines thus consigned is insignificant. It has been brought to our attention that the Buffalo Forge Co. themselves carry in stock on consignment in western territories machines intended for the same purpose. We can not see how this practice in any way is not in accordance with the American business code and we represent the implication that we are guilty in this or any other respect of unfair practices. Our machines are generally known in the markets of the United States as the highest priced machines of their types and the statement of the Buffalo Forge Co. to the effect that our price is on an average of 30 per cent under theirs and, in many instances, 50 per cent to 60 per cent under theirs, is absolutely and in all respects incorrect. The only figures cited by the Buffalo Forge Co. are those which related to sales by us to the International Harvester Co., above referred to, the analysis of which clearly shows the statements to be incorrect and misleading in every particular.

The incorrectness of the claims of the Buffalo Forge Co. that they are being undersold by us in the markets of this country can best be illustrated by the case of the department of street railways of the city of Detroit which, under date of December 5, 1928, called for bids for "Triple combined punch, shear and structural shape shear (specification 418–120528)." The following were the bids submitted:

Buffalo Forge Co. for their No. 3½ UD machine (which, according to Buffalo Forge Co.'s bulletin hereto attached and marked "Exhibit H," weighs 11,000 pounds) bid $3,395, a price of 30.9 cents per pound.

Our bid submitted through our agents, Cadillac Machinery Co., for a Pels type BLUEFGA 22 (which, as per our bulletin hereto attached and marked "Exhibit I," weighs 9,570 pounds) was for $3,620, a price of 37.8 cents per pound.

It is needless to say that the Buffalo Forge Co. received this order.

In the case of Milwaukee Electric Railway & Light Co., Milwaukee, Wis. (as per telegram of our agents, Neff, Kohlbusch & Bissell, dated September 24, 1928, hereto attached and marked "Exhibit J") the Buffalo Forge Co. offered their type UD–4½ machine weighing (as per Exhibit H hereto attached) 18,000 pounds at $4,850, thus making their price per pound 26.9 cents.

Our quotation for our type MA–25 which has a much smaller capacity and weighs only 11,000 pounds, as per Exhibit K attached, was $4,425, a price of 40.2 cents per pound.

Buffalo Forge Co. received the order.

The competition which we experience is well illustrated by the attached Exhibits L and M, which are letters from William K. Stamets, Pittsburgh, Pa., dated respectively March 26, 1928, and March 31, 1928, which show that our price for heavy shears was $4,600 higher than an equivalent domestic machine of similar type and is hardly in accordance with the statements made by the Buffalo Forge Co. that we are underselling the domestic product.

We attach also a letter from William K. Stamets, Cleveland, Ohio, marked "Exhibit N," dated May 23, 1929, which sets forth the writer's views in realtion to the representations made to the Committee on Ways and Means by the Buffalo Forge Co. and sets forth that their experience in our machines in competition with those of the Buffalo Forge Co. invariably indicated lower prices for the Buffalo Forge Co.'s products than for ours.

It seems strange that the Buffalo Forge Co. were the only domestic manufacturers of punches, shears, and bar cutters who complained of competition with the Pels machines. The following companies are the more important and well-established concerns dealing in these commodities, but none of these companies seems to have found our competition sufficient to warrant application for higher rates of duty to the Committee on Ways and Means:

Long & Allstatter Co., Hamilton, Ohio; Consolidated Machine Tool Corporation of America, Rochester, N. Y.; Thomas Spacing Machine Co., Pittsburgh, Pa.; Cleveland Punch & Shear Works Co., Cleveland, Ohio; Beatty Machine & Manufacturing Co., Hamilton, Ind.; Bertsch & Co., Cambridge City, Ind.; Williams, White & Co., Moline, Ill.; Royersford Foundry & Machine Co., Royersford, Pa.; Hendley & Whittemore, Beloit, Wis.

There is no indication that imported punches, shears, and bar cutters have materially effected the business of the American manufacturers in these commodities. While there is no segregation in the statistics of the Tariff Commission (Summary of Tariff Information, 1929, on tariff act of 1922, Schedule 3, pp. 812, 813, 814), yet the information there given clearly indicates that importations of metal-working machine tools and parts are equal to about one-half of 1 per cent of the total domestic production thereof and that the American manufacturers are exporting nearly one-quarter of their total production. Herein lies a clear indication that the rate of duty established by the act of 1922, to wit, 30 per cent ad valorem, is amply sufficient to protect the American producer.

It is a fact that whatever Pels's machines are sold by us in this country they are sold on the strength of certain features of design and engineering detail which have been developed by us in the past three decades. Constant experiment and research by us have resulted in improvements in our machines which make them peculiarly desirable for certain classes of work and we are consequently able to sell some of these machines in these markets, regardless of the fact that our price is as a rule higher than the price of the domestic manufacturers. In cases in which these special features do not enter into consideration the machines made by the American manufacturers are almost invariably sold at prices much lower than we offer our similar machines for.

It must be noted that the Buffalo Forge Co. offers no proof in substantiation of any of the statements made by them. There is nothing to show that there has been any reduction in their business or in the employment given by them to American labor on account of foreign competition.

Reverting, for the moment, to the implied charge made by the Buffalo Forge Co. that we are not conducting our business in strict accordance with the American business code, it is highly interesting to note that the Buffalo Forge Co. employs a German designer (formerly connected with the Pels Co.) who is in charge of their designing department, and that they are constantly copying, as closely as possible, designs and styles developed by us. We do not comment upon the ethics of this, but it seems that the remarks of the Buffalo Forge Co. in relation to the American business code are somewhat misplaced.

In closing we beg to state that the tale of woe which the Buffalo Forge Co. say they submitted to Mr. John Bethune of the United States Tariff Commission and to Mr. F. Morton Leonard, acting chief, metals division of the Tariff Commission, Mr. Rastall, chief of machinery division of the United States Tariff Commission, and to Mr. Thomas O. Marvin, chairman of the Tariff Commission, was investigated by the Tariff Commission, whose representative, Mr. Harold S. Demeritt called upon us and was afforded all facilities for investigation. The

results were such as to clear us of any of the charges and assertions made by the Buffalo Forge Co. that they were subjected either to underselling or to unfair competition from us.

The Buffalo Forge Co. apparently also made complaint to the Treasury Department for a special agent of that department also investigated our business and such investigation disclosed, to the satisfaction of the Treasury Department, that the allegations of the Buffalo Forge Co. were unwarranted.

It is respectfully submitted that the advance in duties granted by the House of Representatives in the provision of paragraph 372 for "punches, shears, and bar cutters intended for use in fabricating structural or other rolled, iron, or steel shapes, 40 per cent ad valorem," was unwarranted and that this provision should be completely eliminated by the Committee on Finance in its consideration of the pending tariff bill, leaving the said machines to find their logical classification under the provision for "machine tools, 30 per cent ad valorem" in the same paragraph.

Respectfully submitted.

HENRY PELS & CO. (INC.),
By STRAUSS & HEDGES, *Attorneys.*

SUPPLEMENTAL BRIEF OF HENRY PELS & CO. (INC.)

COMMITTEE ON FINANCE,
United States Senate, Washington, D. C.

GENTLEMEN: We desire to supplement by the following a brief submitted by us, through our attorneys, Messrs. Strauss & Hedges, 11 Broadway, New York City on June 6, 1929, with reference to H. R. 2667, paragraph 372, concerning increase of duty on punches, shears, and bar cutters, etc.

We inclose a copy of invoice No. 5189, made out by Messrs. Neff Kohlbusch & Bissell, our Chicago agents, on October 24, 1928, covering the sale of one Type FV–75 Pels billet shear to the International Harvester Co. as proof that the machine was sold to the International Harvester Company at the price of $17,755 as stated in our brief. This invoice is marked Exhibit N.

We also refer again to an examination made of this sale by the customs agent, Mr. David L. Brown, who is attached to the New York office and investigated the sale to the International Harvester Co. in April, 1929. Mr. Brown's report is on file at the Customs Bureau in Washington and states that he found the actual sales price was $17,755.

To further prove our contention that our machines are generally sold at considerably higher prices than domestic machines, even at the present rate of duty of 30 per cent, we refer again to the before mentioned report of April, 1929, of the customs agent, Mr. David L. Brown, wherein he reports about a sale made to the Commonwealth Steel Co., Granite City, Ill., on their order No. 4742–H, placed with us through our St. Louis agents, Messrs, Blackman–Hill & Co. (Pels order No. 8518).

A complaint had been filed at the time stating that a Pels machine had been sold at about $2,000, as against a price for a domestic machine of $2,900. As Mr. Brown reported, and as evidenced by the attached certified copy of invoice rendered to the Commonwealth Steel Co. by our St. Louis agents, Messrs. Blackman-Hill & Co. marked Exhibit O and dated May 19, 1928, the price of the machine was $3,206.25, proving that our price was $306.25 higher than the price of the domestic machine.

Special reference is being made to this case since it has been investigated by a customs agent while no evidence of their statements has been submitted by the proponents of the increase in duty.

As further evidence, we submit a statement marked "Exhibit P," received on June 14, from the commissioner of department of purchases and supplies, city of Detroit, in reply to our telegraphic request of June 4, supporting statements made on pages 6 and 7 of our brief dated June 6 to the effect that a machine was offered by the Buffalo Forge Co. at $3,395, as against the price of a Pels machine offered through our agents, the Cadillac Machinery Co., of Detroit, at $3,620.

Respectfully submitted.

HENRY PELS & CO. (INC.),
By G. M. SHUHAN, *Secretary.*

LETTER FROM G. W. THORBAHN, NEW YORK CITY

JULY 13, 1929.

Hon. DAVID A. REED,
Chairman Subcommittee No. 1, Committee on Finance,
United States Senate.

MY DEAR SENATOR: With reference to tariff adjustment, H. R. 2667, paragraph 372, covering "punches, shears, and bar cutters intended for use in fabricating structural or other rolled iron or steel shapes," also with reference to testimony given before your subcommittee on July 10 by Mr. G. W. Thorbahn, we inclose herewith a letter received from the International Harvester Co., Chicago, dated July 11, advising that upon their request the Buffalo Forge Co. has withdrawn the portion of their brief submitted to the Ways and Means Committee containing statements regarding the sale by us of machines to the International Harvester Co.

Inasmuch as it appears from the records that the Buffalo Forge Co.'s brief was the basis of the House decision in raising the duty on our commodity from 30 to 40 per cent, and inasmuch as the statements referred to and now withdrawn by the Buffalo Forge Co. were the only apparent piece of evidence submitted by the proponents of the increase in duty, we respectfully request that the inclosed letter is made part of the evidence relative to paragraph 372.

We regret that we were unable to submit sooner the inclosed evidence, but this was impossible.

Respectfully yours,

HENRY PELS & CO. (INC.),
G. W. THORBAHN, *Secretary.*

(The letter referred to is as follows:)

CHICAGO, ILL., *July 11, 1929.*

HENRY PELS & CO. (INC.),
90 West Street, New York, N. Y.

GENTLEMEN: We refer to your letter of May 21, pertaining to brief filed by the Buffalo Forge Co. in connection with their request for increase on duty on shears and punches made by your company.

In your letter you quote a portion of this brief pertaining to prices quoted the International Harvester Co.

We wish to inform you that we have taken this matter up with the Buffalo Forge Co. and at our request this portion of their brief has been withdrawn.

Regretting the unavoidable delay in replying to your letter, we remain

Yours truly,

INTERNATIONAL HARVESTER CO.,
W. B. EDGAR,
Manager Purchasing Department.
By R. A. FISCHER, *Buyer.*

FORKS, HOES, RAKES, ETC.

[Par. 373]

BRIEF OF G. B. DUREEL, CLEVELAND, OHIO, REPRESENTING THE FORK, HOE, AND RAKE (STEEL GOODS) INDUSTRY

The FINANCE COMMITTEE,
United States Senate, Washington, D. C.

HONORABLE SIRS: I am writing as the appointed representative of the manufacturers of forks, hoes, rakes, and hooks in the United States—an industry that in trade circles is known as the steel goods industry.

This industry, as industry is organized to-day, is a rather small one. The chief companies engaged in it are, in order of size, as follows, viz:

The American Fork & Hoe Co., general offices, Cleveland, Ohio.
The Union Fork & Hoe Co., general offices, Columbus, Ohio.
The Cronk & Carrier Manufacturing Co., general offices, Montour Falls, N. Y.
The Sandusky Tool Corporation, Sandusky, Ohio.
The J. F. Rittenhouse Manufacturing Co., Akron, Ind.

The American Fork & Hoe Co. have five plants in which the tools are made complete from the raw material. These are at Wallingford, Vt.; Geneva, Ohio; Ashtabula, Ohio; Jackson, Mich., and Fort Madison, Iowa. They also have three assembling plants, in which parts shipped from the above five plants are simply assembled into complete tools. These are at Philadelphia, Pa.; Harriman and Memphis, Tenn. They also have four plants for manufacturing the wooden handles needed for the tools they manufacture. These are operated under the name of "The National Handle Co." and are located at Fort Wayne, Ind.; St. Johnsbury, Vt.; Plymouth, N. C., and Blytheville, Ark.

The Union Fork & Hoe Co. have two plants, at both of which the tools are made complete from the raw material. These are located at Frankfort, N. Y., and Columbus, Ohio.

The Cronk & Carrier Manufacturing Co. have two plants, at both of which the tools are made complete from the raw material. These are located at Montour Falls, N. Y., and Canton, Ohio.

The Sandusky Tool Corporation has one plant at Sandusky, Ohio.

The J. F. Rittenhouse Manufacturing Co. has one plant at Akron, Ind.

The statistics of these manufacturers are approximately as follows:

Total capital invested	$11,335,000
Average annual wholesale sales value of tools manufactured	$7,145,000
Average number of tools manufactured and sold each year	8,064,000
Average number of people employed	2,075
Average annual wages paid	$3,039,875
Average taxes paid	$248,000

The tools manufactured by this industry are divided into four classes, viz:

1. Those sold for domestic gardening and home uses.
2. Those sold for the use of contractors, road builders, railroads, mines, mills, and other industrial uses.
3. Those sold for use on domestic farms.
4. Those sold in the export market.

As near as we can estimate, the average total production and sale of tools given above as 8,064,000 tools and of an average wholesale sale price of $7,145,000 are distributed among these four classes as follows, viz:

Class	Tools sold	Sales value	Class	Tools sold	Sales value
1	2,225,800	$2,065,400	3	4,160,400	$3,218,300
2	859,600	1,241,700	4	818,200	619,600

This industry is, comparatively speaking, an old one for this country, one factory having been started over 100 years ago, and several are over 75 years old. All of the larger plants are in villages or small towns, in which in every case they are important contributing factors to the prosperity of the communities in which they are located, and during the winter, when the factories are busiest, they draw their labor largely from the surrounding rural communities at a time when farm labor might otherwise be idle. In one village the factory is the only existing industry, and in most is the only important industry.

The wages and salaries paid are in harmony with those paid by other employers in the localities where the factories are located, but, of course, are not as high as would have to be paid in cities, where the cost of living is higher. In fact, this industry has never seemed to prosper in a large city, and during the whole history of the industry, no large factory has ever been developed in an urban community—hence, the loss of this industry would fall in a community where it could not be easily replaced by other industry.

The factories themselves are generally modern, up-to-date plants, carefully, efficiently, and economically managed. The machinery and equipment are of the latest design and the processes of manufacture are the best known. A special department is maintained to search out and devise more efficient machines and processes of manufacture, so that the product can be cheapened and improved. Every employee is urged to make suggestions for improvements and if any of their suggestions, on trial, are found worthy of adoption, a liberal compensation is paid the employee who made the suggestion.

The profits from this industry have been comparatively small—8 to 10 per cent per year on invested capital. The dividends paid have been 6 to 7 per cent, and are now on about a 7 per cent basis, about the same as they were before the war, notwithstanding the fact that the purchasing value of the dollar has been much reduced and is now about 60 cents.

The number of tools manufactured and sold has experienced about a 30 per cent decline in the past 15 years. This is due to the more general use of automobiles, trucks, and tractors, and the substitution of horse-drawn and mechanically operated machinery for hand tools. For instance, there are now few stables in the cities. Hence, few manure and hay forks are sold there, where the sales before the days of the automobile and truck were quite large. The use of the manure spreader on the farm has curtailed the use of manure forks. The use of the hay loader in the field and the mowing fork in the bar has greatly reduced the use of hayforks. Improved horse-drawn and tractor-drawn cultivators have reduced the use of hoes on the farm. Wheel cultivators for garden use have reduced the use of weeding hoes. The rapid increase in the use of the combine (a machine that cuts and threshes the grain in the field) has greatly reduced the use of grain forks of all kinds. The use of the little handy concrete mixer has greatly reduced the use of mortar hoes, of which there used to be large sales, etc., ad libitum.

In regard to tariff protection prior to the 1922 law of the tools made by this industry, the writer has not made the effort to get this information, deeming it of no value in the present situation.

The present situation is as follows: Those of the tools that we make that are classified by the Treasury Department as agricultural implements come in free under article 1504 of the tariff act of 1922, except those that are specifically named in the dutiable list. Hay and similar forks, being specifically named in article 355, are assessed a compound duty.

Industrial forks, not being agricultural implements and not being specifically mentioned otherwise, are assessed a duty of 40 per cent under paragraph 399.

The above limited tariff protection has been fairly satisfactory up to this time. Quite a large quantity of fork and rake tines and hoe blades were shipped from Germany into this country in 1925, 1926, and 1927, but, due to the fact that the importer was insufficiently financed, and did not fully understand the processes of attaching the handles and marketing the completed tool, the venture was not a financial success, and the importation ceased on this account. Still while these goods were coming into the country, the domestic manufacturers were forced to sell competing items at less than cost in order to retain their trade.

Then to protect themselves from an invasion by Canadian manufacturers, the domestic manufacturers were compelled to acquire a factory in Canada in order to be in a position to retaliate in Canada in case of trouble. We could not manufacture in this country and ship into Canada, as under the Canadian tariff there is a duty of 22½ per cent.

Now, however, it looks as if we would have to have better protection or our domestic industry will suffer. For the foreign manufacturers are making a zealous quest for new markets in which to find an outlet for the increased and better quality production that they are now prepared to turn out with the new machinery they have installed, most of which is copied from our own.

A German manufacturer is offering forks in this country at less than our costs. Attached is a photostatic copy of their quotation under date of July 11, 1928. This offer was too late for last season's business, and as a consequence little business was then obtained, but these low prices will certainly get business for next season, unless a change is made in the tariff.

Then a Swedish manufacturer recently made a sample shipment of forks through New York at the following prices:

	Per dozen
No. 120. 2-tine 12-inch plain ferrule hayforks, 5-foot handles	$4.83
No. 130. 3-tine 12-inch plain ferrule hayforks, 5-foot handles	5.56
No. 140 (a). 4-tine 12-inch strap ferrule, ash steel D handle manure forks	7.03
No. 140 (b). The same as above, but with beech handle	6.44
No. 144 (a). 4-tine angular back spading fork, strap ferrule, ash steel D handles	8.64
No. 144 (b). The same as above except with beech steel D handles	7.91
No. 144 (c). The same as above with ash wood D handles	9.81
No. 144 (d). The same as above but with beech wood D handles	8.49

These goods and their selling prices compare with our goods and our cost prices as follows:

No.	Selling price American seaboard	No.	Cost price American factory
SWEDISH		AMERICAN	
120	$4.83	21	$5.29
130	5.56	31 B	5.97
140 (a)	7.03	04 D	7.38
140 (b)	6.44	04 W	8.52
144 (a)	8.64	OHD (ash)	9.15
144 (b)	7.91	OHD (beech)	8.65
144 (c)	9.81	OHW (ash)	10.29
144 (d)	8.49	OHW (beech)	9.79

From these figures it is evident that if we were to meet the Swedish prices we would have to sell for less than cost.

If we are not afforded any better protection in the new tariff than we have in the 1922 tariff, and this threatened foreign competition materializes and is maintained, we would, rather than lose our domestic trade, meet these foreign prices and ship from our domestic factories for a time, but as soon as we could do it we would erect a factory in a foreign country, where the labor was the cheapest, and manufacture and ship to this country. This would, of course, necessitate our curtailing our manufacturing in this country, with the positive result of closing some factories altogether.

In view of the above statement of facts, we respectfully request that article 1504 of the tariff act of 1922 be left as it is and that our tools be included in article No. 373 of the dutiable list, the amended paragraph then to read as follows:

"373. Shovels, spades, scoops, forks, hoes, rakes, scythes, sickles, grass hooks, corn knives, and drainage tools, and parts thereof, composed wholly or in chief value of metal, whether partly or wholly manufactured, 30 per centum ad valorem."

Our tools are of the same character as the tools now listed in No. 373, and if the latter deserve protection, our tools certainly do. This duty of 30 per cent on American valuation will, we think, enable our industry to continue in the future as in the past. It would not enable us to raise prices. In fact, we would not want to do this under any circumstances, as prices beyond a normal profit breed domestic competition of the worst kind—that is, competition from uninformed invaders in the business—and this we certainly would not want to hazard in a business that is declining in sales as set out on page 4.

Of course, the first and natural objection to our petition would be that the action prayed for would be prejudicial to the interests of the farmer, in that it might enable the domestic manufacturer to raise prices. Our answer to this is that we do not think the protection would enable us to raise prices if we wanted to, and we certainly are too good business men to want to. In the second place, if prices were raised even to the extent of the full 30 per cent, the increased cost per year to the farmer would be less than the average selling price of 1 pound of butter. On page 2 we show that the gross annual wholesale selling price of this industry to domestic farmers is on the average about

$3,218,300. Suppose as an extreme this were increased by 30 per cent, or $965,490—this, divided among 6,400,000 farmers in the country means only 15 cents per farmer per year.

We think the farmer for 15 cents per year could well afford to have this domestic industry continue to operate in this country, pay American prices to American laborers, who, in this case, would be able to pay fair prices for the products the farmer has to sell. In this connection we think it well to call your attention to the fact that the timber used in the handles of our tools is ash, and this ash is bought by us chiefly from farmers, and as this ash timber is rather scarce, we pay a higher price per thousand for ash than is paid for any other comparative hardwood. We buy on an average each year from the farmers about 11,000,000 feet of standing ash, for which we pay the farmer about $440,000, plus the cost of cutting, skidding, hauling, etc., which labor is done by the farmers in winter months, thus giving them winter occupation.

Furthermore, any other facts, figures, or information that your honorable committee would like and which we are able to supply, we will be very glad to furnish on request.

In conclusion we would like to say that we desire to ask for nothing that will not be to the benefit of the country as a whole. If we thought it to be to the interest of the country as a whole that the manufacture of these tools be transferred to a foreign country, we would yield with good grace and move our plants abroad, but we do not so think, and believe the gentlemen of your committee do not so think.

Respectfully submitted.

G. B. DURELL,
Representing the Fork, Hoe, and Rake (steel goods) Industry.

N. B.—We favor American valuation.

ERIE, PA., *July 11, 1928.*

BROWN CAMP HARDWARE CO.,
Des Moines, Iowa.

GENTLEMEN: As representative of W. O. Schulte, manufacturers of high-grade farm and garden tools, I am respectfully submitting to you for your consideration the inclosed list of specially priced tools.

These tools are of guaranteed excellent quality as to material and workmanship. The tines are high-grade steel properly oil tempered, and the handles are bent and finished in such a way as to give the fork the required perfect hanging.

As a result of recent concentrated efforts, backed by 50 years of manufacturing experience, we are pleased to quote you for the coming season at greatly reduced prices.

All listed tools are imported free of duty. Quotations are for carload lots f. o. b. port of New York, allowing you 10 per cent discount off list prices. However, a sample tool will be forwarded to you from Erie, Pa., upon request.

Should we be favored with your orders you may be assured that they will receive our most careful attention.

Very truly yours.

K. O. SCHULTE.

STATE OF NEW YORK,
County of New York, ss:

George B. Durell, of full age, being duly sworn according to law, on his oath, deposes and says that he is president of the American Fork & Hoe Co., and appointed representative of manufacturers of forks, hoes, rakes, and hooks in the United States, an industry known as the steel-goods industry, and that he prepared the foregoing brief, and that the matters and things set forth therein are true to the best of his knowledge and belief.

GEORGE B. DURELL.

Sworn and subscribed before me this 11th day of July, A. D. 1929.

[SEAL.]

C. T. NAYLOR,
Notary Public, Kings County, N. Y.

ANTIMONY

[Par. 376]

STATEMENT OF H. P. HENDERSON, NEW YORK CITY, REPRESENTING THE ANTIMONY PRODUCTS CO.

(The witness was duly sworn by the chairman of the subcommittee.)

Senator REED. You appear in reference to paragraph 376, antimony?

Mr. HENDERSON. Yes. Gentlemen, I would like to say that I appeared before the Ways and Means Committee for five minutes before the end of the last day and at the end of an hour's extension of session, when there were but one or two members present; and they did not ask me a single question. I feel I should be entitled to more time in presenting this matter to you.

Senator REED. You know what you want to say; just say it now.

Mr. HENDERSON. I am followed on the list by the American Mining Congress on the same subject. They have agreed to give me what time they have, so I am the only witness that will appear on antimony, which will save the time of the committee.

Senator KING. Are you appearing for the domestic producer?

Mr. HENDERSON. No. For American production, yes, but there is no domestic production at this time.

Senator REED. You are asking an increase in duty?

Mr. HENDERSON. An increase in duty on antimony metal and antimony oxide, which would also be a smelter product, and free ore, as it is at present. Under the Fordney-McCumber Act, there is a 2-cent duty on antimony metal, and ore is on the free list.

Senator KING. Let me see if I understand you——

Mr. HENDERSON. We want smelter production, not mining production. Three of the authorities state that American mining production can not be developed short of a price of antimony around 30 cents or 40 cents a pound.

Senator KING. Antimony is obtained from lead ores, or from alloy groups.

Mr. HENDERSON. Not antimony metal; but, of course, hard lead, or antimonial lead, which is produced in the United States at lead smelters. To make alloys of definite chemical composition and other purposes, pigments, we need also production of antimony without any lead—pure antimony metal. I will show you a piece, that you may see what antimony is. [Exhibiting pieces of antimony to the committee.]

Before speaking of the special features pointing to a change in the tariff, I wish to mention very briefly my personal position. I understand that some members of the Ways and Means Committee were informed that I am an Englishman.

Senator KING. We do not care what you are.

Mr. HENDERSON. I wish to bring out that I was born in Peabody, Mass., and raised in Salem, and am an American citizen, and all my ancestors since the Revolution have been American citizens. Senator Oddie gave me my first job in mining in Nevada in 1903.

I am a consulting mining engineer with my office at 522 Fifth Avenue, New York. I have been in England twice, in 1902 and 1928. I never had any connection with any British company before three years ago. At that time I was called into consultation by a British company mining and smelting antimony in Mexico, the Republican Mining & Metal Co. (Ltd.). I am now directing the affairs of this company on this continent.

That company, three years ago, was shipping only an insignificant quantity of antimony into the United States. On looking into the antimony situation, I developed the idea that competition between Chinese and Mexican production in the United States would be most beneficial in stabilizing the very undesirable market situation here. My idea of building a smelter here to accomplish this result is entirely my own idea. The smelter would be owned by a new American company, in which I would be financially interested and of which I expect to be president. The smelter will be located in the United States on the Mexican boarder, probably at Laredo, where we have a site spoken for and plans to fit the site.

I have arrange the financing of this project with the Republican Mining & Metal Co. (Ltd.), which has the only operating antimony smelter in the Western Hemisphere. The controlling stock ownership would, undoubtedly, be British. This is necessary to arrange for the smelter ore supply from mines controlled by that company, to secure the technical knowledge resulting from scores of years of antimony production, and to be able to produce a superior, standard, established, and readily marketable product from the beginning.

I do not know whether there is anything in the theory of a protective tariff to hamper foreign investment in a domestic industry; and I judge from what the Senator just said that you feet this is not an essential thing. I would like to enlarge on it. It is essential.

Senator REED. What do you mean; the wisdom of foreign investment in the United States?

Mr. HENDERSON. Yes.

Senator REED. I think you may assume that we understand that.

Mr. HENDERSON. My argument is purely that of national benefit through eliminating an undesirable situation and benefit to American labor directly, and also indirectly to increased use of transportation and domestic supplies. Any resulting benefit to myself, English capital, or Mexico, is incidental.

This new smelting project is subject to a tariff readjustment, but it is well advanced. The necessary funds for construction and working capital are definitely promised, subject to eigher a 4-cent duty or the sliding-scale duty mentioned hereafter. We have a site spoken for and a plant designed for that site.

Senator KING. So that I may properly apply your testimony to the present rate, do you want to change the tariff which exists now "antimony, as regulus, or metal, 2 cents per pound, needle or liquated antimony, one-fourth of 1 cent per pound." Are you satisfied with that act?

Mr. HENDERSON. No. We want 4 cents.

Senator KING. You want 4 cents a pound?

Mr. HENDERSON. Four cents a pound, or an alternative sliding scale, which I will mention hereafter.

Senator KING. You are not referring to the sliding scale on sugar, are you?

Mr. HENDERSON. It is not so complicated as that, sir.

Senator KING. How about this needle or liquated antimony, one quarter of a cent a pound?

Mr. HENDERSON. I am not asking for any change in that.

Senator KING. Are you interested more in permitting the ores to come into the United States with reduced duty, or no duty, in order that the ores may be smelted in the United States, and we get the advantage of having the smelter in the United States?

Mr. HENDERSON. That is it.

Senator KING. Employing American labor, and so forth.

Mr. HENDERSON. Yes; what I am interested in is the margin between free, or, say the zero duty on ore, and 4 cents per pound on the metal ore.

Senator KING. Let me ask you a question right there: If you get your ore free and have a smelter in the United States, and we know we have the best smelters and the best metallurgical processes, perhaps in the world, and I do not except Germany, why do you want a duty on antimony when there is so little produced?

Mr. HENDERSON. I will bring that out, Senator.

Senator REED. Let me first ask what you estimate your production of metallic antimony would be?

Mr. HENDERSON. Yes. Half the antimony metal requirements of the United States. None is produced now.

Senator REED. The Tariff Commission tells us that 14,000 tons were produced last year from lead and in the form of primary metal and from scrap——

Mr. HENDERSON. You will find antimonial lead is produced by lead smelters. Lead smelters can not produce antimony metal. I am speaking of antimony metal, the consumption of which you will find averages about 10,000 tons a year, with no domestic production.

Senator KING. But that antimonial lead is either a by-product, or if the predominating metal is antimony, then it becomes the primary and the lead would become the secondary product, or by-product.

Mr. HENDERSON. But, understand, pure antimony is also necessary as well as the production of antimonial lead. Antimonial lead would probably predominate, but you need metallic antimony also.

Senator REED. In making type, is the metallic antimony used, or do you use antimonial lead?

Mr. HENDERSON. Type metal is made from antimony and lead or antimonial lead and antimony. The lead smelters would produce antimonial lead, which contains a certain amount of antimony, but for type metal you want a certain specific analysis in antimony, so you bring it up to that with metallic antimony. Of course, everything is getting very much standardized now, and for each type of alloys for a certain purpose a certain formula is used; and it is necessary in order to make these alloys to a certain formula, to have the metallic antimony.

Senator REED. If your views are accepted, you would increase the price of antimony to the American purchaser, would you not?

Mr. HENDERSON. No; I think not, Senator.

Senator KING. If the duty were increased to 4 cents a pound, and we have to import such a large part—you stated that we would have to import 50 per cent—the price would be increased. You do not want this additional 2 cents a pound duty unless you want to increase the price.

Mr. HENDERSON. No. If I do not convince you that that is not so, I fail.

Senator KING. Well, you have not thus far.

Mr. HENDERSON. I have not reached a point where I have expected to.

Senator REED. Do you mean that this smelter is being constructed now?

Mr. HENDERSON. No; we can not do it under the 2 cent duty. As soon as we have either a 4 cent duty or this sliding scale duty; and the sliding scale duty, by the way, takes off the duty entirely at a certain point.

Senator KING. When antimony reaches a certain level, then the duty goes off.

Mr. HENDERSON. When antimony reaches 15½ cents.

Senator KING. You mean that much a pound?

Mr. HENDERSON. Yes; a pound. The average price for the last six years is 12½ cents a pound.

Senator KING. That is for metallic antimony.

Mr. HENDERSON. Yes. There have been six full years under the present tariff law, and the average within those six years, the average price of antimony, New York, duty paid, is 12½ cents a pound. The high price in those six years has been 25½ cents a pound. In other words, 10 cents below the high price of the last six years, the duty goes off entirely, according to my sliding scale. Now, what I want to convince you of is that the sliding scale demonstrates clearly that it would not increase the average cost.

Senator KING. Let me say before you proceed that it does seem to me with the limited production in the world that if you get your ores free, with the metallurgical development and the fine metallurgical and other processes which are employed in the United States, that the 2-cent tariff ought to afford all the protection which this industry requires. Now, start with that premise, if you can, to convince me.

Mr. HENDERSON. Yes; all right. What I have to convince you of is, Senator, that China has a monopoly of antimony production. That is the first thing. I have also to convince you that this monopoly results in fluctuations harmful to all, to the consuming public, the manufacturer, consumers, and producers, or porential producers.

Senator KING. Take the fluctuations of copper from 25 cents a pound down to 17 or 18 during the last two months.

Mr. HENDERSON. I will show you that the antimony fluctuations are many times more violent than the fluctuations on copper. There has been a very violent fluctuation in copper, Senator, but I will convince you that there have been more violent fluctuations in the antimony market. I want to cut out and make impossible these violent fluctuations. As I say, I have to convince you that this monopoly in China results in fluctuations, and I have also to convince you that if there is competition with this Chinese monoply by domestic smelter production that those fluctuations will be ironed out.

Senator REED. The brief which you filed in the House shows the prices and the fluctuations. I do not believe it is necessary to go over that again. I see that in 1915 the average price at New York was 29½ cents, that in 1921 it was 4.9 cents. That is evidence enough of fluctuations.

Mr. HENDERSON. Yes; of course.

Senator REED. You did not suggest the sliding scale in your brief in the House.

Mr. HENDERSON. No, I did not. That sliding scale is a new idea.

Senator REED. That is a recent inspiration?

Mr. HENDERSON. That is a recent inspiration.

Senator REED. You have put that in a supplemental brief, have you, Mr. Henderson?

Mr. HENDERSON. Yes. I have a brief here that I have made a number of copies of that I would like to file, a 6-page brief, and I have some diagrams attached to it, and tables, which show the effect and extent of the fluctuations, and also how the sliding scale will work out; and you can be looking at them while I am talking.

Senator REED. A great deal of this material seems to be a duplicate of what you have filed with the Ways and Means Committee.

Mr. HENDERSON. I want to assure you that this is not a duplicate of that. In order to carry out a logical argument there is some duplication, but I have cut out anything that is not necessary.

Senator REED. It would be very difficult to print these diagrams.

Mr. HENDERSON. I would like to have my brief printed, and if you feel you can not print the diagrams, then I would like to leave them and the notes with the committee for the committee's use as exhibits.

Senator KING. Of course that will be done anyway, they will be brought to the attention of the committee.

Mr. HENDERSON. My brief is composed of 6 pages.

Senator REED. I suggest that we hand the stenographer the front part of this brief, to be placed in the record after Mr. Henderson's remarks, and that the exhibits be kept by the clerk of the committee for reference when we come to study this.

Now, Mr. Henderson, scanning hastily over your brief, I think we understand this situation better than you think we do.

The question also comes up on the free list, and I understand that you want a specific mention made of concentrates of antimony ore in the free list.

Mr. HENDERSON. That was a precaution—if it is necessary.

Senator REED. How far is this deposit from the Mexican border?

Mr. HENDERSON. We have several deposits.

Senator REED. How far are they from the Mexican border?

Mr. HENDERSON. One is about 400 miles and one is about 650 miles. Those are the ones we have worked mostly in the past, and those two alone have produced equal to the total antimony requirements of the United States for five and a half years.

Senator REED. And you plan to do your concentrating at the mine, I suppose.

Mr. Henderson. We will concentrate the ore at the mine, yes.

Senator REED. And what you ship will be the concentrates.

Mr. HENDERSON. Yes; sorted ore and concentrates.

Senator REED. You will ship them into the United States, so you want them specifically mentioned in the free list.

Mr. HENDERSON. Yes.

Senator KING. Supposing lead predominates in the concentrates?

Mr. HENDERSON. We have substantially no lead in ours. Lead, of course, could be removed, but it would be an additional expense to eliminate it; but we can produce metal without lead, and our concentrates would not contain substantially any lead.

Senator KING. With the intense mining activity there has been during the last few years through the West, have there been no discoveries of antimony?

Mr. HENDERSON. There have been discoveries, but there is no evidence at all that they could be worked short of a 30 or 40 cent price to produce any substantial part of the country's requirements.

Senator KING. That is my information.

Mr. HENDERSON. It seems to be general information; it is my information from other sources; it seems to be Tariff Commission information, and it seems to be Bureau of Mines information.

Senator KING. Just one other question. This project which you have in mind undoubtedly has engaged your attention and the attention of those with whom you are associated for some little time?

Mr. HENDERSON. Yes, sir.

Senator KING. It engaged your attention before there was talk of a special session of Congress, and before there was, of course, the expectation of an opportunity for you to increase the tariff?

Mr. HENDERSON. Yes.

Senator KING. So the idea was instituted and developed before there was any chance or any thought of getting an increased tariff?

Mr. HENDERSON. Yes. Up to last December, the 24th of December, I supposed that the tariff was going to be taken up next December. There was a year to prepare for it. The next I heard of it was that it was going to start in 10 days. I had to prepare the Ways and Means Committee brief in Mexico, in the middle of the desert. It was a little bit difficult.

Senator REED. What is the melting point of antimony?

Mr. HENDERSON. It is about 600°. The point about antimony is that the volatilizing point and melting point are very nearly together. It melts at a higher temperature than lead, but volatilizes at a lower temperature.

Senator REED. Is the smelting of antimony a particularly difficult problem metallurgically?

Mr. HENDERSON. Antimony works in different ways in many respects. It is difficult in most departments of metallurgy to avoid losses. Losses in antimony are usually considered very high.

Senator KING. Because of its easy volatilization.

Mr. HENDERSON. Yes, that; and also I think it seems to change in its characteristics with change in temperature very rapidly so that at a certain temperature it will change one way and at another temperature another way. There is an art to it. In some ways the metallurgy of antimony is similar to the metallurgy of lead, but there are quite some differences.

Senator REED. All right, sir: I understand.

Mr. HENDERSON. I want to talk about this sliding scale.

Senator REED. You put that in your brief, did you not?

Mr. HENDERSON. I tacked it on at the end, but I want to show you my theory of it to overcome this undesirable situation. I have asked for either an increase in duty from 2 cents as at present to 4 cents, or the sliding scale. I arrived at the figure of 4 cents because it is necessary to keep prices from excessively low levels, because the change from 2 to 4 cents is not complicated, and because with 4 cents duty the smelter will be built, establishing fairly even competition in volume and costs, and this competition will result, as I have estimated, in moderate price and reasonable fluctuations, to the general advantage.

Senator REED. Under this sliding scale you suggest what is the highest duty you suggest?

Mr. HENDERSON. It goes to 5 cents. You can see that from page 6 of my brief.

Senator REED. At what point does it go to 5 cents?

Mr. HENDERSON. It goes to 5 cents at 10½ cents and below. The suggested paragraph 276 is in the middle of page 5 of my brief, and the duty and the way it works out is at the top of page 6.

Senator REED. All right, Mr. Henderson; we will study that.

Mr. HENDERSON. With antimony at 13.5 cents per pound, the present 2-cent duty is sufficient. When antimony is 15.5 cents per pound, no duty is necessary. When antimony is 10.5 cents per pound, a 5-cent duty may be required to keep the price from going to a level requiring shutting down. Now we can not work efficiently with periodic shutdowns, and we can not avoid shutdowns without protection.

Senator King asked a question about the fluctuations of copper. The second diagram I submitted shows the range of fluctuations of copper and antimony during the last six years. The vertical scale shows the per cent of fluctuations in price.

Senator KING. Senator Reed called attention to the fact that it was between 4 and 29 cents.

Mr. HENDERSON. I want to be sure that you understand that the area of this diagram represents the volume of fluctuations, and you see antimony is subject to extreme fluctuation.

Senator KING. We will examine those, Mr. Witness.

Senator REED. Is there anything else, Mr. Henderson?

Mr. HENDERSON. In my brief and accompanying notes I have estimated the effect of a 4-cent duty in reducing price fluctuations. These estimates indicate a probable reduction of average antimony price from 12.5 to 11.7 cents through this new competition. As an alternative to a flat 4-cent duty, the sliding scale duty outlined on pages 5 and 6 of my brief would very closely equalize the estimated cost of Chinese production and of Texas-Mexican production, 9.5 and 9.7 cents, respectively, at 11.7 cents New York price. This would seem an entirely fair point at which to equalize costs, and the 2-cent margin for profit at this point is not excessive. The 9.7-cent Texas-Mexican cost estimate requires over 1.5 cents reduction in cost from 1928 results in Mexico when audited costs delivered New York were 11.2 cents. Estimated Chinese costs include allowance for 20 per cent increase since 1923. Financing of the Texas smelter has been definitely promised with either the 4-cent duty or this sliding

scale. The sliding scale is expressed and illustrated on pages 5 and 6 of my brief. I hope the committee will look at these figures and inquire regarding any points they do not understand.

With such a sliding scale, nearly even competition at 9.7 cents cost would tend to keep the price near 11.7 cents. The removal of all duty at 15.5 cents and over would certainly tend to keep the price down at the top, while China could no longer force the shutdown of domestic smelting under ample protection at the bottom. This would be a tariff readjustment, not increase, and I hope it may be so considered should there be any general decision against increases.

A necessary precaution would be wording so that special grades, a more highly refined product, which may sell at 14 cents when ordinary grades sell at 10 cents, would pay the same duty as ordinary grades, not a lower duty. The duty should be based on the price of ordinary grades.

Whether or not the committee desires to consider such a change in the form of duty, I wish to point out that this suggestion pictures clearly what I wish to bring about, domestic smelting without danger of forced shutdown, enabling even competition with China and thereby a moderate price level and moderate fluctuations to the mutual advantage of the Nation, producers, manufacturer-consumers and ultimate consumers alike. The price of antimony should not average in my opinion more than about 11.7 cents and, my recommendations are designed to that end. In my opinion, the effect of a straight 4-cent duty, would be very closely similar to that of the sliding scale duty suggested above, but would permit larger fluctuations in price.

As I have stated, the financing is definitely arranged for and the smelter will be built with either the 4-cent specific duty or the sliding scale as above. I wish to read a telegram in this connection.

I wish to point out that under the present tariff rates domestic antimony smelting can not be wisely started with dependence on the flexible provisions, as the President could increase the present 2-cent rate only to 3 cents, whereas 4 to 5 cents is necessary when prices are excessively low, to prevent forced shutdown. If the duty should be set at 4 cents, the President could decrease the rate to 2 cents, the present rate, should changed economic conditions so indicate. The sliding scale, I believe, would tend to prevent the necessity of calling on the flexible provisions.

I wish also to point to the conditions as stated in my brief that indicate the same rate of duty on antimony oxide as on antimony.

The Antimony Products Co., of New Brunswick, N. J., which joins with me in this application is the successor in plant ownership to the Antimony & Compounds Co. which recommended 4-cent duty on antimony metal and oxide at the tariff hearings in 1921 before enactment of the present tariff act.

Antimony Products Co. is making antimony oxide directly from ore and has tried unprofitably to make antimony metal from ore. Both attempts are unprofitable under the present tariff. This going concern needs the same additional protection.

Consumers in some cases object to a tariff change without real insight into the situation. In case any objection should develop I should appreciate inquiries by the committee to ascertain if the proposed tariff change would actually harm the interest of consumers. I

think it would benefit consumers. At least one important consumer has taken this attitude.

Antimony oxide is used for certain purposes for which tin oxide is also used, antimony oxide being cheaper than tin oxide. It is a possibility that some manufacturers might desire to prevent firm establishment of antimony oxide manufacture so that there would be less domestic competition with tin oxide. In the event of objection I should appreciate questions by the committee that would bring out the relative quantitiative interest of objectors, whether makers or consumers of antimony oxide and tin oxide, in these two products.

Some makes of antimony oxide sell at several cents advance over the price of Chinese oxide. In case of objection by makers of oxide, I suggest questions by the committee which will bring out whether the retention of the present duty would not tend, by restricting domestic production, to keep the finer grades of antimony oxide at least 5 cents above the price of Chinese oxide instead of a fraction of such margin above Chinese oxide.

Paragraph 8 includes mention of other antimony compounds besides oxide, which receive higher duty than oxide. I am not personally interested in the manufacture of these items and have made no recommendation but it would be agreeable to me, should the committee consider it fair, to increase the duty on such items by the same amount that the duty on antimony metal and oxide, the raw material for their manufacture, is increased.

I think that, from the tariff standpoint, antimony presents rather a special case, with a wholly weak domestic situation at present, a monopoly in supply, and obvious evils resulting. This situation deserves to be considered on its merits.

I did not wish to take the time of the committee in duplicating this recommendation under paragraph 8, as well as 376. If my application receives favorable attention under 376, I request that paragraph 8 receive similar attention.

(Mr. Henderson submitted the following brief:)

BRIEF OF H. P. HENDERSON

FINANCE COMMITTEE,
United States Senate, Washington, D. C.

GENTLEMEN: The fundamental evil of the antimony situation in the United States depends on the fact that a practical monopoly of the antimony metal supply of the United States and of the world is derived from the interior of China, where it is made by the cheapest labor in the world, and is subject to interruptions, either through disturbances to operation and transportation, or interrupted deliberately by cartels for purposes of price manipulation, while no antimony metal is produced in the United States. The result is fluctuations in the domestic price of antimony through an extraordinary range and at extraordinary speed, a most undesirable condition, which can not be checked, under the present tariff rates, through domestic competition with China.

The principle of encouraging an antimony smelting industry in the United States is in accordance with well established policies to encourage new domestic industries and to regulate the evils of monopoly, and is also in accordance with the purpose of the tariff act of 1922 which however did not fix rates at a sufficient level to successfully accomplish its purpose. With the increase in tariff items requested, a new smelter will be immediately constructed in Texas capable of supplying 30 to 60 per cent of the domestic antimony metal requirements of 10,000 tons annually, and other antimony smelters would be able to operate in the United States.

The following evidence supports briefs filed by H. P. Henderson, in connection with the establishment of an antimony smelting industry in Texas, before the

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Committee on Ways and Means and published on pages 2503–2517 and 314–315 of tariff readjustment, 1929, information submitted by the American Mining Congress published on pages 912–913 of tariff readjustment, 1929, and a statement to the Committee on Ways and Means by the Antimony Products Co., successors in ownership of a plant in New Jersey to the Antimony and Compounds Co., which is recommended at the tariff hearings before the passage of the tariff act of 1922, the same increase in duties on antimony metal and oxide as now recommended.

The increases in duties of 2 cents per pound on antimony and antimony oxide herein recommended would be of national and industrial benefit in the following respects.

Curbing of monopoly and harmful speculation.—Domestic smelter production on an even basis in volume and cost with Chinese production would be substituted for Chinese monopolistic control, thus curbing Chinese cartels in attempts at restraint of trade and price manipulation that could not be legally undertaken in the United States. Domestic speculation in antimony which frequently reaches extremes harmful to industry would be similarly curbed.

Prevention of shortages in supply.—The danger of serious shortages in domestic antimony supply through interruptions to production in China or to transportation in China and across the Pacific, a possibility especially acute in a war emergency, would be reduced.

Improvement in quality of antimony.—An abundant supply of a grade of antimony metal, much purer and more standardized than Chinese antimony, would become for the first time available in large quantities to domestic manufacturers at reasonable price. R. H. M. brand antimony, of which less than 600 tons was available in the United States each year before 1928 when 1,394 tons were imported, would be made at the Texas smelter to the amount of 3,000 to 5,000 tons annually. This brand of antimony is guaranteed 99.3 per cent pure and actually maintains 99.6 per cent purity with under 0.1 per cent arsenic, compared with Chinese antimony 99.0 per cent pure and quite irregular as to impurities.

Reduction in price and fluctuations.—Fluctuations in the price of antimony have been absurdly large and rapid compared with price fluctuations in other metals as may be seen by a glance at Figures 1 and 2 attached hereto. During the 17 months from December, 1924, to May, 1926, the average change in the price of antimony was 3.6 cents per month, and during the 28 months from July, 1924, to November, 1926, the average change in price was 2.9 cents per month. With a nearly even basis of competitive production such violent and rapid fluctuations would be impossible.

Future antimony prices under 2 cents duty with practically a Chinese monopoly and under 4 cents duty with nearly even competition have been estimated in different ways as follows:

A. Under 2-cent duty, the average prices and range of prices of the six years 1923–1928 have been taken as representative of the future except that Chinese costs are estimated as having increased 1.0 cent since 1923 and the low annual average price made in that year is raised this amount, and also the lowest price for the future is raised to 7.7 cents, the estimated present cost of Chinese production, duty paid, New York. Under 4 cents duty Chinese costs, duty paid, New York, would be 2 cents higher and the minimum price is accordingly taken as 9.7 cents. Lower figures in estimates B and C are raised to 9.7 cents.

B. Even competition is estimated as eliminating half of the range between "sellers' market" conditions and "buyers' market" conditions.

C. Even competition is estimated as equivalent in average effect of increasing bonded stock 500 tons or about two weeks' supply.

D. Even competition is estimated as reducing the 1923–1928 price fluctuations of antimony to the average 1923–1928 range of fluctuations of five other common metals.

E. Even competition is estimated as reducing the 1923–1928 price fluctuations of antimony to the 1923–1928 range of fluctuations of the next most violently fluctuating metal, lead.

F. Even competition is estimated as making the fluctuations of antimony from its average pre-war (1903–1913) price equivalent to the 1923–1928 fluctuations of the average of five other common metals from their average 1904–1913 price.

These estimates of antimony prices under the proposed 4-cent duty give closely similar results as follows:

	Method				
	B	C	D	E	F
	Cents	*Cents*	*Cents*	*Cents*	*Cents*
Highest price	17.2	15.5	15.1	17.7	15.9
Highest annual average price	13.1	12.9	13.4	14.7	14.0
Average of yearly highs	13.1	12.9	14.1	14.4	14.6
Average price	9.8	10.8	12.4	12.4	12.9
Average of yearly lows	9.7	9.7	11.1	10.6	11.5
Lowest annual average price	9.7	9.7	11.3	10.1	11.6
Lowest price	9.7	9.7	10.5	9.3	10.7

By averaging estimates B to F, a final estimate for antimony prices under 2-cent and 4-cent duties may be made as follows:

	With present 2-cent duty	With proposed 4-cent duty	Difference
	Cents	*Cents*	*Cents*
Highest price	25.5	16.4	−9.1
Highest annual average price	17.5	13.5	−4.0
Average of yearly highs	17.5	13.5	−4.0
Average price	12.4	11.7	−0.7
Average of yearly lows	9.1	10.5	+1.4
Lowest annual average price	8.8	10.4	+1.6
Lowest price	7.7	9.8	+2.1

The decrease in the high and average prices and reduction of the absurdly great range and rapidity in price fluctuations characteristic of antimony in recent years would be beneficial to consumers. This program is therefore, not in conflict with "farm relief."

As antimony oxide follows antimony metal in price similar advantages would accrue to manufacturers and consumers of antimony oxide.

Comparison with pre-war costs.—The estimated average price of antimony under 4-cent duty 11.7 cents, is 120 per cent of pre-war average price, 9.8 cents, as compared to about 130 per cent for the average of other metals.

Price of antimony-lead alloys.—The principal use of antimony is in antimony-lead alloys. The cost of the antimony contained in one pound of average alloy containing 12 per cent antimony would be about 0.22 cents above average pre-war cost, while the cost of the lead in such average alloy averages about 2.64 cents above pre-war cost. There is therefore, no hardship to consumers involved.

Government tariff income.—With 50 per cent domestic smelter production under the 2-cent increase in duty, Government revenue from duty on these items would remain unchanged.

Assistance to labor employment, etc.—Approximately one-half of the antimony-metal supply of the country, now wholly imported, would be produced in domestic smelters, with additional employment to domestic labor and additional use of domestic supplies and railway transportation. Domestic antimony-oxide manufacture would be similarly increased with similar general benefit.

Foreign trade.—Foreign trade would be on the average hardly affected by the proposed duty. Exports to Mexico and Bolivia would be somewhat assisted, and Mexican antimony mining would be saved from extinction by Chinese competition thereby assisting Mexican Government and railway revenue, etc., and promoting the financial and economic recovery of Mexico, with stabilization adjacent to our southern border.

Changes in duty recommended.—Antimony metal, antimony alloys, and antimony oxide are closely related in consideration for Tariff revision. The proceding summary deals mainly with antimony metal.

Antimony metal goes mostly into the form of lead-antimony alloys before being sold to the ultimate consumer, therefore, alloys are a somewhat more advanced

stage of manufacture than antimony metal and as such deserve equal tariff protection. Under the Tariff act to 1922, paragraph 393, the lead contents of such alloys is dutiable, but antimony metal may be alloyed with lead to make such alloys as type metal or Babitt, alloys salable to the ultimate consumer, and imported free of duty with respect to antimony.

As antimony metal and oxide sell at closely similar prices (according to tariff Information, 1929, New York average prices, 1928, were 10.30 cents and 11 87 cents, and foreign values for computing ad valorem equivalent were 8.5 cents and 8.3 cents; as antimony metal is sometimes made directly from ore, sometimes from oxide as an intermediate product; and as antimony oxide is sometimes made from ore, sometimes from metal, they deserve equal tariff protection. As the tonnage of antimony metal consumption is several times that of antimony oxide consumption, the metal industry is of more importance than the oxide industry.

The 4-cent duty recommended is necessary for the firm establishment of antimony smelting. Under the flexible provisions of the tariff, the President, with 50 per cent increase, could raise the present 2-cent rate to be only 3 cents, whereas, if the duty is now set at 4 cents, the President could reduce the rate to as low as 2 cents, the present rate, should change economic conditions render it advisable.

Paragraph 376.—In order to permit the advantages summarized, it is therefore urged that paragraph 376 provide a duty of 4 cents per pound instead of 2 cents per pound on "antimony as regulus or metal," and that "antimonial lead, antimonial scrap lead, type metal, Babitt metal and all alloys or combinations of antimony not specially provided for" should also be dutiable at 4 cents per pound on the antimony contained therein.

Paragraph 8.—It is also urged that paragraph 8 provide a duty of 4 cents per pound instead of 2 cents per pound on antimony oxide.

Paragraph 1506.—As production of domestic antimony ores in important proportion of domestic requirements is, in the opinion of the Department of Commerce officials and other authorities, not practicable except at three or four times the present antimony price, it is recommended that antimony ores, under paragraph 1506, be retained on the free list.

Alternative paragraph 376.—As an alternative to a flat 4-cent duty the following sliding scale would be entirely acceptable in giving even competition and costs at 11.7 cents New York price, in preventing forced shut down at lower prices and in removing all duty at 15.5 cents which is 10 cents below the high price of the last six years of the present tariff. I am commenting on this in my oral statement.

Paragraph 376.—Antimony regulus or metal, including the antimony contents of alloys and hard lead: 5 cents per pound less the difference between the value, duty paid, at United States port, of antimony, ordinary grades, and 10½ cents per pound; but not less than 5 cents per pound when such value is below 10½ cents per pound.

This would work out as follows:

New York price	Less	Deduction	Base duty	Deduction	Duty
Cents	*Cents*	*Cents*	*Cents*	*Cents*	*Cents*
15.5	10.5	5.0	5	5.0	0.0
14.5	10.5	4.0	5	4.0	1.0
14.0	10.5	3.5	5	3.5	1.5
13.5	10.5	3.0	5	3.0	2.0
13.0	10.5	2.5	5	2.5	2.5
12.5	10.5	2.0	5	2.0	3.0
12.0	10.5	1.5	5	1.5	3.5
11.0	10.5	0.5	5	0.5	4.5
10.5	10.5	0.0	5	0.0	5.0

And estimated costs and profit, as compared with New York antimony prices, taking into consideration estimated Chinese costs and estimated Texas Mexican costs, would be as follows:

New York price, duty paid	Duty	Estimate for Chinese based on 7.7 cents cost with present 2 cents duty		Estimated Texas-Mexican at 9.7 cents cost	
		Cost	Profit	Cost	Profit
		Cents	*Cents*	*Cents*	*Cents*
15.5	0.0	5.7	9.8	9.7	5.8
14.5	1.0	6.7	7.8	9.7	4.8
14.0	1.5	7.2	6.8	9.7	4.3
13.5	2.0	7.7	5.8	9.7	3.8
13.0	2.5	8.2	4.8	9.7	3.3
12.5	3.0	8.7	3.8	9.7	2.8
12.0	3.5	9.2	2.8	9.7	2.3
11.7	3.8	9.5	2.2	9.7	2.0
11.0	4.5	10.2	0.8	9.7	1.3
10.5	5.0	10.7	−0.2	9.7	0.8

Domestic valuation seems somewhat superior in directly accomplishing the result desired, but if there should be important objection in principle substantially the same result could doubtless be reached by basing this paragraph on foreign valuation with the necessary changes in wording.

Alternative paragraph 8.—A similar sliding scale to that outlined for paragraph 376 would be entirely acceptable for paragraph 8, antimony oxide. Such a scale might be based either on the value of oxide or metal, but as the actual price of oxide is somewhat difficult to obtain accurately, quotations being frequently fictitious, it may perhaps be simpler to base the antimony oxide scale as well as the metal scale on the value of metal antimony which has a larger market with a more accurately known price.

I suggest:

Paragraph 8. Antimony oxide, 5 cents per pound less the difference between the value, duty paid, at United States port of antimony, ordinary grades, and 10½ cents per pound; but not less than 5 cents when such value is below 10½ cents per pound.

CONCLUSION

The increases in duty recommended therefore afford an opportunity to build up a domestic industry to the mutual advantage of producers, consumers, and the public and without cost to consumers and the public. Without the increased duty, most antimony production outside of China, which is unprofitable at present prices will soon terminate, and thereafter, with Chinese monopoly in full effect, a return of excessively high antimony prices is to be expected.

I attach some notes which will enable the committee to check the facts and estimates briefly presented above.

Respectfully submitted.

H. P. HENDERSON,
522 Fifth Avenue, New York City.

BRONZE LEAF

[Par. 382]

STATEMENT OF R. W. GRAUERT, NEW YORK CITY

[Including aluminum foil, par. 395]

(The witness was duly sworn by the chairman of the subcommittee.)

Senator REED. Did you testify before the House Ways and Means Committee, Mr. Grauert?

Mr. GRAUERT. I did not, sir.

Senator REED. Or did you file a brief?

Mr. GRAUERT. I did not. I neglected to do that because I am unfamiliar with the procedure, Mr. Reed. Since coming here this morning I have seen the briefs that have been filed by our competitors, and there are many errors in them.

Senator REED. In the Ways and Means Committee record?

Mr. GRAUERT. Yes.

Senator REED. We will see the brief if it is there.

Mr. GRAUERT. I need not refer to it if it is there. I should like to be granted the privilege of filing a brief, though. Is it too late to do that?

Senator REED. No.

Mr. GRAUERT. I have no statistics or figures with me. I did not think it was necessary.

Under paragraph 382 we import a commodity known as Oeserfoil. It is mentioned in the brief which Mr. Wickwire has filed; but it has always come in under paragraph 382 as metal leaf, bronze in leaf, at a specific rate of 6 cents per hundred sheets, 5½ by 5½.

Senator KING. That is not bronze powder?

Mr. GRAUERT. No.

Senator REED. It is bronze in leaf?

Mr. GRAUERT. Bronze in leaf, yes.

Senator REED. It carried a duty of 6 cents per hundred leaves in the old bill, and that has not been changed by the House?

Mr. GRAUERT. Yes; there has been a 25 per cent ad valorem duty added to that.

Senator REED. I beg your pardon; that is only on bronze powder in leaf.

Mr. GRAUERT. Well, that is what this is.

Senator REED. You told me a while ago that it was bronze in leaf. That carries a duty of 6 cents a hundred.

Mr. GRAUERT. Yes.

Senator REED. But bronze powder in leaf carries a duty of 6 cents a hundred and 25 per cent.

Mr. GRAUERT. Yes.

Senator REED. And that is your commodity, is it?

Mr. GRAUERT. That is my commodity; yes.

Senator KING. Not leaves. "Bronze, or Dutch metal, or aluminum, in leaf, 6 cents per 100 leaves."

Mr. GRAUERT. That is not the commodity; no—the one following that.

Senator KING. "Bronze powder, or Dutch metal powder"—not aluminum powder?

Mr. GRAUERT. There is also an aluminum Oeserfoil; yes.

Senator KING. "Or aluminum powder, in leaf, 6 cents per 100 leaves and 25 per cent ad valorem."

Under what paragraph did those particular items come?

Mr. GRAUERT. Paragraph 383, always.

Senator KING. And they bore what duty?

Mr. GRAUERT. Only a specific rate.

Senator KING. Six cents a hundred?

Mr. GRAUERT. Six cents per hundred leaves; yes.

Senator REED. Mr. Grauert, it seems to me that to say that powder is in leaf is a contradiction of terms. Explain that; will you, please?

Mr. GRAUERT. That is the way the customs have classified it, Mr. Reed. That is the carrier [indicating]. That is not metal; it is a chemical compound, and the powder is applied on that.

Senator KING. Would you call this little sheet that you have exhibited to the subcommittee bronze powder?

Mr. GRAUERT. That is the way the customs have always classified it, because it is bronze powder sprayed on the surface in a semidry condition and then taken off.

Senator KING. Then bronze powder and Dutch metal powder are the same?

Mr. GRAUERT. Excepting for color.

Senator KING. If I said "bronze powder," and then I said "or Dutch metal powder," would it mean the same thing?

Mr. GRAUERT. I have never heard of a powder called Dutch metal powder.

Senator KING. That is a new name to you; is it?

Senator REED. It is the bronze powder you are interested in?

Mr. GRAUERT. It is the bronze powder that I am interested in.

Senator REED. What is this material used for?

Mr. GRAUERT. It is used for book stamping—stamping names on books, similar to that [indicating].

Senator REED. As a substitute for gold leaf?

Mr. GRAUERT. As a substitute for gold leaf; yes.

Senator REED. Is that generally used?

Mr. GRAUERT. Oh, yes; it is in general use. This commodity has been on the market for 25 years in America. There is a United States patent, but of course the patent expired.

Senator REED. What is the name of your competitor that you speak of who filed the brief in the House?

Mr. GRAUERT. The Peerless Roll Leaf Co., Mr. Wickwire, page 2526 of this book.

Senator KING. That is a domestic manufacturer?

Mr. GRAUERT. A domestic manufacturer; yes.

Senator REED. You are an importer, are you?

Mr. GRAUERT. I am an importer; yes, sir.

Senator REED. From what country do you import?

Mr. GRAUERT. Germany, exclusively.

Senator KING. I notice that the Tariff Summary states that—

Dutch metal is a very malleable alloy of copper and zinc.

But that is not your product?

Mr. GRAUERT. That is not ours; no, sir.

Senator KING. But it says:

It is sold either under the name of "bronze leaf" or "Dutch metal leaf."

Mr. GRAUERT. That is right.

Senator KING. It says:

Bronze, or Dutch metal, in leaf, is used largely in bookbinding.

Mr. GRAUERT. That is right, too.

Senator KING. Then apparently this amendment which has been offered here puts bronze powder or Dutch metal powder in the same category.

Mr. GRAUERT. Yes; but our commodity is entirely different. There is nothing like it manufactured anywhere else, to my knowledge. I know positively that there is nothing like it manufactured and sold in the United States.

Senator KING. Then you want your product withdrawn from this classification? Is that it?

Mr. GRAUERT. I should like to have it go back to the old rate. Otherwise, it will be ruinous to our business, if we have to pay 25 per cent more. We will have to get out of business; that is all.

Mr. Wickwire in his brief specifically refers to this commodity known as Oeserfoil; and on page 2526, at the end of the fourth paragraph, he says:

> We will not interfere with that.

Referring to the duty on this. Still, 25 per cent ad valorem has been added.

Senator REED. The Tariff Commission states that—

> The competitive strength of the German manufacturer lies largely in the low wages paid to workers in that country. Besides, the process of manufacture has been so perfected by the German manufacturer that the product sells on its quality with little regard to price. The practical domination of the United States market by German manufacturers and the higher labor costs in this country, have checked extended manufacture here.

Is that correct?

Mr. GRAUERT. I did not know that we had a monopoly on this business in this country—that is, on the imitation gold-leaf business. We have a very reputable competitor in Philadelphia that we have had a very nice working arrangement with for many years; and I do not believe that they would be willing to concede that we have the bulk of the business of that kind in this country on imitation gold leaf, although we are not at the present time importing anything which interferes directly with their business.

Senator KING. Just tell us what your business is, what you import, and whether there is anything in the United States in competition with you.

Mr. GRAUERT. Oh, yes; there is something in competition with us, but it is of a different nature.

Senator KING. Well, a wagon is in competition with an automobile.

Mr. GRAUERT. Yes; to just about the same degree.

Senator KING. Then there is nothing made in the United States that is similar to this?

Mr. GRAUERT. There is nothing similar to this commodity made in the United States; no, sir—this one item.

Senator KING. Is it made anywhere in the world except in Germany?

Mr. GRAUERT. Only in Germany.

Senator KING. How long have you been importing it?

Mr. GRAUERT. I have been connected with this concern, this German manufacturer, for 20 years.

Senator KING. What are its imports?

Mr. GRAUERT. Only this commodity.

Senator KING. I know, but the amount—the quantity?

Mr. GRAUERT. Our sales have never exceeded $100,000 a year. I am not prepared to quote figures, because I did not think I would be called upon to do it.

Senator KING. Well, you know what the figures are.

Mr. GRAUERT. But I do not like to make statements at random.

Senator KING. You have been paying a tariff of 30 per cent?

Mr. GRAUERT. We have been paying a specific rate of 6 cents per 100 leaves, size 5½ by 5½.

Senator KING. Does this brief which was filed in the House, and to which you called attention, direct attention to your product?

Mr. GRAUERT. Yes, sir; it mentions it specifically.

Senator KING. And does it state that it is in competition?

Mr. GRAUERT. It states that it is not in competition.

Senator KING. Then did they ask any increase in the tariff on the particular item which you import?

Mr. GRAUERT. Not on that particular item, but it has been included under that paragraph.

Senator REED. Mr. Wickwire testified (p. 2526) that American manufacturers make about 100,000 units a year against 400,000 units of imported German material annually, and that the domestic material is made by taking bronze powder, mixing it in a soluble cotton solution, spraying it or otherwise spreading it on glass plates or a sheet of water, and then removing it and cutting it into strips, and that that article sells at a much higher price than yours.

Mr. GRAUERT. Yes.

Senator REED. Is that correct?

Mr. GRAUERT. That is correct.

Senator REED. And they claim for it greatly superior quality, in that it is capable of being handled.

Mr. GRAUERT. Color, durability, etc.—I concede all of that. The Hastings Co., of Philadelphia, whom Mr. Wickwire no doubt refers to, make a very superior article.

Senator REED. And they say that the patent protection which they have had on that article expired in November, 1927, and that since that time German merchandise of exactly similar quality has come into this country.

Mr. GRAUERT. I did bring in a shipment, but I never made any effort to sell it because of my friendly relations with Hastings.

Senator KING. Are you the only importer?

Mr. GRAUERT. Yes, sir; I am the only one.

Senator KING. And your imports have never exceeded how much a year?

Mr. GRAUERT. Our sales have never exceeded $100,000.

Senator KING. What have been the sales of those who have comparable articles?

Mr. GRAUERT. I have no way of gauging that.

Senator KING. Do these Americans who are manufacturing a comparable article produce any other commodity?

Mr. GRAUERT. Hastings manufactures gold leaf, and Hastings also manufactures roll leaf, which is also covered by this paragraph—that is on glassine paper—on which there is also a ruinous duty levied.

Senator KING. Please speak a little louder.

Mr. GRAUERT. I say, they also manufacture what is known as roll leaf—that is, bronze on paper—on which a duty is proposed of one-half cent per hundred square inches, which would also put us out of business.

Senator KING. Where is that found?

Mr. GRAUERT. That is further down in the paragraph—subdivision (b), I believe it is. This is the article to which you had reference, Mr. Reed.

Senator KING. Then you are interested also in stamping and embossing materials of bronze powder, or Dutch metal powder, or aluminum powder, mounted on paper or equivalent backing?

Mr. GRAUERT. Yes; those are the ones we are interested in—all of those items.

Senator KING. Then you are objecting to that?

Mr. GRAUERT. We are objecting to that, too.

Senator KING. State what you care to state in regard to that item.

Mr. GRAUERT. If the proposed duty takes effect on that it will force us to go out of business.

Senator KING. What is the duty now on that particular article?

Mr. GRAUERT. Fifteen per cent ad valorem and 5 cents per pound.

Senator KING. Has the business been profitable to those engaged in it—the domestic manufacturers?

Mr. GRAUERT. Oh, yes. There is no reason to believe that it has not been. They employ a large sales force, and they have big factories producing here. I have myself and two salesmen and an office boy and a stenographer; that is all.

Senator KING. Are you the only competitor, if you do compete, on this particular item?

Mr. GRAUERT. The only importer; yes.

Senator KING. Have your imports increased in the last three or four years?

Mr. GRAUERT. We have been doing a consistently increasing business, due to the quality of our material, not the price. We have never competed on price.

Senator KING. Their price is higher than yours?

Mr. GRAUERT. No; their price is lower.

Senator KING. I mean, lower?

Mr. GRAUERT. Yes.

I have here a list of the bids of the Government Printing Office in May—bids opened on May 20. Our quotation for 40 rolls of imitation gold, 23 inches wide, was $11. The lowest bidder was $8.28. On another item, an imitation gold leaf, our bid was $22, and the lowest bidder was $13 per thousand sheets; so we are not the price pirates that we are sought to be made out to be.

Senator KING. Are the representatives of either of those firms here to testify to-day?

Senator REED. No.

Mr. GRAUERT. I do not think so.

Senator REED. We have an extended brief signed by three of them.

Senator KING. Mr. Grauert, I shall ask you, if you can, to get a financial statement so far as it appears in public records—Moody or otherwise—of the companies that are manufacturing these products,

and their profits, and so on, to show whether there is any necessity for protection, and the extent.

Mr. GRAUERT. Mr. King, I might say that if those people are not making money it is because of the insane price war that they are carrying on among themselves. Mr. Wickwire states here that the cost of production is 2½ cents per 100 square inches—their cost of production on that paper. It is common knowledge that that material can be bought for 30 cents for 2,400 square inches. How they can reconcile those figures I do not know.

The list price is supposed to be 80 cents. We have met competition with the German material down to 60 cents. We will not go below that. We have refused to go below that. We could have gotten lots of business at a lower price, but we will not take it, because we can not get a fair return on our money if we do; but our competitors have been underbidding one another, and the bids to the Government Printing Office show it. There it is. That is the record.

I do not see that we are at all responsible for the loss of their business or the loss in their manufacture. If they would be sensible, and get their price and sell their merchandise on quality instead of selling it for a price, it would be different with them.

Senator KING. Do you know anything about whether they have made profits?

Mr. GRAUERT. I do not, sir; no. I know that the Peerless Co. has just bought a new factory, a very expensive building, in western New York or New Jersey.

Senator KING. Do you know the number of men they employ?

Mr. GRAUERT. I have no idea; no.

Senator KING. Or the extent of their business in dollars and cents?

Mr. GRAUERT. I have no idea. I never inquired into their details.

Senator KING. Have you not attempted to ascertain the domestic production?

Mr. GRAUERT. I did not; no.

Senator KING. And the domestic sales?

Mr. GRAUERT. No.

Senator KING. Do you know whether the domestic sales—that is, sales in the United States of the domestic product—are much greater than yours.

Mr. GRAUERT. Of course they must be; otherwise, they could not maintain their establishments.

Senator KING. It is unfortunate that you can not give us more information about this subject.

Mr. GRAUERT. I know; but, Mr. King, I always minded my own business and went after it, and never worried about the other fellow.

Senator KING. In these two products, what is the aggregate of your imports?

Mr. GRAUERT. Our imports in dollars and cents are perhaps between $30,000 and $40,000.

Senator KING. For stamping and embossing materials as well as the bronze powder?

Mr. GRAUERT. Yes.

Senator KING. Not more than $40,000?

Mr. GRAUERT. That is all. It is a very small business.

Senator KING. And you are the only importer?
Mr. GRAUERT. I am the only importer.
Senator KING. So that if there is any competition from abroad, you are the competitor?
Mr. GRAUERT. Yes; but the competition does not exist.
Senator KING. Please answer my question.
Mr. GRAUERT. If there is any, I would be, yes, if that would be the contention.
Senator KING. That is the contention, as I understand—that there are German importations, or some importations; and you are the only one importing it?
Mr. GRAUERT. I am the only one; yes. They will all tell you that.
Senator KING. What do you say from the cost of production, and so on, as to whether the prices charged by you are reasonable or unreasonable?
Mr. GRAUERT. We get a fair price, and we make a fair return on our investment.
Senator KING. And your prices are higher than theirs?
Mr. GRAUERT. We have a minimum limit that we go down to, which is 60 cents. We will not go below it. I am speaking now of a roll 200 feet long and 1 inch wide.
Senator KING. Speaking of the products by and large, are your prices higher or lower than theirs?
Mr. GRAUERT. Our prices are higher.
Senator REED. What do you say as to Mr. Wickwire's statement that the average cost of the United States product, excluding selling expense, is about 2½ cents a hundred square inches, while the foreign invoice values of the same article show an invoice price less than one cent, talking there of surface-coated paper?
Mr. GRAUERT. I should like to believe that Mr. Wickwire made a mistake in his figures.
Senator KING. Well, are they true?
Mr. GRAUERT. They are not.
Senator KING. What are the facts, then?
Mr. GRAUERT. The facts are that 2½ cents will equal 60 cents for a 200-foot roll. Two and a half cents per hundred square inches would equal 60 cents for a 200-foot roll, which is the unit; and they sell it as low as 30 cents. We have known instances where they have sold it for 25 cents. I can not reconcile those figures at all.
Senator KING. Do you sell it for less than 1 cent?
Mr. GRAUERT. We do not. We sell it down to 60 cents.
Senator KING. Not below that?
Mr. GRAUERT. Not below that. No one can prove that we have ever sold it below that.
Senator KING. What is the present duty on surface-coated paper?
Mr. GRAUERT. Fifteen per cent ad valorem and 5 cents a pound.
Senator KING. It amounts, he says, to one-fifth of a cent. Is that right?
Mr. GRAUERT. I have not figured it out, Mr. King. I do not know.
Senator REED. Is surface-coated paper in paragraph 382?
Mr. GRAUERT. No; surface-coated paper is in paragraph 1305 at present, in the old tariff.
Senator REED. That is under paper and books.

Senator KING. Does that bear any relation to these items?

Mr. GRAUERT. They have transferred it; they have made a special provision under subdivision (b) in paragraph 382 for this specific commodity, this stamping paper.

Senator KING. Mr. Grauert, you have not made that very clear to me—it is my fault, of course—just what the situation is and what ought to be done. I hope, if you file a brief, that you will state the facts very clearly.

Mr. GRAUERT. I am very sorry that I did not. As I say, I did not come prepared, because I did not know what you gentlemen wanted of me. However, I have samples here if they will be of service to you.

Senator REED. Is this statement correct—that on the surface-coated paper the invoice has been as low as 1 cent a hundred square inches?

Mr. GRAUERT. I do not know where they could have gotten those figures, Mr. Reed.

Senator KING. Are they correct, so far as you know?

Mr. GRAUERT. They are incorrect.

Senator KING. Have you ever gotten any that cheap into the United States?

Mr. GRAUERT. No, sir.

Senator KING. At what port do you land your imports?

Mr. GRAUERT. New York.

Senator REED. Things are confused here by the fact that Mr. Wickwire's brief discusses both surface-coated paper and this bronze powder in leaf.

Mr. GRAUERT. The brief is very confusing.

Senator REED. Coming back to the bronze powder—I am sorry to spend so much time on this—Mr. Wickwire gives a tabulation of costs which shows the importer's invoice price as 54 cents per hundred leaves. Is that about right?

Mr. GRAUERT. That can not be right, because our prices range all the way from $10 to $22 for the unit; so there can not be any price established on that. They have no way of knowing that.

Senator REED. You have seen that sample invoice that Mr. Wickwire gave there; have you not?

Mr. GRAUERT. I did not.

Senator REED. He says:

> The only available invoice shows a price of $5 per pack of 500 leaves, size 7 by 8 inches.

Mr. GRAUERT. Of how much?

Senator REED. "$5 per pack of 500 leaves, size 7 by 8 inches," which he says is equivalent to 54 cents for 100 leaves, 5½ inches square.

Mr. GRAUERT. Here is the price of our commodity, an invoice of 1928, giving the price $11.50—an invoice of the 30th of November, 1928.

Senator REED. How many leaves in a pack?

Mr. GRAUERT. Five hundred.

Senator REED. What size?

Mr. GRAUERT. Size 7 by 8, $11.50 per thousand sheets; total, $310.50.

Senator REED. He asks 60 per cent ad valorem additional duty, and the House gave him 25 per cent ad valorem duty.

Mr. GRAUERT. That puts us out.
Senator KING. They increased the rate, did they?
Senator REED. Let me see that invoice. Have you others there, too?
Mr. GRAUERT. Yes, sir; I have invoices covering every commodity that I import.
Senator REED. I am concerned particularly with this Oeserfoil.
Mr. GRAUERT. Here is one that may be a little bit more clear, because there are not so many items on it.
Senator REED. Are these prices in marks or dollars?
Mr. GRAUERT. Dollars. The one Mr. Reed has is for 7 by 8. The one you have is for 7 by 24—the same commodity.
Senator REED. Is this 7 by 8?
Mr. GRAUERT. Yes; that one is 7 by 8. This one is 7 by 24. We import it in three sizes.
Senator KING. Then the prices you pay are more than double, as I understand, what was stated in this brief?
Mr. GRAUERT. They are.
Senator REED. How do you distinguish Oeserfoil from these other commodities?
Mr. GRAUERT. This invoice is all Oeserfoil. Some of it is white; some of it is colors.
Senator REED. Let me see it again. This shows prices as low as $5.50.
Mr. GRAUERT. Yes.
Senator REED. That is for white?
Mr. GRAUERT. That is for white 7 by 8.
Senator REED. Size 7 by 8?
Mr. GRAUERT. That is white. That is colored Oeserfoil. That comes in under paragraph 1459 now, as an unenumerated manufactured article, at 20 per cent. That is a material for which there is absolutely no substitute on the American market. That should be on the free list.
Senator KING. What is that used for?
Mr. GRAUERT. Stamping, the same as the gold.
Senator KING. Any one looking at this invoice would be unable, unless he was familiar with the business, to distinguish one from the other.
Mr. GRAUERT. They are all clearly itemized there, Mr. King. Is there anything I can explain?
Senator REED. No; I think we understand your point.
Senator KING. Speaking for myself, I should be very glad if you would confer with the authorities there at the port, and send to the secretary of this committee a statement from them as to the cost of the articles which you import.
Mr. GRAUERT. The manufacturing costs?
Senator KING. No. I suppose this shows it, though; does it not?
Mr. GRAUERT. I have the manufacturer of the product here, if you would like to question him.
Senator REED. This brief states the cost, but Mr. Grauert says it is not correct.
Mr. GRAUERT. Absolutely not—not as applied to my merchandise.
Senator REED. Nobody else but you has imported this commodity?
Mr. GRAUERT. Oeserfoil—no.

Senator REED. And if there is such an invoice as Mr. Wickwire says there is, it must be one of your invoices?

Mr. GRAUERT. I have been unable to understand the language of Mr. Wickwire's brief.

Senator KING. Please answer the question.

Mr. GRAUERT. It may be that he has an invoice for Dutch metal; but that is not our product.

Senator KING. You are not importing Dutch metal?

Mr. GRAUERT. We are not importing Dutch metal; no. We have no interest in Dutch metal. We have an interest in nothing excepting Oeserfoil and Oeser roll leaf.

Senator KING. Who imports Dutch metal?

Mr. GRAUERT. Drakenfeld and Uhlfelder.

Senator KING. How do you distinguish the Dutch metal from your product?

Mr. GRAUERT. The Dutch metal is a thin piece of metal beaten out the same as gold leaf is beaten out. We have no interest in either gold leaf or Dutch metal. It is beaten out from the metal into a thin leaf.

Senator KING. This is a powder?

Mr. GRAUERT. Ours is a manufactured product; yes.

Senator KING. And the other is just the beaten leaf?

Mr. GRAUERT. That is all; yes, sir.

Senator BARKLEY. Is that beaten by hand?

Mr. GRAUERT. It is beaten by hand; yes. That is the only successful way in which they can beat it.

Senator REED. All right, sir; I think we understand something of it, anyway.

Senator KING. I shall be glad if you will clarify this matter in your brief, and furnish further evidence in support of your statements here, and offer any explanation which is the fact in respect to the statements made in this brief.

Mr. GRAUERT. I will do that. Shall I leave these samples, or shall I submit them with the brief?

Senator REED. I do not think that is necessary.

(Mr. Grauert submitted the following brief:)

BRIEF OF R. W. GRAUERT (INC.), NEW YORK CITY

Hon. REED SMOOT,
Chairman Senate Committee on Finance,
Washington, D. C.

SIR: Referring to the hearing before the Committee on Finance, Subcommittee No. 1, in which I testified on July 10, I beg to say first of all for your information that all of my testimony related only to the products in which I am interested, all of which are known as "Oeser" products and include bronze and aluminum "Oeserfoil," colloquially referred to as "bronze foil," the "Oeser" tissue leaf and bronze and aluminum roll leaf, which is bronze or aluminum powder mounted on glassine paper, colloquially referred to as "bronze roll leaf." In the testimony, certain information was requested of me by members of your honorable body and I shall endeavor as best I can to answer all of these questions in an intelligent manner and give you facts and figures which are at my disposal.

Perhaps it would be well for me, for the convenience of your committee, to itemize the commodities in which I am interested on separate sheets of paper and to that end, I beg to refer you to the inclosed three schedules each under a proper caption.

I also beg to call your attention to the fact that the bulk of our business is handled through jobbers and that we have on our books to-day as customers for our material all of the representative houses selling the commodities affected by the proposed tariff increase.

The tabulation of cost and selling price referred to in the schedules are furnished for the purpose of showing that under the new tariff we would be forced out of the importing business.

The bronze powder used in the manufacture of our bronze "Oeserfoil" is made from American electrolite copper.

The bronze powder which we use in the manufacture of "Oeser" bronze roll leaf is made from American electrolite copper. The paper tubes on which it is wound and one other component ingredient of chief value are exported by us to our manufacturers abroad for the manufacture of "Oeser" bronze roll leaf.

I beg to call your special attention to the statements herewith made as to our selling prices and those of the American manufacturers, from which you will see that we are, even under the present tariff, under a great disadvantage, as they can sell their material considerably under our landed cost. The only chance we have is on account of some of our goods being of suprior quality, which enables us to get our prices and remain in business.

You will also note that the highest point we reach in our total annual sales is $92,175.61 for the products covered by inclosed schedules from which you can see that if we are not able to make a fair per cent of profit, we would have to retire from business.

If the rates of duties as proposed in the new tariff are put in force, it will mean that we can only possibly sell our merchandise at a profit of around 12 per cent and you can readily figure that we would not be able to continue business and pay our salesmen and clerks out of a profit of this sort.

I therefore respectfully beg of your commission to consider this matter and revise the paragraph, so that the duty under the new schedule would be no higher than it is at present, which we consider enough protection, as our figures prove, for the manufacturers here.

Thanking you for the courtesy extended to me on July 10, I beg to remain.

Respectfully yours,

R. W. GRAUERT.

INFORMATION REQUESTED AT HEARING ON JULY 10

Senator King requested to know the amount of our annual sales, to which I replied that our sales never exceeded $100,000 per year, stating that I was not prepared to quote figures. For Senator King's information, I beg to state that our greatest annual business was in the year 1928 on the commodities affected by the tariff, to which we are objecting, i. e., "Oeserfoil" and "Oeser" bronze roll leaf, amounted to $92,175.61. Senator King asks on page 7, "Does this brief which was filed in the House, and to which you called attention, direct attention to your product?" to which I replied in the affirmative. Since perusing the brief at leisure, I find that other commodities which we do not import are included.

Senator King asks if it is in competition with American manufactured goods and I replied in the negative, basing my answer on the statement on page 2525, tariff readjustment, 1929, hearings before the Committee on Ways and Means, volume 3, Schedule 3, as follows:

"There is another article coming in from abroad, entirely, that is made by taking a thin film of varnish material and sprinkling bronze powder on it. This can be used for the same purpose. There is no American equivalent for that, because we can not compete."

On page 8 of my testimony, Senator Reed refers to Mr. Wickwire's testimony on page 2526, tariff readjustment, 1929, hearings before the Committee on Ways and Means, volume 3, Schedule 3, and he specifically refers in technical terms to "Oeser" tissue leaf, as per schedule 2, herewith, and asks if the domestic article sells at a higher price than ours. I replied in the affirmative, having in mind the selling price of our bronze "Oeserfoil." "Oeser" tissue leaf sells for the same price as domestic article, i. e., $14 per pack of 500 sheets, size 7 by 8 inches.

Senator Reed again refers to importations since the American patent has expired and asks for facts and figures as to quantities imported by us. I give you following record of our importations of "Oeser" tissue leaf and refer you to Schedule 2, "Oeser" tissue leaf:

	Sheets
Size 7 by 8 inches	65,000
Size 4¾ by 23 inches	17,000

Senator Reed asks if I was the only importer, to which I replied in the affirmative. I had in mind, of course, only "Oeser" products and not Dutch metal, genuine, or gold leaf, which are also mentioned in the brief which Mr. Wickwire filed for the United States Gold Leaf Manufacturers' Association.

Senator Reed asks whether the business was profitable to our competitors who are domestic manufacturers. I have tried to obtain information as to whether these concerns were doing a profitable business, without success. The committee should have no difficulty in obtaining this information from the manufacturers direct.

Senator King, in page 13, referring specifically to bronze roll leaf, asks what our annual importations were, and I replied not more than $40,000. Our greatest importations were in the year 1928 and amounted to $29,951.

Senator King further asks, while discussing roll leaf, if I were the only importer, to which I replied in the affirmative, because to my knowledge there is no other foreign manufacturers' roll leaf imported into the United States which enjoys a regular sale and can at all be considered as competition to the American product. Of course, at intervals different firms bring in a few sample rolls, but they soon find that the market is saturated and that the quality they offer has no appeal to the American consumer. Senator King asks if our prices are lower than those of our American competitors, to which I replied that our prices were higher.

I believe the evidence I submit in the schedules sent you herewith and the following list of successful bidders on the requirements of the Government Printing Office for the fiscal years 1928 and 1929, together with photostatic copies of correspondence with customers, also hereto attached, prove that we do not compete on a price basis.

Government Printing Office bid for the fiscal year 1928

Item No. 63—10 rolls aluminum roll leaf, 23 inches wide:	Bid per roll
H. D. Catty & Co	$10.00
H. D. Catty & Co. (alternate)	18.40
Coughlin Manufacturing Co	9.20
R. W. Grauert (Inc.)	18.40
Hastings & Co	18.40
Peerless Roll Leaf Co	11.04
H. Griffin & Sons Co	11.04

Item No. 64—500 sheets aluminum stamping leaf, 20 by 24 inches:	Bid per 100 sheets
H. D. Catty & Co	$3.50
R. W. Grauert (Inc.)	19.20
Hastings & Co	16.00
Peerless Roll Leaf Co	22.08

Item No. 65—100 rolls bronze roll leaf, 23 inches wide:	Bid per roll
H. D. Catty & Co	$18.40
Coughlin Manufacturing Co	9.20
R. W. Grauert (Inc.)	18.40
Hastings & Co	23.46
H. Griffin & Sons Co	11.04

Item No. 66—25,000 sheets bronze stamping leaf, 7 by 8 inches:	Bid per 1000 sheets
H. D. Catty & Co	$22.00
H. D. Catty & Co. (alternate)	26.60
R. W. Grauert (Inc.)	22.00
R. W. Grauert (Inc.) (alternate)	26.60
Hastings & Co	26.60
H. Griffin & Sons Co	11.20

Government Printing Office bid for the fiscal year 1929

Item No. 61—40 rolls bronze roll leaf, 23 inches wide:	Bid per roll
R. W. Grauert (Inc.)	$11.00
Coughlin Manufacturing Co	11.00
F. W. Rauskolb Co	12.88
H. Griffin & Sons Co	8.28
Hastings & Co	17.25

Item No. 62—25,000 sheets bronze stamping leaf, 7 by 8 inches:	Bid per 1,000 sheets
R. W. Grauert (Inc.)	$22.00
F. W. Rauskolb Co	23.05
Hastings & Co	26.60

Item No. 63—25 rolls aluminum roll leaf, 23 inches wide:	Bid per roll
R. W. Grauert (Inc.)	$11.00
Coughlin Manufacturing Co	9.20
F. W. Rauskolb Co	12.88
H. Griffin & Sons Co	8.28
Hastings & Co	17.25

Item No. 64—500 sheets aluminum stamping leaf, 20 by 24 inches:	Bid per 100 sheets
R. W. Grauert (Inc.)	$16.00
F. W. Rauskolb Co	11.20
Hastings & Co	15.00

Senator Reed asks what I have to say as to Mr. Wickwire's statement that it costs an average of 2½ cents per 100 square inches to produce this material in the United States. I replied that I would like to believe Mr. Wickwire made a mistake in his figures, because of the fact that this material is sold by our competitors for half that sum. Mr. Wickwire neglects to state that two of the very largest manufacturers of this commodity (Brighten roll leaf, distributed by H. Griffin & Sons Co., and Coughlin roll leaf, manufactured by Coughlin Manufacturing Co.) have not joined in the brief which was filed by the United States Gold Leaf Manufacturers' Association, and consequently if Mr. Wickwire, who represents a very large manufacturer, lumps his manufacturing costs with those who join him in the brief (none of whom to my knowledge manufacture and sell a successful bronze roll leaf), it is reasonable to assume that the manufacturing costs also include a great many experimental costs on the part of the smaller manufacturers, who are trying to produce a satisfactory roll leaf, which would perhaps bring the average cost of production to the figure stated.

On page 16 Senator Reed asks if the statement is correct that on surface coated paper the invoice price has been as low as 1 cent per 100 square inches, to which I replied that they were incorrect and that I had never gotten any into the United States as cheap as that. The fact of the matter is that the invoice price on our material is $6.50 per master roll 28 inches wide and 200 feet (2,400 inches) long. On a basis of 1 cent per 100 square inches, the cost of this material would figure to $6.72. To the $6.50 foreign invoice price must be added our duty and charges which brings the cost price of the master roll to approximately $8.10 to us laid down in New York.

On page 17, Senator King refers to an invoice of $5 per pack of 500 leaves, size 7 by 8 inches which is equivalent to 54 cents per 100 leaves, size 5½ inches square. I note in my testimony I say that the price was $11.50 per pack of 500 sheets which is an error. The price is $11.50 per 1,000 sheets. I also testified later on, on page 18, that the prices which we pay were more than double, which of course is incorrect.

On page 19 of my testimony, Senator Reed requests that I confer with the authorities at the port of New York and send to the secretary of the committee a statement from them as to the cost of the articles which we import.

The authorities at the port of New York were not quite clear as to the information desired by your committee. I therefore believe the best evidence I can submit is copies of the manufacturers' invoices and certified copies of the custom entries showing duties paid on these invoice prices.

Any further information you may require will gladly be furnished.

UNITED STATES CUSTOMS DISTRICT No. 10,
New York, May 14, 1929.

Consumption entry No. 935518. Merchandise imported by Globe Shipping Co. (Inc.), in Steamship *St. Louis*, from Hamburg, on May 14, 1929. R. W. Grauert, Consignee, 66 West Broadway, New York City:

N. D. C.	$1,566.15 2.50			
	1,563.65			
Four cases (add to M. M. V.)	30.80			
Paper partly covered (par. 1305)	1,594.45	1,211	15	181.65
With flock (701 pounds)	1,135		5	56.75
Oeserfoils, nonenumerated (par. 1459)		383	20	76.60
Manufactured articles		1,594		315.00

(Stamped:) Port of New York, office of the collector, July 17, 1929. I do hereby certify this to be a true copy from the original entry on file in this office. Customs fee, 20 cents, paid. E. Muger, acting deputy collector.

Genthiner Cartonpapierfabrik to Firma R. W. Grauert, New York

[unfrei 3 Kisten R. W. G. No. 9244/46, N. Y. brutto 642½ ko., netto 543½ ko., dch. Fa. The Globe Shipping Co., New York]

No. 9244, brutto 219 ko., netto 186 ko.:	
60 Rollen No. 203, deep gold 28⅝" by 200 f. at 6.50	$390
No. 9245, brutto 201 ko., netto 168 ko.:	
60 Rollen No. 210, aluminum 28⅝" by 200 f. at 6.50	390
No. 9246, brutto 222½ ko., netto 189½ ko.:	
20 Rollen No. 200, lemon gold 28⅝" by 200 f. at 6.50	130
40 Rollen No. 201, pale gold 28⅝" by 200 f. at 6.50	260
	1,170

[unfrei 1 Kiste R. W. G. No. 9247, N. Y. brutto: 373-ko., netto 319½ ko. dch. Fa. The Globe Shipping Co., New York]

30,000 Blatt Marke B. No. 1, weiss 4 by 18", at $7.50	$225
11,000 Blatt Marke B. No. 55, rot 4 by 18", at $10	110
5,000 Blatt Marke C. No. 9½ pers. orange, 4 by 18", at $7	35
	370

[Verpackungsspesen auf Sendung: R. W. G. N. Y.]

No. 9244/46:	
3 kisten at $4.75	$14.25

[Versandspesen auf Sendung: R. W. G. N. Y.]

No. 9247:	
1 kiste	$5.00
46 cartons, per 0/0, at $9.50	4.40
Cons. fee	2.50
	11.90

U. S. Customs Dist. No. 10. Consumption entry No. 832222. New York, 12/19, 1928. Of merchandise imported by Globe Shipping Co., Inc. In Albert Ballin, from Hamburg, on 12/18, 1928.
As one inv.: (Cons. Inv.) Berlin 20104, (date) 12/5/28; Berlin 20278, (date) 11/30/28. Entry No. 832222.
(Exported from) Hamburg (on) 12/6, 1928. Imported by Globe Shipping Co., Inc.
(Owner or ultimate consignee) R. W. Grauert. In Albert Ballin.
(Address) 66 W. Bway., NYC.

Marks	Packages and contents	Tariff paragraph	Quantity	U. S. dollars				Total
R W N G Y 8891/8896	Six cases.. Dutch metal leaf	382	51,000 leaves at 7 x 24		283,050	$3,123		
			54,000 leaves at 7 x 8		99,900			
			41,000 leaves at 43/4 x 23		148,010			
					530,960			
			Leaves at 5½ x 5½C				6c/100	$318.58
	Surface coated paper NSPF	1305	11 lbs			27	15	4.05
	Wrapping paper NSPF	1309	69 lbs				5c	.55
	Oeser foils NE MFD articles	1459	1,464 lbs			5	30	1.50
	MFR Gelatin rolls NSPF	42	109 lbs	$4,985.65		553	20	110.60
	Heat controlling machine		50 lbs (less CC)	2.50		354	25	88.50
						[1] 500		
	American goods returned			4,983.15				
	Deduct for error			500.00				
	(6)			4,483.15				
	Add to make market val			78.52				
				4,561.67		4,562		523.78

3401.

(Stamped:) Port of New York, office of the collector, July 17, 1929. I do hereby certify this to be a true copy from the original entry now on file in this office. Ch. Unger, acting deputy collector. Customs fee, 20 cents, paid.

GLOBE SHIPPING CO., INC.,
Per ———, *Atty.*

(Endorsed on back:) Collection District No. 10 12/19, 1928. Port of N. Y. Imported by Globe Shipping Co., Inc. Vessel: *Albert Ballin.* Owners Dec. Box 108. E. Stegemann, jr., Custom House Broker, 11 Broadway, New York. 3401.

[1] Free, par. 1514.

Genthiner Cartonpapierfabrik to Firma R. W. Grauert, New York

Unfrei 6 Kisten R. W. G., No. 8891/96, N. Y. brutto 1.739½ ko., netto 1.321 ko.; an the Globe Shipping Co., New York]

No. 8891, brutto 309 ko., netto 260 ko.:	
25,000 Blatt No. 501, antioxyd orange, 7 by 24", at $33	$841. 50
No. 8892, brutto 227 ko., netto 188 ko.:	
27,000 Blatt Marke C. No. 1, weiss, 7 by 8", at $5. 50	148. 50
27,000 Blatt Marke antioxyd orange No. 501, 7 by 8", at $11.50	310. 50
No. 8893, brutto 292½ ko., netto 209 ko.:	
30,000 Blatt No. 501, antioxyd orange, 4¾ by 23", at $22	660. 00
1,000 Blatt No. 101, orange, 4¾ by 23", at $12	12. 00
No. 8894, brutto 297 ko., netto 255 ko.:	
54,000 Blatt Marke B, No. 1, weiss, 7 by 8", at $7.50	405. 00
No. 8895, brutto 315 ko., netto 265 ko.:	
25,500 Blatt No. 501, antioxyd orange, 7 by 24", at $33	841. 50
No. 8896, brutto 299 ko., netto 144 ko.:	
4,000 Blatt No. 7001, antioxyd pale gold, 4¾ by 23", at $20	80. 00
3,500 Blatt No. 601, tissue leaf, 4¾ by 23", at $20	60. 00
2,000 Blatt No. 603, tissue leaf, 4¾ by 23", at $20	40. 00
1,000 Blatt No. 101, orange, 4¾ by 23", at $12	12. 00
1,000 Blatt No. 100, citron, 4¾ by 23", at $12	12. 00
6,000 Blatt Marke B. No. 9½, pers. orange, 4 by 18", at $10	60. 00
2,000 Blatt Marke B. No. 64, braun, 4 by 18", at $10	20. 00
5,000 Blatt Marke B. No. 49, grün, 4 by 18", at $10	50. 00
	3, 553. 00
Beipack in Kiste No. 8893, netto 5 ko.:	
2 Rollen No. 310, aluminum "C" quality, at $6.50	13. 00
Beipack in Kiste No. 8896, netto 5 ko.:	
1 Rolle No. 302, greengold "C" quality, at $6.50	6. 50
1 Rolle No. 301, palegold "C" quality, at $6.50	6. 50
	26. 00
Beipack in Kiste No. 8893, netto 31.5 ko.:	
100 Bogen Packpapier gelb, weiss, grun, braun, blau, per o/o ko., at $16.50	5. 20

[Unfrei 1 Kiste R. W. G., No. 8896, Beipack, N. Y. Netto 49½ ko.]

6 rollen Prägefilm schwarz, rot, blau, grün, blau, gelb 360 x 61 m, at $9.50	342. 00
1 rolle Prägefilm dunkelgold 360 x 61 m, als Ersatz.	

[Verpackungsspesen auf Sendung: R. W. G., N. Y. No. 8891/96, 6 Kisten]

Cons. fee	2. 50
5 Kisten, at $4.75	23. 75
1 Kiste	6. 50
157 Cartons, per %, $9.50	14. 90
216 Cartons, per %, at $5	10. 80
	58. 45

SCHEDULE NO. 1. BRONZE "OESER-FOIL"

Bronz "oeser-foil" is a term used to designate stamping material made only in flat sheets, of either bronze or aluminum powder, applied on a carrier as hereinafter explained.

This is a manufactured article made of a certain mixture of chemicals, upon the surface of which coating bronze or aluminum powder is applied. This material is essentially not a self-sustaining material and there is no article which simulates same manufactured in the United States. Reference to this fact is made on page 2525, Tariff Readjustment, 1929, hearings before the Committee on Ways and Means, volume 3, Schedule 3, as follows:

"There is another article coming in from abroad, entirely, that is made by taking a thin film of varnish material and sprinkling bronze powder on it. This

can be used for the same purpose. There is no American equivalent for that, because we can not compete."

The process by which this material is made was patented by our principals both in the United States and Germany, all of the patents for which have long since expired. The commodity has been on the American market for perhaps 25 years and it has always been acknowledged as radically different from anything of American manufacture.

Our purchases for the year 1928 amounted to $22,888.25 on which we paid duty at the rate of 6 cents per 100 sheets, basic size 5½ by 5½ inches and we now ask that the duty proposed in the new tariff act remain at the old rate because the addition of 25 per cent ad valorem, as proposed in H. R. 2667, would be ruinous to our business and it would mean that we would have to cease importing.

As an example of our cost and selling price, we take our best selling number of "oeser-foil," Antioxide No. 501, size 7 by 8 inches:

	Under the old tariff	Under the new tariff
	Per M.	*Per M.*
Invoice price	$11.50	$11.50
Present duty approximately	1.11	1.11
Approximate transportation cost to door	.24	.24
Proposed new duty 25 per cent ad valorem	----------	2.92
Cost price	12.85	15.77

	Per 1,000 sheets
Selling price	$23.00
Less jobbers discount 20 per cent	4.60
	18.40
Less 30-day cash discount, 3 per cent	.54
Selling price to jobbers	17.86
Cost price under the new tariff	15.77
Our profit if the new tariff is applied	[1] 2.09

The profit we would make on 1,000 sheets of this material if the new tariff goes into effect would be insufficient to cover our overhead expenses and consequently we would no longer be able to import and sell this commodity profitably.

SCHEDULE NO. 2. "OESER" TISSUE LEAF

"Oeser" tissue leaf is a term used to designate stamping material, made of either bronze or aluminum powder. It is a chemical compound about as hereinafter explained.

This is what our trade terms a self-sustaining bronze leaf and it is made essentially as described on page 2526, tariff readjustament of 1929, hearings before the Committee on Ways and Means, volume 3, Schedule 3, as follows:

"by taking a bronze powder, mixing it in a soluble cotton solution, spraying it or otherwise spreading it on glass plates or a sheet of water, and removing it from the plate or lifting it from the sheet of water, and cutting it into strips of the desired size."

This material was protected by United States patent which expired in November, 1927 and since that time we have imported the following negligible quantities of same:

Sheets in size 7 by 8 inches	65,000
Sheets in size 4¾ by 23 inches	17,000

[1] Less than 12 per cent.

Our reason for not engaging ourselves actively in the marketing of this material in the United States was because of our friendly attitude toward the American manufacturers, with whom we have always been on the very best of terms, and to avoid costly patent litigation. We might also state that our German manufacturers have a patent covering this material, the German number of which is 223031 and which dates back to June, 1909. This material carries the same rate of duty as bronze "oeser-foil," described in Schedule No. 1. We ask that the same rate of duty be applied under the proposed new tariff. On account of the small quantity of this material we sell, our selling price must be higher to cover jobber's discounts, salesmen's commissions, overhead, etc. The selling price for "oeser" tissue leaf is exactly the same as that for which American manufacturers sell the article with which our "oeser" tissue foil directly competes.

As an example of our cost and selling price, we take our "oeser" tissue leaf No. 601, size 7 by 8 inches:

	Under the old tariff	Under the new tariff
	Per M	*Per M*
Invoice price	$10.50	$10.50
Present duty approximately	1.11	1.11
Approximate transportation cost to door	.24	.24
Proposed new duty, 25 per cent ad valorem	.....	2.63
Cost price	11.85	14.48

	Per 1,000 sheets
Selling price	$28.00
Less jobbers discount 20 per cent	5.60
	22.40
Less 30 day cash discount 3 per cent	.67
Selling price to jobbers	21.73
Cost price under the new tariff	14.48
Our profit if the new tariff is applied	7.25

SCHEDULE NO. 3. BRONZE ROLL LEAF

Bronze roll leaf is a term used to designate stamping material made of either bronze or aluminum powder applied on a carrier as hereinafter explained. We refer to it colloquially as "bronze roll leaf."

This is a stamping material made by means of applying a coating of bronze powder on the surface of glassine or similar paper which bronze coating releases when the hot die strikes the reverse side of the paper and we pay duty at the present time under paragraph 1305 5 cents per pound and 15 per cent ad valorem. In H. R. 2667 it is proposed to include this commodity under paragraph 382, subdivision B, and apply thereon a specific rate of one-half cent per 100 square inches. This would mean an increase of more than 150 per cent over and above the duty we are now paying and it would mean that we could no longer import same profitably.

As an example of our cost and selling prices, we take our best selling number of roll leaf, pale gold shade No. 201, rolls 28 inches wide and 200 feet long.

	Under the old tariff	Under the new tariff
	Per roll	*Per roll*
Invoice price	$6.50	$6.50
Present duty 15 per cent ad valorem	.98	.....
Present duty 5 cents per pound approximately	.35	.....
Approximate transportation cost to door	.27	.27
Proposed new duty one-half cent per 100 square inches	.....	3.36
	8.10	10.13

Selling price, basis 60 cents per 1 inch width	$16.80
Less jobbers' discount, 20 per cent	3.36
	13.44
Less 30 day cash discount, 3 per cent	.40
Selling price to jobbers	13.04
Cost price under the new tariff	10.12
Our profit if new tariff is applied	2.81

The profit we would make on one master roll of this material if the new tariff goes into effect would be insufficient to cover our overhead expenses and consequently we would no longer be able to import and sell this commodity profitably.

Our purchases of bronze and aluminum roll leaf for the year 1928 amounted to $29,423.75.

Frankness compels us to state that this material is competitive with American manufactured goods, but we believe that our competitors will concede that we do not solicit business on a price basis. We believe we could prove, if it were necessary, that American manufacturers sell this commodity for as low as 30 cents per roll, 1 inch wide and 200 feet (2,400 square inches) long, and it is a matter of record that our price to the trade is never lower than 60 cents per 1 inch roll of the same length, excepting in our quotation to the United States Government Printing Office. We have been bidding on the Public Printer's requirements for some time, and for you information, we beg to give you on sheets 3 and 4, information requested at hearing before Subcommittee No. 1 on July 10, 1929, a list of the bids submitted covering this and other commodities for the fiscal years 1928 and 1929. You will note that we are not low bidder in any instance, although we have the record of previous years bids in which the lowest bidder's price is stated. We give you this information to show you that we are not price pirates and that we depend upon a turn over of our goods on a quality basis rather than on a price basis.

We attach hereto photostatic copy of salesman's follow up letter to Messrs. White & Wyckoff Manufacturing Co., Holyoke, Mass., under date of August 15, 1928, and photostatic copy of reply received from the customer in response to this follow up letter for your information. This evidence, we believe, shows that the production cost of 2½ cents per 100 square inches to American manufacturers of this commodity appears to be out of line.

AUGUST 15, 1928.

WHITE & WYCKOFF,
Holyoke, Mass.
(Attention Mr. Toeppert.)

GENTLEMEN: We thank you very much for the courteous reception Mr. Gill received on the occasion of his recent call on you.

Mr. Gill advises that you are placing your orders elsewhere because of a price advantage and we can only express our regret that we were unable to hold the very nice business we received from you but at the same time we feel that the very superior quality of our material is such that should be an inducement to the customer to use same. If you care to tell us the price you are paying, we might be able to give you advantage of our quality at the same price.

Regarding our "superior" white roll leaf, of which you formerly purchased considerable quantity, beg to say that we are headquarters for this material and supply same to most of the other manufacturers and jobbers. In view of the quantity of this material you have used in the past, we feel justified in quoting the price of 60 cents per 1 inch width, rolls 200 feet long. This would figure $14.40 per master roll, 24 inches wide.

We would be very glad to revive this business and trust that the new price quoted will be an incentive to this end.

Yours very truly,

——— ———.

WHITE & WYCKOFF MANUFACTURING CO.,
Holyoke, Mass., August 16, 1928.

R. W. GRAUERT (INC.),
New York, N. Y.
(Attention of Mr. R. W. Grauert.)

GENTLEMEN: In reply to your letter of August 15 giving me price on white rool leaf at 60 cents per 1 inch width, rolls 200 feet long, I wish to advise that we buy this for less than 20 cents an inch in 100 feet rolls—very splendid rolls, and the Brighten leaf, we also buy under this figure.

I told Mr. Gill of the very good contract we had and the reason he was unable to get any of our business. There's no question as to the quality of your goods, they are grade A, but the prices are prohibitive.

Very truly yours,

WHITE & WYCKOFF MANUFACTURING CO.,
H. J. TOEPPERT, *General Superintendent.*

LETTER FROM THE PEERLESS ROLL LEAF CO. (INC.), NEW YORK CITY

JULY 16, 1929.

Mr. TRUMAN R. YOUNG,
Clerk, Senate Committee on Finance, Washington, D. C.

DEAR MR. YOUNG: I have received your communication of July 10 and am pleased to inclose herewith the original invoice mentioned in my brief (before the Ways and Means Committee) as stated in your letter. Attached to the invoice is the receipt for duty. If there is anything further that I can do, please do not hesitate to call upon me.

Very truly yours,

PEERLESS ROLL LEAF CO. (INC.),
By A. W. WICKWIRE, Jr.

RECEIPT TO IMPORTER

PORT OF PHILADELPHIA, *June 11, 1928.*

HASTINGS & CO., *Importers,*
817 Filbert Street, Philadelphia.

No. of pkgs. Quantity and description of merchandise:	Duty
9½ pounds s/c paper, value $20, rate 5	$0.48
Paragraph 1305, rate 15	3.00
2 packages, imitation gold, value $10, rate 6 cents	1.11
Leaf, 7 by 8, 500 leaves to package, paragraph 382; rate 5½ by 5½, per 100.	
Total	4.59

RECHNUNG, *21st April, 1928.*

Messrs. HASTINGS & CO., *Philadelphia:*

Shipped per parcel post:

1 rolle each orange and citron masterroll of 500 m/m at 2 cents per 100 meters or 328 feet in length transfer leaf "Hot press paper back stamping leaf" @ $10	$20.00
2 packs hot press stampng leaf, 7 x 8", @ $5	10.00
Case, postage, and packing	1.75
	31.75

Gross weight of box ko. 9.150; netto weight of goods ko. 6.+
E. & O. E.
Nuremberg the 21st April, 1928.

G. E. SCHÄTZLER,
Jun. A. G.

ALUMINUM FOIL

[Par. 385]

STATEMENT OF FREDERIC M. DA COSTA, REPRESENTING LEHMAIER, SCHWARTZ & CO., NEW YORK CITY

(The witness was duly sworn by the chairman of the subcommittee.)

Senator REED. Is aluminum foil the same as aluminum leaf?

Mr. DA COSTA. No, sir. Aluminum foil is manufactured from rolls, rolled out. I understand that aluminum leaf is hammered out.

Senator REED. Made in the same way that gold leaf is made?

Mr. DA COSTA. Yes, sir; made in the same way that gold leaf is made.

We are primarily manufacturers of lead and tin foil. In January, 1925, we took over a factory to manufacture aluminum foil solely on account of the fear that we would lose our tin and lead foil business to aluminum foil consumers. In fact, a great many consumers were changing from tin and lead foil to aluminum foil, and were practically forced into the business.

Senator REED. Where is your factory?

Mr. DA COSTA. Glendale, L. I.

Senator REED. In what form do you get your raw material?

Mr. DA COSTA. In the raw block form.

Senator REED. That is, a pig of aluminum?

Mr. DA COSTA. A pig of aluminum; yes, sir.

Senator REED. Then you break it down and roll it to the final foil form?

Mr. DA COSTA. Yes, sir.

Senator REED. What were your sales last year of aluminum foil, Mr. da Costa?

Mr. DA COSTA. Last year they ran, Senator—I can not give you exact figures, but around a million dollars.

Senator REED. That is, aluminum foil alone?

Mr. DA COSTA. Aluminum foil alone.

Senator KING. The House changed the law then, and gave you 40 per cent ad valorem?

Mr. DA COSTA. They raised it 5 per cent, sir.

Senator KING. What justification is there for that?

Mr. DA COSTA. Long prior to the question of the tariff coming up in the House, we took up with the Tariff Commission the question of an increase in the tariff on aluminum foil, due to the fact that it has been imported from Germany, principally, at greatly reduced prices. When the tariff was put on, January 1, 1925, we were getting $1.10½ in the United States for the same 29,400-square-inch foil that is now being imported into the United States from Germany and delivered, factory delivery, for 70 cents a pound.

On the price of $1.10½, if we figured the cost relative to the cost to-day in per cent, which is 73.65 per cent of the sale price, it would mean that the duty at that time paid the Government would have been on an 81.38-cent price—I do not know that these figures are absolutely correct—which would mean a duty per pound of 28.48 cents; whereas to-day—in my brief I show it very clearly, I believe—at the 70-cent price, allowing for foreign cost 51.55, it would be 18

cents a pound duty. Now, under the House bill, at the 40-cent rate, it is 20.62 cents.

Senator KING. Will it disturb you if I ask you a question there?

Mr. DA COSTA. Not at all, sir.

Senator KING. I want to get the matter in my mind. It appears here that the production has greatly increased. In 1925 it was 2,431,808 pounds; in 1926, 2,749,284 pounds; in 1927, 4,189,422 pounds; and it appears that the imports from Germany and Switzerland, which supplied over 88 per cent of the total imports, were only 858,417 pounds, of a value of $474,117.

It would seem to me that if those figures are correct——

Mr. DA COSTA. Those figures are substantially correct, Senator.

Senator KING (continuing). There is no material competition.

Mr. DA COSTA. The material competition is that although the use of aluminum foil is increasing—and it is increasing in sales all over the United States—it is taking the place of tin and lead foil.

Senator BARKLEY. The use of this foil is increasing throughout the world, is it not?

Mr. DA COSTA. That I can not answer you, Senator, throughout the world; but the usuage of aluminum foil is increasing in the United States of America very materially, to our sorrow.

Senator KING. When you have nearly doubled your production in one year, I should think you would be glad.

Mr. DA COSTA. Not if I am losing it on my tin and lead foil business, Senator.

Senator REED. You can make money on tin and lead foil?

Mr. DA COSTA. Yes, sir.

Senator REED. When you can not on aluminum?

Mr. DA COSTA. I am losing it. We have lost money every year on the aluminum foil, and we have a large factory. In the last six months, Senator, one of our large customers that we had been dealing with for years on tin foil solely went solely to aluminum; and we have never been able to meet the foreign price. When we put in a price of 80 cents, they put in a price of 75. The next thing we would meet their 75-cent price, and they would go to 70 cents. The result of that has been that we have had to meet this foreign price, no matter what price they put in, to keep our factory going. We are doing a business, I will say, this year of a million and a quarter pounds of aluminum foil.

Senator KING. You produce, then, more than a fourth of that produced in the United States?

Mr. DA COSTA. I should say so; yes, sir; but as for making money, we are not making any.

Senator KING. What is the name of your company?

Mr. DA COSTA. Lehmaier, Schwartz & Co.

Senator KING. And what other companies produce it?

Mr. DA COSTA. The Reynolds Foil Co., of Louisville, Ky.; and I believe the Aluminum Co. of America produce some.

Senator KING. They produce it at Niagara Falls, do they not?

Mr. DA COSTA. I could not answer you on that point, Senator; but their production of aluminum foil as to their total production is comparatively low. It means very little. It means everything to us, and very little to them. The Reynolds Foil Co. also produce tin and lead foil.

When we ask for this increase in duty, Senator, it looks large; but when you figure it against the present price, being an ad valorem duty, you figure it against a 51-cent price instead of an 85-cent price, and it puts it down really to 39.35 a pound, what we have been asking for.

Senator KING. What is the price of aluminum?

Mr. DA COSTA. Aluminum in the block form?

Senator KING. Yes.

Mr. DA COSTA. About 24½ cents.

Senator REED. At your factory?

Mr. DA COSTA. That is delivered in New York, sir.

Senator BARKLEY. The production of tin foil has decreased almost to a minimum?

Mr. DA COSTA. Yes, sir; tin foil is very materially reduced. We are off on our tin-foil business over a million pounds; and when you speak of aluminum foil in pounds you must realize that the specific gravity of aluminum is about one-third that of tin, and when they import a million pounds of aluminum foil into this country it takes the place of 3,000,000 pounds of tin foil.

Senator KING. I notice that in 1928 the importations were more than 200,000 pounds less than the preceding year——

Mr. DA COSTA. I can explain that to you.

Senator KING. And that the price was 55 cents. In 1922 it was 53 cents. Then it jumped up to 93 cents, and in 1926 it was 58 cents; in 1927, 57 cents; in 1928, 55 cents. The reduction in price has not been very great in the last three years.

Mr. DA COSTA. Well, Senator, you have to take into consideration the area of the foil coming in. The figures that I have been giving you are all based on the largest quantities imported—the 29,400-square-inch foil. That is the one used principally by chocolate manufacturers and candy manufacturers and yeast manufacturers; and that has taken the place of pure tin foil, of which we are the largest manufacturers in the country.

Senator REED. You started to explain the reason for the drop in imports from 1927 to 1928.

Mr. DA COSTA. Yes, sir. We got hold of the figures in the last half of 1928. If you look at them, Senator King, I think you will find that that was in the last half of 1928. Through one of our good customers we got hold of the prices of the German manufacturer on that foil, and we cut his price 2 cents a pound, and we took over a couple of hundred pounds of aluminum foil business. We simply had to have it to keep our factory going. We could not afford to stop our machines.

Senator REED. Did you make money on it?

Mr. DA COSTA. No, sir.

Senator REED. Did you lose money on it?

Mr. DA COSTA. Yes, sir. We have lost money every year on aluminum foil.

Senator BARKLEY. The change from tin foil to aluminum foil has not been produced by reason of the tariff?

Mr. DA COSTA. No, sir.

Senator BARKLEY. It is simply an economic change.

Mr. DA COSTA. Absolutely.

Senator BARKLEY. Which has worked to the disadvantage of tin foil.

Mr. DA COSTA. Absolutely.

Senator BARKLEY. That disadvantage can not be equalized by a tariff.

Mr. DA COSTA. We are not asking that it be equalized by a tariff. What we are asking for is a chance to get a duty in here that will offset the difference in the labor costs between Germany and the United States. We are working in a very high labor market.

Senator REED. The Tariff Commission gives us the wages in an American plant in April 1928 as 66.8 cents per hour, average, as compared with 14.3 cents in Germany, and 16.4 cents in Switzerland. Is that about the present contrast? Have you any later figures than that?

Mr. DA COSTA. The latest figures I have on the labor situation I obtained from a superintendent that we have, who worked during 1928 in Germany.

Senator BARKLEY. What are those figures?

Mr. DA COSTA. Those figures show——

Senator REED. You dropped your voice. I did not hear the statement. He worked in 1928 in Germany?

Mr. DA COSTA. Part of 1928 he worked in a German factory. We have been trying in every way to get our costs down. We have been hiring experts, because we had the idea that it was possibly our own fault. When we got these figures they showed the wages in Germany to be about 35 per cent of the United States labor cost.

Senator BARKLEY. How much of that 35 per cent is absorbed in the cost of shipment and overhead, in getting to the United States?

Mr. DA COSTA. There is a difference in the cost of aluminum in Germany, of 20½ cents, against our laid down cost of 24.3.

Senator BARKLEY. The Tariff Commission says that the Germans have an advantage of from 1 to 2 cents a pound on ingot aluminum.

Mr. DA COSTA. The best we can get is the fact that they will sell it to us in Germany for 20½ cents, and we have to bring it over. It costs us, laid down here, 24.3 cents. That is in my brief.

Senator BARKLEY. That is the raw aluminum?

Mr. DA COSTA. Yes.

Senator KING. Do import it?

Mr. DA COSTA. Yes, sir.

Senator KING. Is it not made here by the Aluminum Company?

Mr. DA COSTA. Yes.

Senator KING. Can you not get it cheaper than that?

Mr. DA COSTA. No, sir. We can not get it any cheaper from the Aluminum Co. of America. We have worked both The Aluminum Co. of America's aluminum and the British aluminum on our machines. We find that the British aluminum works better on our machines.

Senator KING. Where does Great Britian get her aluminum?

Mr. DA COSTA. That, sir, I could not tell you.

Senator KING. Is it not a fact that the Aluminum Co. of America controls the bauxite mines of the United States, and is interested in Canada?

Mr. DA COSTA. Yes.

Senator KING. And has recently formed a corporation with a large company there, and is producing aluminum there very cheaply; and that it has an aluminum plant in Sweden?

Mr. DA COSTA. Possibly; but we can not get it from them any cheaper.

Senator KING. And that Great Britain has to depend upon the Aluminum Co., or upon the Swedish aluminum for her products?

Mr. DA COSTA. That I do not know; but I do know that we are buying 90 per cent of our aluminum from the British Aluminum Co.

Senator BARKLEY. Do you get that more cheaply than you could get aluminum imported into the United States by the Aluminum Co. from their own mines in Canada or Sweden?

Mr. DA COSTA. We find it works better on our machines.

Senator BARKLEY. Is it a better quality?

Mr. DA COSTA. It has always worked better on our machines.

Senator BARKLEY. What is the difference in the price?

Mr. DA COSTA. There is practically no difference in price. The British Aluminum Co. will lay it down here for the same price that the Aluminum Co. of America charge.

Senator BARKLEY. They sell it on quality, very largely?

Mr. DA COSTA. Yes, sir.

Senator KING. I was interested in your statement about the competitive conditions. The tariff summary states that the manufacture of aluminum foil is a rolling mill operation, both in the United States and in foreign countries, and in general the process of manufacture is the same. It is stated, however, that the American mills are operating more rapidly than the German mills; the latter operating at from 90 to 100 revolutions per minute, whereas the American mills run at 150 to 160 revolutions per minute. The elimination, by American practice, of some of the processes performed in the mills of Germany tends to redue the labor cost. The labor cost of producing this foil, it being a mechanical process, is very little, is that not true?

Mr. DA COSTA. No, sir. The labor is——

Senator REED. How many employees have you in your plant on Long Island?

Mr. DA COSTA. Between 200 and 250, I should say. I don't know exactly.

Senator REED. There are about a thousand persons engaged in the production of this article in the United States.

Mr. DA COSTA. Yes; I should say so, easily, Senator.

Senator REED. How much duty are you asking, Mr. da Costa?

Mr. DA COSTA. Eleven cents a pound, and 55 per cent ad valorem.

Senator REED. The House did not go very far toward meeting you, did it?

Mr. DA COSTA. No.

Senator REED. It gave you 5 per cent increase.

Mr. DA COSTA. They did not give us anything.

Senator REED. Five per cent is something.

Mr. DA COSTA. It does not amount to anything. It is of no value. At the 35 per cent duty, on the old price of aluminum, at the time they put it on, it was very much greater than it is to-day, when aluminum is selling in this country from abroad at 51 cents a pound.

Senator REED. Delivered?

Mr. DA COSTA. Delivered at the factory door.

Senator REED. Duty paid?

Mr. DA COSTA. Seventy cents, duty paid, factory door. Your duty is fixed on the foreign price.

Senator KING. Pardon me. I did not quite understand this 70 cents a pound. I find here a sale at 55 cents a pound.

Senator REED. That is the foreign invoice.

Mr. DA COSTA. That is the foreign invoice price, Senator, and that is what they are paying duty on. They are paying duty of 35 per cent ad valorem on a 55 cent price.

Senator KING. You are speaking of aluminum foil now?

Mr. DA COSTA. Yes, sir; only aluminum foil.

Senator REED. All right, Mr. da Costa. I think we have the picture.

Senator KING. Just one other question. You answered Senator Reed about the number of men employed. You produce other commodities than foil?

Mr. DA COSTA. Yes.

Senator KING. What other commodities do you produce?

Mr. DA COSTA. Tin and lead foil.

Senator KING. What else?

Mr. DA COSTA. That is all; tin and lead foil. We are in the foil business solely.

Senator KING. When did you branch out into the aluminum foil?

Mr. DA COSTA. In January, 1925.

Senator KING. What was the number of men you employed before you branched out into the aluminum business?

Mr. DA COSTA. I will have to give it to you roughly, Senator.

Senator KING. Yes.

Mr. DA COSTA. I should say about 800.

Senator KING. Eight hundred men?

Mr. DA COSTA. Yes; and we are still retaining about 600 men on our pay roll to-day, in addition to our aluminum factory.

Senator BARKLEY. Are they engaged in making tin and lead foil?

Mr. DA COSTA. Tin and lead foil.

Senator KING. The greater part of your business is tin and lead foil. You have 600 men employed in that.

Mr. DA COSTA. That is our business. We have been 50 years in the business.

Senator BARKLEY. The tin foil production has not reduced quite to the extent indicated a while ago.

Mr. DA COSTA. Oh, yes, sir.

Senator BARKLEY. You still have 600 or 800 men.

Mr. DA COSTA. Yes, sir; but the competition of the aluminum foil has struck us on the tin foil end of our business primarily, because the tin foil end of our business was what was used by all these big customers, as I told you before, on candy wrappers, and so forth.

Senator BARKLEY. I got the impression from you that the aluminum foil had almost taken the place of tin foil.

Mr. DA COSTA. There are some things it can not be used for at all, but it is used, for example, on a bar of chocolate. It used to be wrapped with tin foil. They could not put lead foil on it.

Senator KING. You are still employing substantially the same number of men that you did in 1926, before you started the aluminum foil business.

Mr. DA COSTA. I should say substantially yes, Senator, but that does not mean that we are making as much money as we did in 1926.

Senator REED. I gather that even then you did not make anything out of your aluminum foil business.

Mr. DA COSTA, No, sir. We have never made anything out of aluminum foil.

TINSEL WIRE, LAHN OR LAME, ETC.

[Par. 385]

STATEMENT OF E. H. THAYER, REPRESENTING THE CARPENTER MANUFACTURING CO., NORWICH, CONN.

[Including tinsel ribbons, fabrics, etc.]

Mr. THAYER. I am Mr. Thayer, of the Carpenter Manufacturing Co., of Norwich. Mr. M. Silverman, who is a competitor of mine, could not appear, so I have an affidavit, and would like to file his brief. I appear on another brief. I am interested in paragraph 385.

Senator KING. That is what you are appearing on now, is it not?

Mr. THAYER. I am simply filing this for Mr. Silverman.

Senator KING. What is the matter with Mr. Silverman?

Mr. THAYER. He is unable to come. He was here last week.

Senator REED. What is your name?

Mr. THAYER. Thayer.

Senator KING. What does Mr. Silverman want?

Senator BARKLEY. He wants the same thing you do, does he not?

Mr. THAYER. He wants the same thing as we want.

Senator BARKLEY. Your name is what?

Mr. THAYER. Thayer, of the Carpenter Manufacturing Co., of Norwich, manufacturers of tinsel products.

Senator REED. He wants a reduction of the duty, does he?

Mr. THAYER. I would say he did, sir. I have not had an opportunity to read this brief through.

Senator REED. Is he a manufacturer of it?

Mr. THAYER. He is a manufacturer of wire and tinsel products, similar to what we manufacture.

Senator REED. He asks that the duty on tinsel wire be made 10 per cent ad valorem.

Senator KING. That is what it was before.

Senator REED. Instead of 6 cents a pound and 20 per cent, and he asks that the duty on lahn be made 20 per cent, instead of 6 cents a pound and 30 per cent.

Senator BARKLEY. In other words, he is asking for the old ad valorem rate, with the elimination of the specific.

Mr. THAYER. The same tariff as we now have.

Senator BARKLEY. Is that what you are asking?

Mr. THAYER. We would like a reduction on the lahn.

Senator KING. How about the tinsel?

Mr. THAYER. The same thing.

Senator KING. Just tell us, in a few words, now, about both these items that you and Mr. Silverman appear for.

Mr. THAYER. The tinsel lahn we use in the manufacture of cords and ribbons. It is not a commodity, in the condition in which it comes into this country, that can be used for any other purpose other than to manufacture cord and ribbon. It comes on a spool, and is of absolutely no use as a resale product. It is simply a raw material used the same as you would use yarn or cord.

Senator KING. Is it manufactured in the United States?

Mr. THAYER. It is manufactured in the United States by one concern, practically. They are the only people who manufacture it for resale purposes. If they should get this tariff increased, it would throttle the other independent manufacturers, who do not have wire drawing and rolling equipment. The other manufacturers who appeared under Schedule 385—one of them from Philadelphia—use their entire product in the manufacture of their own material, and they have none of this lahn for resale purposes. Also, there is no American manufacturer that can make for us any of this colored or novelty lahn, which is used in the manufacture of ribbon. We weave ribbon and make cord.

Senator REED. This is the first manufacturer who has appeared before us who wanted the duty reduced on his own product.

Mr. THAYER. This material is used in the manufacture of another product. It is a wire, flattened out, sir, and plated. This material is, first, copper. The copper comes from the United States, goes across the water, and is manufactured there; also the silver. Then it is made up into this material, which is nothing more to us than if we went to a yarn mill and bought cotton yarn, silk, rayon, or anything of that nature.

We than assemble that material, so many yards of lahn, for instance and make it into a ribbon. This ribbon is used to a great extent for wrapping Christmas packages, candy boxes, and material of that kind. If we can compete with the German manufacturers under the present scale, when they can make it over there, and we can import the lahn into this country and still make it, I do not see any reason why this one manufacturer should benefit at the expense of some 30 odd other independent manufacturers that are weaving.

Senator REED. Who is the one manufacturer you speak of?

Mr. THAYER. The one I would speak of would be the Montgomery Co.

Senator REED. Where are they?

Mr. THAYER. Windsor Locks, Conn.

Senator REED. That is the big company that makes its own, is it?

Mr. THAYER. They make it for resale purposes. The other manufacturers on the brief make it for their own use. You can imagine, if we were held down to one company, where we could buy only a limited amount, which would be only gold and silver—because they can not make colors, sir—that we would be at the mercy of these other manufacturers, who have their own rolling equipment, and it would eventually force us out of business, or to the expenditure of some $50,000, and even to-day they do not make good lahn.

Senator REED. You speak of a number of independent manufacturers.

Mr. THAYER. Yes, sir.

Senator REED. What company are they independent of? I am trying to find the identity of the trust.

Mr. THAYER. By "independent manufacturers"—perhaps I have used the wrong term. What I mean by independent manufacturers are manufacturers who buy lahn and weave it, or make it up into cloth. In other words——

Senator REED. All right. What is the name of the company that does not do that?

Mr. THAYER. That does not——

Senator REED. That makes its own lahn.

Mr. THAYER. Wilmsen, of Philadelphia, and the National Tinsel Manufacturing Co., of Manitowoc, Wis. They make it for their own use only.

Senator KING. The Senator asked you what company makes it for resale, not for its own use.

Mr. THAYER. The Montgomery Co. make it for resale.

Senator REED. So, there are three concerns in the United States that are making lahn, is that right?

Mr. THAYER. Yes, sir, to the best of my knowledge. There may be other concerns that may be rolling, but are not making a complete process. By a complete process I mean drawing it from the copper wire, plating it, and flattening it.

Senator REED. Here is a brief you have just handed us, in behalf of the Hy-sil Manufacturing Co., of Massachusetts, with two mills. They say in that brief: "We are manufacturers of tinsel wires and tinsel lahns."

Mr. THAYER. They recently bought a small plant in Germany and brought it over to this country. I believe that the amount of material they manufacture—they use in their own products to the best of my knowledge—for instance, just the same as another manufacturer has offered lahn on the market, but I have not heard of any considerable quantity. I would call it a gesture.

Senator REED. These people who manufacture tinsel wires and tinsel lahns asked a reduction of the duty. Why is it to their interest to have the duty reduced?

Mr. THAYER. They probably are not satisfied with the product which they manufacture. I can not answer for them, Senator, because I do not know their reason. I know the reason why we would like to have it reduced.

Senator BARKLEY. Those of you who are in your situation, as I understand you, import this lahn as raw material.

Mr. THAYER. Yes, sir.

Senator BARKLEY. You use it in the United States.

Mr. THAYER. We use it in the United States, with American labor, and make it into this tinsel cord and ribbon, and have full equipment for that purpose.

Senator BARKLEY. Is there any finished tinsel cord and ribbon imported, or is it brought in in the form of this raw material, in the wire, and manufactured in the United States?

Mr. THAYER. There is a considerable quantity of ribbon that may be brought in, in various widths, but not in the narrow widths, such as we manufacture. But there would be if we had to pay a higher duty than we are now paying.

Senator REED. You have secured an advance in the duty on the product you make, from the House, have you not? The Ways and Means Committee of the House of Representatives gave you 65 per cent ad valorem on woven fabrics made wholly or in chief value from tinsel wire or tinsel lahn. Is that not true? The present duty is 55 per cent, and they have advanced it to 65.

Mr. THAYER. I understand, but that does not help us any, if we are going to be held down to one or two manufacturers from which to buy gold and silver lahn. That is all they can make. They can not even make colored lahn.

Senator REED. When I asked you if the duty was raised, you said it was not, because it will not do you any good, although it was raised.

Mr. THAYER. I have not read that, sir. All I am interested in is the raw material, the lahn. That is what we are particularly interested in.

Senator BARKLEY. So far as you are concerned, you asked for no increase on the woven product in the House, did you?

Mr. THAYER. No, sir. All we are asking is on this raw material——

Senator BARKLEY. You do not know anything about the 65 per cent, then?

Mr. THAYER. Not a thing.

Senator KING. What was the duty before on the finished product? Did you know that the House had raised the duty on the finished product from 55 to 65 per cent?

Mr. THAYER. I do not think I did, sir. There is not enough of that material coming in to interest us, Senator.

Senator KING. You did not ask for it, then?

Mr. THAYER. No, sir; we did not ask for it.

Senator KING. And you are not interested in that?

Mr. THAYER. No, sir.

Senator KING. Who would ask for an increase in the duty from 55 to 65 per cent on the finished product? Do you know who did that?

Mr. THAYER. No, sir; I do not. I am sorry I have not a spool of the material here, but it is this lahn that we are interested in.

Senator REED. That is all plain enough. The largest element of the imports of goods under this paragraph was fabrics, ribbons, fringes, and tassels. That is what you make, is it not?

Mr. THAYER. No, sir. We make only ribbons and cords.

Senator REED. Yes.

Mr. THAYER. And they are all narrow ribbons, Senator; that is, up to about a half or three-quarters of an inch.

Senator REED. In 1927 there was over $200,000 worth of that group imported, and yet you say you are indifferent as to what the duty is.

Mr. THAYER. We have not been affected by it. Evidently they can not compete on the cheap ribbon. Our ribbon goes mostly to the syndicates and department stores. By syndicates I mean the 5 and 10 cent chain stores.

Senator KING. Did you know that there was a considerable import of fabrics, ribbons, fringes, and tassels?

Mr. THAYER. I presume there was. Some of these ribbon houses in New York probably import it in various forms for millinery.

Senator KING. There are so many forms of this that I confess to being unable to quite distinguish one from the other. How would you protect the product you are interested in, or relieve it from this increased duty, and leave the duty upon the other? For instance, you are not interested in tinsel wire.

Mr. THAYER. Yes, sir; tinsel wire or tinsel lahn. It is practically one and the same thing.

Senator KING. Then, you object to tinsel wire being increased from 10 to 20 per cent?

Mr. THAYER. Yes, sir.

Senator KING. You think that that is not justified?

Mr. THAYER. No, sir.

Senator KING. Take the lame or lahn.

Mr. THAYER. Lahn is the German, and lame is the French.

Senator KING. In chief value of gold, silver, or other metal, 6 cents a pound. Are you interested in that?

Mr. THAYER. Yes.

Senator KING. You have been paying that, of course, heretofore.

Mr. THAYER. Six cents a pound and 20 per cent.

Senator KING. Yes.

Mr. THAYER. Now it is 6 cents a pound plus 30 per cent ad valorem.

Senator KING. Are you filing a brief?

Mr. THAYER. I am asking to file this one.

Senator KING. I mean of your own.

Mr. THAYER. Yes, sir; with another set of manufacturers.

Senator KING. Have you got it here?

Mr. THAYER. Another gentleman is going to file it. I did not intend to appear.

Senator KING. I hope somebody will appear who will make this a little clearer.

Mr. THAYER. I am sorry I did not have some of the raw material with me. I simply file this brief on behalf of another competitor.

Senator REED. Very well.

(The brief submitted by Mr. Thayer, on behalf of Mr. Silverman, is as follows:)

BRIEF OF THE HY-SIL MANUFACTURING CO., OF REVERE AND LYNN, MASS.

SENATE FINANCE COMMITTEE,
Washington, D. C.:

I am secretary of the Hy-Sil Manufacturing Co. and I appear before you as their representative in reference to paragraph 385 of the proposed tariff act. We are manufacturers of tinsel wires and tinsel lahns, tinsel ribbons, broad cloths made of tinsels, tinsel cords, and other textiles made of lahn. We have two mills located in the State of Massachusetts, one at Revere and one at Lynn, in which we employ 200 hands.

We are opposed to the increase of duty proposed in paragraph 385 of House of Representatives bill No. 2667 because we feel that this industry is amply protected under the present tariff. Within the past five years a number of American manufacturers have manufactured both lahn and textiles made from it, successfully, against foreign competition; which is proven by the constantly decreasing amount of importations.

Lahn is a semifinished product which is not sold to the consuming trade in that form but is used by other manufacturers, the same as yarn, for weaving and spinning in the manufacture of various textiles and trimmings. Although we manufacture large quantities of lahn, there are certain types that we do not manufacture, which are not made by any other manufacturers in the United States and

which are used as semiraw material for the manufacturing of goods which we sell both in this country and abroad. Therefore, an increased tariff on lahn would compel us to discontinue the manufacture of various products which we make from this material.

We submit below cost calculations on lahn No. 18 silver which is the kind of lahn mostly used by us and other American manufacturers. This lahn No. 18 is quoted by German manufacturers to-day at $1.11 per kilo f. o. b. European port of shipment and the landed cost of this article in the United States must be figured as follows:

	Per kilo
Lahn No. 18 silver 9 milliemes (German)	$1.11
Ad valorem duty 20 per cent	.222
Specific duty 6 cents per pound (1 kilo=2.2046 pounds)	.13
Freight, insurances, and other costs of importations	.06
	1.522

French lahn of the same number and quality costs even more, due to the French tariff valuations on which our duty is based. We are selling this material of our own manufacture to other mills and dealers at $1.45 per kilo and are quite satisfied with the profit we make on it.

Therefore, we ask that the duty on tinsel products be made as follows:

Tinsel wire, 10 per cent ad valorem.

Lahn, 20 per cent ad valorem.

Respectfully,

HY-SIL MFG. CO.,
By M. SILVERMAN,
Secretary.

STATE OF MASSACHUSETTS,
County of Suffolk, ss:

I, M. Silverman, being duly sworn, depose and say that I am treasurer of the Hy-Sil Manufacturing Co.; that I am the M. Silverman who signed the brief submitted herewith in opposition to the increase in rates of duty on tinsel products proposed in paragraph 385 of H. R. 2667; and that the statements made in the said brief are true to the best of my knowledge and belief.

MORRIS SILVERMAN.

Subscribed and sworn to before me this 3d day of July, 1929.

MARTIN J. CASEY,
Notary Public.

STATEMENT OF BERNARD FRANKE, REPRESENTING GEORGE FRANKE & SONS, BALTIMORE, MD., AND THE PAPER NOVELTY MANUFACTURING CO., NEW YORK CITY

(The witness was duly sworn by the chairman of the subcommittee.)

Mr. FRANKE. Mr, Thayer was asked to hand in a brief. Here are the things he was talking about [producing samples].

Senator KING. Are these lahns?

Mr. FRANKE. The first two on the top are lame or lahn. That is made out of 990 parts of copper, and ten parts of silver or gold. It is coated on, and then it is run through wire and flattened out, and after that it is commercially known as lame or lahn.

Senator KING. And is it colored in the process?

Mr. FRANKE. It is colored during the process. That is covered, I think, in the Tariff commission book.

Senator KING. Which you denominate the raw material?

Mr. FRANKE. Up to here [indicating] is the raw material.

Senator KING. You mean coming down [indicating]?

Mr. FRANKE. Yes.

Senator KING. The top is lahn?

Mr. FRANKE. The top is lahn, and the red is the colored lahn. The green is the colored lahn, and this [indicating] is what we call the embossed or roughened lahn.

Senator BARKLEY. It is all lahn.

Mr. FRANKE. It is all lahn. Then, down below, there are the tinsel threads.

Senator KING. The lahn would be the raw material.

Mr. FRANKE. Yes. That is made of 990 parts of copper and 10 parts silver or gold. That is shipped abroad, with the silver, and rolled over there.

Senator REED. Mr. Franke, you represent George Franke & Sons, of Baltimore?

Mr. FRANKE. Yes, sir; and the Paper Novelty Manufacturing Co., of New York.

Senator REED. Are you manufacturers?

Mr. FRANKE. We are manufacturers of the ribbon and the tinsel garlands. That is what you drape on your Christmas tree.

Senator REED. Your raw material is this lahn?

Mr. FRANKE. The lame or lahn. We bring it in the first five styles shown here [indicating].

Senator REED. "Lame" and "lahn" are simply the French and German words that mean a strap shaped or flat article?

Mr. FRANKE. Yes; and if I may clear up the Hy-Sil statement, Mr. Silverman was down here last week. He had to go back. He makes these two [indicating]. He has just plant enough to make what he needs, and he also imports these last three [indicating].

Senator KING. What do you mean by the first two?

Mr. FRANKE. The first two are the gold and the silver. That is all he can make in his plant. He has to import the red, the green, and the embossed, of which he uses a considerable quantity, as he can not make these three articles. If I may repeat, he told me that he could make these two [indicating] at such a price that he does not need any protection, and I am going to try to bring that point out in my brief.

Senator REED. You are opposing the increase which was made by the House, are you?

Mr. FRANKE. Yes, sir; and in my brief I cover the different points. I will state here that I agree with the brief that was submitted to the House, with regard to the landed cost. The landed cost I show here is $1.58 per kilo. That is the import. Of the petitioners in this brief, there is only one concern that makes the lame or lahn for resale purposes in this country, and that is the Montgomery Co., of Windsor Locks.

Senator KING. Did it ask for a tariff on lahn?

Mr. FRANKE. Yes, sir, it asked for a tariff. Under the act 1897, paragraph 179, it carries a specific duty of 5 cents a pound. Under the act of 1909, paragraph 179, the same specific rate applied, 5 cents a pound. Under the act of 1913, this specific rate of duty was changed to 6 per cent ad valorem; under the tariff act of 1922, schedule 3, paragraph 385, the tariff on lahn was changed to 6 cents a pound, plus 20 per cent ad valorem. This was an increase of approximately 250 per cent over the old rate, and now, it is prosposed to further increase the ad valorem duty another ten per cent, as they are asking, making over 300 per cent, as against the old rate.

As I state in our brief, we are manufacturers of tinsel garlands. Of those who signed the brief in the House, B. Wilmsen, of Philadelphia, I would say, is the largest consumer of lahn in this country. He manufactures his own. The National Tinsel Manufacturing Co. are the second largest. They manufacture their own.

Senator KING. Do they manufacture for sale?

Mr. FRANKE. They make it into tinsel garlands. They join in this brief with Mr. Montgomery.

Senator REED. Asking the increase?

Mr. FRANKE. Asking the increase. He states that his cost of lahn is $1.78 per kilo. He offers it to us on a yearly contract at $1.45.

Senator REED. Who does that?

Mr. FRANKE. The Montgomery Co.; and the rest of them have just simply joined him in his petition.

Senator REED. He offers to sell it to you at $1.45?

Mr. FRANKE. At $1.45 per kilo, and in his statement before the House he gives the cost at $1.78 per kilo.

Senator REED. When did he offer it to you at that price?

Mr. FRANKE. Out here in the committee room, the first time we were called down last week. All along he has offered it at $1.48 per kilo.

Senator KING. Have you ever bought any from him?

Mr. FRANKE. We bought some in the past. We have had trouble with the domestic lahn.

Senator REED. Why?

Mr. FRANKE. The silvering on it tarnishes so quickly when you trim your bush. It tarnishes so very much more, and more quickly than imported lahn, and for that reason we have had considerable trouble with our larger customers taking the domestic lahn. They specify with us that they want us to use the imported lahn. At the price of $1.45 which he is quoting us, he is now about 8 per cent, under the present duty, below the foreign import price. Our import price and his exactly agree, as to what it costs us.

Senator KING. That is, his offer of $1.45 would make the price the same?

Mr. FRANKE. His price would be 8 per cent lower, under the present tariff.

Senator REED. Mr. Silverman says that the landed price of the foreign lahn is $1.522 per kilo.

Mr. FRANKE. We figure $1.58 in our brief, and the brief submitted to the House shows $1.58. There may be a few cents variance. The brief submitted to the House showed $1.58.

Senator KING. Is that the best figure you can give? Is that accurate?

Mr. FRANKE. That is accurate. To-day's price is $1.58. That is what it cost us to land it, just a short time ago.

One of the largest consumers of this product, who is making his tinsel himself, testified before the Finance Committee in 1921.

Senator KING. Who was that?

Mr. FRANKE. Mr. B. Wilmsen, of Philadelphia. He testified to just exactly what I am saying right now, that he could not use the domestic lahn, but he makes it himself, and the only result would be that he would be able to undersell us on the finished product.

Senator BARKLEY. By making his own in the United States, which is cheaper than the imported, he gets that advantage in the finished product.

Mr. FRANKE. Yes. Senator, I spoke to the president of the National Tinsel Manufacturing Co. in New York this year, about two months ago, when we checked up. I said: "Where do you arrive at your costs?" He said: "It was all a mistake." He said: "He sent me the brief, and I simply signed it." He said: "We don't need any tariff on that. I can make it for $1.10."

Senator KING. Who said that?

Mr. FRANKE. Mr. William Probst, of the National Tinsel Manufacturing Co., of Manitowoc.

Senator REED. All right. You have made it much clearer.

Mr. FRANKE. May I bring this point up? I just forgot it. Senator, our Christmas-tree tinsel is under paragraph 1514. We are not in paragraph 385 on our finished product.

Senator REED. Where are you?

Mr. FRANKE. We are in 1514.

Senator REED. The free list?

Mr. FRANKE. No; 1514, on page 181. I do not know whether I have the same print as you have.

Senator REED. That is the House numbering of the new bill.

Mr. FRANKE. Yes, sir.

Senator REED. 1514 is emery, corundum. I do not think you mean that.

Mr. FRANKE. It is the toy paragraph.

Senator KING. It comes under toys, does it?

Mr. FRANKE. Yes, sir. We sell our Christmas tree decorations as toys, and we are in there at 70 per cent ad valorem duty on this [indicating] as the finished product.

Senator REED. That is the same as the 1922 law.

Mr. FRANKE. Yes, sir.

Senator REED. You have 70 per cent protection there.

Mr. FRANKE. Yes, sir. If we could get the rate off these raw materials, we would be willing to take less protection on our finished articles. I cover that in my brief.

Senator KING. Why should you have such a large protection, anyway, as 70 per cent?

Mr. FRANKE. They start with a difference of about one-third. That is the trouble with this whole paragraph. They step up the raw material and the finished product, and you have 15 per cent differential between the finished product and the raw material. Only certain raw materials are made in this country. That is all for the benefit of the foreign manufacturers. They bring in here $413,000 worth of raw material, and bring in $3,500,000 worth of finished products. What we are after is to get after the finished product.

Senator KING. You want the raw material cheaper?

Mr. FRANKE. We do not care. We can leave the clause alone on the finished product, but what we are after is the raw material, particularly that which is not made in this country.

Senator REED. Thank you.

(Mr. Franke submitted the following brief:)

BRIEF OF AMERICAN MANUFACTURERS OF TINSEL CHRISTMAS-TREE DECORATIONS AND METAL THREADS

Hon. REED SMOOT, *Chairman.*

I wish to submit the following information and data for your consideration when you review the matter of providing the rate of duty on the commodity known as tinsel wire, lame or lahn, which is now provided for under act of 1922, Schedule 3, paragraph 385.

This reads: "Tinsel wire made wholly or in chief value of gold, silver or other metals, 6 cents per pound, 10 per centum ad valorem; lame or lahn made wholly or in chief value of gold, silver, or other metals, 6 cents per pound and 20 per centum ad valorem."

Under the proposed Hawley bill, H. R. 2667, it increased the tinsel wire ad valorem rate from 10 to 20 per cent ad valorem and the ad valorem rate on lame or lahn from 20 to 30 per cent ad valorem, which is an increase of 50 per cent on the ad valorem rate for both articles. The injustice of this new increase will be more outstanding by recalling past tariff rates. Under the act of 1897, paragraph 179, lahn carried a specific duty of 5 cents per pound. Under the act of 1909, paragraph 179, it enjoyed the same specific rate of 5 cents per pound. Under the act of 1913, this specific rate of duty was changed to 6 per cent ad valorem. But under the tariff act of 1922, Schedule 3, paragraph 385, the tariff on lahn was changed to 6 cents per pound plus 20 per cent ad valorem. This was an increase of approximately 250 per cent over the previous rate, and now it is proposed under the Hawley bill to further increase the ad valorem duties on both articles another 10 per cent, making an increase over the tariff act of 1913 of over 300 per cent.

Your petitioners are manufacturers of tinsel Christmas-tree decorations, employing 400 people and have been established since 1868. The total industry of the United States manufacturing tinsel Christmas-tree decorations employ 1,200 people, have an investment of $1,500,000, and do a business with a yearly turnover of $2,500,000.

I will first state that tinsel wire, lame or lahn, is essentially a raw material, this in view of the fact that it must be made up into some articles such as Christmas-tree decorations, converting it into metal threads, or weaving it into fabrics, ribbons, fringes, etc., before it becomes a marketable commodity.

Tinsel wire is a round wire, composed principally of copper being plated with silver or gold.

When drawn through rollers, whereby it is flattened, it is then commercially known as lame or lahn.

The component materials of tinsel wire, lame or lahn, are $\frac{9}{10}$ parts copper and $\frac{1}{10}$ parts silver, which materials are exported from the United States and reimported as tinsel wire, lame or lahn, back into the United States.

Following we show costs of importing No. 20 silver lame landed in the United States and cost of same article made in the United States.

Imported No. 20 silver lame landed in the United States:

No. 20 silver lame f. o. b. factory	$0.537
Ad valorem, 20 per cent	.107
Specific, 6 cents per pound	.060
Freight, insurance, brokerage, cartage, etc	.025
Imported landed cost per pound	.729
Per kilo equal to 2⅕ pounds (per kilo)	1.58

No. 20 silver lame made in the United States, 9,000 pounds per week capacity:

	Cost per pound
Cleaning and silver plating: 3 men at $28 per week	$0.0094
Drawing wire: 3 men at $28 per week, 6 girls at $18 per week	.0214
Flattening machines: 12 girls at $15 per week	.0200
For general work: 2 men at $25 per week	.0056
Chemist and supervisor: 1 man at $75 per week	.0084
Total labor	.0648
Copper at 18 cents per pound	.1975
Waste, 10 per cent	.0198
Silver	.1250
Waste, 10 per cent	.0125
Wear, tear, and replacement diamond dies	.0300
Domestic made, cost per pound	.4496
Per kilo equal to 2⅛ pounds (per kilo)	.9891

Domestic made No. 20 silver lame is being offered as at present for a yearly contract at $1.45 per kilo, which equals 66 cents per pound.

There is only one manufacturer in the United States making tinsel wire, lame or lahn for resale to the trade, whose output is sufficient to supply our yearly requirements for lame.

The other manufacturers make it for their own consumption only and do not offer any in the open market for sale.

Imports for 1927 values of each class of paragraph 385 were as follows:

Tinsel wire	$26,251
Lame or lahn	387,686
Metal threads and bullions	1,289,088
Beltings, toys, etc	93,135
Fabrics, ribbons, fringes, and tassels	2,051,957

In the following table we illustrate the various percentages and dollar values of the United States costs of materials and labor in these items:

Table of materials and labor, act of 1922

	1927 imports	Percentage value, copper	Silver	Cotton	Labor	Paragraph 385, duty
1st, tinsel wire	$26,251	Copper, 50 per cent.	$206,968			6 cents per pound and 20 per cent.
Lame or lahn	387,686	Silver, 35 per cent.	144,878			
		Labor, 15 per cent.			$62,091	
2d, metal threads, bullions	1,289,088	Lame, 35 per cent.	225,500 157,913		67,677	6 cents per pound and 35 per cent.
		Cotton, 25 per cent.		$322,272		
		Labor, 40 per cent.			515,635	
Total labor					583,312	
Beltings, toys, etc	93,135	Lame, 65 per cent.	244,055 170,803		73,201 557,723	45 per cent.
3d, woolen fabrics, ribbons, tassels	2,051,957	Thread		348,578		
		Labor, 35 per cent.			750,782	55 per cent.
Total labor	2,145,092				1,381,706	

These figures show the United States labor costs: First in making lame of lahn; second, above cost; plus cost in making metal thread; third, above both costs plus weaving into fabrics, ribbons, etc.

Thus, in 1927, plain tinsel wire, lame or lahn, including lame made in colors, such as red, green, blue, etc., also embossed or corrugated, none of which is made at all in the United States was imported to only the amount of $413,937, whereas finished foreign articles made wholly or in chief value of tinsel wire, lame or lahn, were imported into the United States at a foreign value of $3,434,180 and in these finished made foreign articles there were $939,189 consisting of raw materials of tinsel wire, lame or lahn.

The specific and ad valorem duty on tinsel wire, lame or lahn amounts to about 30 per cent specific and ad valorem duty and on metal threads amounts to about 45 per cent.

In Europe some 20,000 people are employed in this industry of metal threads, etc., most of which is a home industry.

Tinsel wire, lame or lahn, is a machine-made product, very little labor being involved in its production.

This 15 per cent differential does not give us a chance to compete against this class of home labor with these manufactured products.

We respectfully ask your consideration of this small differential in the tariff between these two commodities.

We believe, that with tinsel wire, lame or lahn, placed at a specific duty of 6 cents per pound, and with the balance of paragraph 385 remaining as it now is, this industry can be developed in the United States within a very short period, resulting in the employment of many thousands of people.

In the table of materials and labor you will note the items under the heading "Cotton."

The amount of cotton used in the imports of metal threads being $322,272 and the amount used in woven fabrics, etc., being $348,415.

The development of this industry in this country will consume this amount of American cotton grown in this country, whereas cotton of foreign origin is now used in these imported goods.

In view of the fact that tinsel wire, lame or lahn, is made principally of copper and as the price of copper is constantly changing, we ask to restore the rate of 6 cents per pound, as provided for in the acts of 1897 and 1907. This will obviate the necessity of constantly investigating its value at time of shipment, following the ups and downs of the price of copper and will relieve the United States appraising officers of considerable difficulty in determining the value of each individual importation at time of shipment.

We request that H. R. 2667, paragraph 385, be changed to read as follows: Tinsel wire, lame or lahn, made wholly of in chief value of gold, silver, or other metal, 6 cents per pound; bullions and metal threads made wholly or in chief value of tinsel wire, lame or lahn, 6 cents per pound and 35 per centum ad valorem; beltings, toys, and other articles made wholly or in chief value of tinsel wire, metal threads, lame or lahn, or of tinsel wire, lame or lahn, and India rubber, bullions, or metal threads, not specially provided for, 45 per centum ad valorem; woven fabrics, ribbons, fringes, and tassels, made wholly or in chief value of any of the foregoing 55 per centum ad valorem.

As we stated in the early part of our brief, your petitioners are manufacturers of Christmas-tree decorations and our finished products are protected in paragraph 1514, which reads; garlands, festooning, and Christmas-tree decorations made wholly or in chief value of tinsel wire, lame or lahn; bullions and metal threads, 70 per cent ad valorem.

If your committee will grant us relief in paragraph 385 by taking off the 10 per cent ad valorem duty on tinsel wire, and the 20 per cent ad valorem duty on lame or lahn, we would agree in turn to have the duty on our finished products of garlands, festooning, and Christmas-tree decorations reduced from a 70 per centum ad valorem to a 50 per centum ad valorem duty.

(Signed) THE GEORGE FRANKE SONS CO.
THE PAPER NOVELTY MANUFACTURING CO.

STATEMENT OF STANLEY WERTHEIM, REPRESENTING THE UNITED STATES RAYON CORPORATION, NEW YORK CITY

(The witness was duly sworn by the chairman of the subcommittee.)

Mr. WERTHEIM. This will give you an idea of the material we manufacture [producing sample], using the same lahn thread these other gentlemen speak about. We spin it around a cotton cord and make this material [indicating] that is called 7-S tinsel thread, or 3-ply cordonette.

Senator REED. There is no rayon in that at all?

Mr. WERTHEIM. No rayon. That is one of our branches.

Senator KING. You are appearing with reference to this same paragraph?

Mr. WERTHEIM. The same paragraph. I am a manufacturer of tinsel threads, upon which they are increasing the duty.

There are practically three manufacturers in the United States manufacturing this tinsel thread, a sample of which I submitted. We manufacture in this country only the 7–S, which is the cheapest quality of tinsel thread. We can not manufacture the better ones. We are not equipped. We have not the skilled labor, and we have not the machinery. We do not go into that.

On this 7–S thread——

Senator KING. Pardon me. Is tinsel thread the same as tinsel wire?

Mr. WERTHEIM. Tinsel wire is the raw material. Tinsel thread is the finished thread, as you see it there.

Senator KING. What language is used in the paragraph to characterize that? It is not metal thread?

Mr. WERTHEIM. Metal thread. That is where the duty is 35 per cent.

Senator KING. Is that article you are describing now "metal thread, lame or lahn, or tinsel wire"?

Mr. WERTHEIM. The one I described is the one that has the 35 per cent duty at present and 6 cents a pound ad valorem.

Senator KING. In line 25, Senator, on page 117:

> Bullion and metal threads made wholly or in chief value of tinsel wire, lame or lahn, 6 cents per pound and 45 per cent ad valorem.

It was 35 per cent under the 1922 act, and the House has raised it to 45 per cent.

Mr. WERTHEIM. With respect to that raise, I do not think it is at all necessary. The only combination of those threads that is manufactured in the United States is the 7–S, such as the sample I submit there. There are three manufacturers of that material in the United States who are selling all they can produce, and we are underselling the foreign market and making a very good profit on it to-day. If that tinsel duty is increased, the tendency would be to limit the production. Tinsel threads are now the manufactured item.

My contention is that the lower the price is made, the more of that material will be used, and I do not see the necessity of that increase in the duty. That is in reference to that 35 per cent item.

In reference to the lahn thread itself, I am in favor of removing that 20 per cent altogether, and permitting the 6 cents a pound to remain. I do not think there is any necessity of having that 20 per cent on the lahn threads. There is very little of that material made in this country, and, as I understand from figures that have been submitted, that could be produced in this country much cheaper than it can be brought from abroad, and if we can get our raw materials down, if we can buy this lahn thread—I also have a ribbon department, and am manufacturing a good deal of those goods. If I can get the raw material down, I can manufacture my ribbons and other products at a price that will enable me to meet the competition from the other side.

They propose now to increase the duty to 65 per cent. I do not think that is necessary, if we can get our raw material low enough. I have my ribbon plant in Brooklyn. I have a tinsel plant in Belmar,

N. J. I have no difficulty in selling all this thread I can produce, at present prices, and I am making a fairly nice profit on it.

Senator REED. You do not see any need of raising the tariff on the woven fabrics and ribbons from 55 to 65 per cent?

Mr. WERTHEIM. I do not see any necessity for it. In fact, I brought in a large part of the $2,000,000 of imports that were mentioned, myself, from Switzerland and France. I can manufacture it to-day just as cheaply. I can not make the fine designs. I have not that technical skill among my employees. The majority of the merchandise I can manufacture——

Senator REED. Is that equally true of the beltings and other articles made wholly or in chief value of tinsel wire, and so forth?

Mr. WERTHEIM. I am speaking of the narrower materials. I am not speaking of merchandise running in the wider widths, such as brocades and articles of that kind. I am not acquainted with that. I do not manufacture that. I am speaking of the narrower ribbons up to 4 inches in width.

On the lahn, if we can get the 20 per cent duty off, and just have 6 cents a pound, it would be a protection of about 15 per cent, and that would be sufficient coverage. I am in favor, if possible, of having that duty taken off.

Senator REED. You say you manufacture some lahns yourself?

Mr. WERTHEIM. Not the lahn. I manufacture the combination, using the lahn. I take this lahn thread and spin it around a cotton thread.

Senator REED. You buy all your lahn thread?

Mr. WERTHEIM. All my thread.

Senator REED. Where is the cotton thread in this article [indicating]?

Mr. WERTHEIM. Right there [indicating]. There are several million yards of cotton used in this tinsel thread that is imported from the other side. The cheaper grades of cotton are used, the Indian cotton, and Egyptian cotton. If it were all spun in this country, we would also use the cotton from this country. We would not have to bring it in from the other side.

Senator KING. The more of this lahn that comes in, the more domestic cotton will be consumed.

Mr. WERTHEIM. Yes.

Senator KING. And the more labor will be employed here, and the greater will be the output.

Mr. WERTHEIM. That is my personal opinion.

Senator KING. It will cut off the imports.

Mr. WERTHEIM. Yes. When it comes to the higher priced tinsels, there are none of them made in this country. There is no necessity of increasing the tariff on those. That is a novelty item, and the more we increase the duty, the more we shut out those items and the more we shut out the possibility of an interchange. If we can bring in the higher class tinsel from France, we can sell them other commodities. We have no competition.

I have a short brief here of three pages.

Senator REED. Hand it to the stenographer.

Senator KING. You answered Senator Reed, and I was not quite sure whether your answer was very clear. I did not hear the first part. Woven fabrics, ribbons, fringes and tassels made wholly or in

chief value of the items mentioned, have been increased from 55 to 65 per cent ad valorem.

Mr. WERTHEIM. Yes.

Senator KING. You oppose that?

Mr. WERTHEIM. I oppose that. On some of the merchandise I am bringing in to-day, tinsel comes in under the millinery duty, where the duty is 90 per cent at present on metal ribbons made out of tinsel. On many of them I am paying 90 per cent. That is used for millinery trimmings. The duty comes under the 90 per cent, and not the 55, and the increase would not amount to anything. I am speaking of these narrower fabrics made of tinsel threads.

Senator KING. What was the reason for advancing it?

Mr. WERTHEIM. I think that applies more to the wider materials, the widths from 24 to 36 inches—brocades and coverings of that kind.

Senator REED. Those are all luxury goods, are they not?

Mr. WERTHEIM. Yes.

Senator REED. They sell at high prices?

Mr. WERTHEIM. They depend on the style. It is a question of style demand.

(Mr. Wertheim submitted the following brief:)

BRIEF OF THE UNITED STATES RAYON CORPORATION

Hon. REED SMOOT,
Committee on Finance, United States Senate, Washington, D. C.

I respectfully present the following data for your consideration concerning paragraph 385 of House bill 2667. We are manufacturers of tinsel products having our factories in Belmar, N. J., and Brooklyn, N. Y., where we make 7-S tinsel threads, cordonnet made of 7-S, tinsel ribbons, tinsel braids, and tinsel cords. We are satisfied with the protection accorded by the present tariff and wish to say that the new increase of duty proposed by House bill 2667 is not necessary and is liable to do more harm than good to our industry.

In the manufacture of these products we use both domestic and imported lahn, according to the quality of merchandise which we have to make. Domestic lahn can be used for certain purposes but it is not as good as the imported lahn, for other purposes. We use lahn to make our 7-S threads and our tinsel ribbons and tinsel cords. The proposed tariff act would increase the duty on imported lahn about 50 per cent; this duty on lahn has already been increased under the Fordney Tariff, eight years ago, more than 250 per cent. If this tariff is applied, the domestic manufacturers of lahn will raise their price correspondingly and we will have to pay more for our lahn, thereby increasing the cost of our finished product. As a great part of our materials are used for trimmings, ornamental and decorative purposes, further increase would cause a lessening in the use of our product, thereby decreasing our production. There are two manufacturers of lahn in this country who sell their lahn in the open market. Judging by their financial statements these manufacturers should be making a good profit on their lahn, and there is no necessity of penalizing the whole population of the United States for their benefit.

We sell our 7-S in the open market and also use it to make braids and cordonnet. Seven-S is the only tinsel thread made in the United States in commercial quantities, and there are only three manufacturers making it here. We have succeeded in making a much better 7-S than the imported 7-S. It is stronger and measures about 10,000 meters per kilo, whereas the imported 7-S generally measures only 8,000 meters per kilo. It is now in great demand among the manufacturers using 7-S and we have no trouble disposing of all our production at a fair profit. Our competitors in this article are the Kilo Co., of Como Lake, N. J., and J. R. Montgomery Co., Windsor Locks, Conn. The imported 7-S is no longer a factor in the business and the prices at which it can be sold to-day are higher than our prices. It is not possible to make in the United States any of the numerous qualities of fine tinsel threads imported here; their manufacture requires a class of highly trained labor and delicate machinery

which does not exist in this country. Even in Europe the only country that has been able to produce these fine tinsel threads in commercial quantities is France. Therefore, there is no good reason for increasing again the duty on tinsel threads over 28 per cent.

Tinsel is a style article and the price at which it can be sold in the American market is regulated by fashion only. Whenever style calls for tinsel, the price of it soars to great heights as it, then, can not be produced in sufficient quantities by all the manufacturers of the world put together. The depression that has been going on the last three years in this industry has been mainly caused by a change of style and not by foreign competition; therefore, no duty that could be imposed here would relieve the situation. The only remedy is to produce tinsels as the demand requires and avoid overproduction.

We strongly request that the rate of duty on lahn be removed and the duty on tinsel threads and bullions be left at 35 per cent. Moreover, we advocate continuation of the specific rate of 6 cents per pound on lahn. This specific rate of 6 cents per pound on lahn really amounts to another duty of about 15 per cent ad valorem, due to the low cost of this raw material. Therefore, we estimate that the present duty on lahn is close to 35 per cent altogether, which is to high a duty to pay for a semi-finished product made of American raw materials exported to Europe. If the duty be removed we anticipate that at present prices of lahn we will be able to increase our present production greatly and supply the requirements of 7-S thread in the American market. If the duty on lahn is raised, we anticipate that the demand will decrease correspondingly because of higher prices of the finished product and we therefore respectfully request that the tariff remain unchanged with above stated exception as to specific rate.

Respectfully,

UNITED STATES RAYON CORPORATION,
By STANLEY WERTHEIM, *President.*

STATEMENT OF J. H. R. GRANT, NEW YORK CITY, REPRESENTING AMERICAN MANUFACTURERS OF TINSEL PRODUCTS

[Including tinsel ribbons, fabrics, etc.]

(The witness was duly sworn by the chairman of the subcommittee.)

Mr. GRANT. There is very little tinsel made in this country. Tinsel is a very large item, as you may see from this catalogue which we made for you. Of all the things in this book, none are made in this country except two pages.

Senator REED. Are you going to leave this with us?

Mr. GRANT. Yes, sir; that is for the committee. Gentlemen, I represent the Carpenter Manufacturing Co., Norwich, Conn., Dutchler, Trull & Justin (Inc.), West New York, N. J., N. Bequie, Paterson, N. J.; Gino Desio Co., North Bergen, N. J.——

Senator KING. You need not read those names; they are in your brief and we will read them.

Mr. GRANT. I wanted to state for whom I appeared.

Senator KING. The persons for whom you appear are those whose names are indicated in your brief.

Mr. GRANT. Yes.

Senator KING. You are opposing an increase in duty?

Mr. GRANT. I am opposing the increase in duty. We are asking a reduction.

Senator KING. Of these increases in paragraph 385 you are opposing——

Mr. GRANT. I am opposing all.

Senator KING. And in addition you are asking a reduction on what items?

Mr. GRANT. On tinsel wire and lahn. We want that 6-cent specific rate and want you to do away with the 20 per cent rate.

Senator KING. You want us to strike out the 20 per cent and retain the 6-cent?

Mr. GRANT. Yes, on lahn and wire. The others we want just as they were.

Senator KING. Under the old law.

Mr. GRANT. As they were under the old law.

Senator KING. That would be, then, 6 cents per pound for lahn made wholly or in piece value or gold, silver or other metal, 6 cents per pound.

Mr. GRANT. Or tinsel wire and lahn.

Senator KING. Proceed.

Mr. GRANT. In the first place, there is exported to Europe, as raw material, steel manufactured in the United States to be used in the making of this wire which in turn is imported into this country to be made up by American manufacturers into such products as wire, ribbons, embroideries, and such things. In the book I handed to the committee there are a number of samples of the material.

Senator KING. Have you any idea of the value of the finished products that are manufactures in the United States coming under paragraph 385?

Mr. GRANT. It is impossible to figure that because the variety is so large.

Senator KING. I would like to ask the former witness, Mr. Wertheim, if he has any figures which would show the value of what might be called the finished products.

Mr. WERTHEIM. Of tinsel thread?

Senator King. Of all of the items that might be called raw materials, coming under this paragraph.

Mr. WERTHEIM. It would be impossible to obtain that information. For instance, in a tapestry, you may have 10 per cent tinsel and 90 per cent silk and cotton, or you might have some other article with a different percentage of tinsel. If you take the entire amount of tinsel imported and multiply that 2½ or 3, you would find the value of the finished product. I will say there may be about $3,000,000 worth of tinsel imported.

Senator KING. That is raw material?

Mr. WERTHEIM. As finished threads. That means about $3,000,000 worth of tinsel thread, and the same amount of ribbon and other finished products, so the raw material may be as high as $8,000,000 or $9,000,000 when finished. That is an estimate.

Senator REED. Mr. Grant, I thought you represented the American manufacturers of tinsel wire.

Mr. GRANT. No. There are no American manufacturers of tinsel wire here. They were here about 10 days ago, but could not be here now.

Senator REED. Then you represent the consumers.

Mr. GRANT. No; I represent the manufacturers.

Senator BARKLEY. The manufacturers of the wire?

Mr. GRANT. No; not of the wire. They make many things; they make embroidery ribbons, shoe cloths, all sorts of things.

Senator KING. What is the value of the output of all those whom you represent?

Mr. GRANT. It is impossible to say. The smallest ones there would make at least $200,000 per year.

Senator KING. Of their product?

Mr. GRANT. Yes; the smallest one.

Senator KING. Then it would be several million.

Mr. GRANT. I should imagine so.

Senator KING. Have you stated in your brief what you desire to bring to the attention of the committee?

Mr. GRANT. Yes.

Senator KING. Just leave a copy of it, then, with the reporter. Is that all, Mr. Grant?

Mr. GRANT. I wanted to say quite a few things.

Senator KING. All right.

Mr. GRANT. There is very little tinsel made in this country. The American manufacturers make Nos. 14, 18, 20, and 22. That is all they make in some lahn only. There are others that go up to Nos. 43 and 73. Those are not made here. There is only one drawer of wire in the United States, Montgomery Co. There are three other manufacturers of lahn who use their lahn to make their own tinsel products, and as I say, they only make Nos. 14, 18, 20, and 22, but that is by no means all that it makes.

Senator KING. That is, it makes other products?

Mr. GRANT. Yes; they make other things beside tinsel. Plain lahn is about the only kind of lahn that can be made in the United States. Colored lahn can not be made here, and 99 per cent of the corrugated lahn used here is exported from Germany and France.

When the American manufacturers produce on a quantity basis and go into mass production on the numbers they use most, they can manufacture it here much cheaper than it can be manufactured in Europe.

Senator REED. Do you know the financial standing of the Montgomery Co.?

Mr. GRANT. They have lost a lot of money. They were connected with the General Electric and were making, besides tinsel, a lot of things. They made a tremendous lot of telephone cords and a lot of radio cords. They were making cotton thread, but they lost a lot of money on that.

Take their importations here, and their values I am taking from their own brief. I see here that in 1923 they imported 164,000 pounds of lahn for $411,000, that is about $2 a pound, whereas to-day—the latest figures were 1927—they imported 945,000 pounds for a million two hundred thousand something, making it 60 cents a pound.

The production price is so low that on the domestic manufacture they make from 50 to 75 per cent profit, whereas we who import make nothing, and have a very big overhead.

Senator KING. Mr. Wertheim, where is the Montgomery Co.?

Mr. WERTHEIM. The Spencer Montgomery Co. is located at Windsor Locks, Conn.

Senator KING. What do they manufacture?

Mr. WERTHEIM. Combinations of cotton thread with different tinsel wires.

Senator REED. Do they make insulated wire?

Mr. WERTHEIM. By insulated what do you mean, raw wire or covered wire?

Senator REED. Covered wire.

Mr. WERTHEIM. No; I do not think they manufacture covered wire.

Senator REED. Do they manufacture cord?

Mr. WERTHEIM. Radio cords, they manufacture. One of their big productions were covered wires for radio combination cords.

Senator KING. Is any considerable part of their output tinsel thread?

Mr. WERTHEIM. Yes; they are the largest tinsel manufacturers in the United States.

Senator KING. What proportion of their entire business would that represent?

Mr. WERTHEIM. That I could not say. Their production, though, of tinsel threads is as much as the rest of the United States combined. They are one of the largest manufacturers of tinsel threads.

Senator REED. Thank you.

(Mr. Grant submitted the following brief:)

BRIEF OF J. H. R. GRANT, NEW YORK CITY, REPRESENTING AMERICAN MANUFACTURERS OF TINSEL PRODUCTS

Hon. REED SMOOT,

Chairman Committee on Finance, United States Senate, Washington, D. C.

I am an American citizen, importer of tinsels, and I appear before you in my behalf and as the representative of the following independent American manufacturers who are big users of tinsel materials: Carpenter Manufacturing Co., of Norwich, Conn.; Dutchler, Trull & Justin (Inc.), 715 Palisade Avenue, West New York, N. J.; N. Béquié, 48 Madison Street, Paterson, N. J.; Gino Desio Co., Twenty-fifth Street and New Durham Avenue, North Bergen, N. J.; Nathan Greenbaum, 424 East Twenty-first Street, Paterson, N. J.

The above stated manufacturers make lahn, tinsel threads, tinsel ribbons; braids, cords, laces, embroideries, broadcloths and brocaded shoe cloths, made of tinsel. All these manufacturers desire through me to present to your committee a strong protest against the enactment of House Bill No. 2667 increasing the tariff on tinsel materials from 28½ per cent to 100 per cent of the present ad valorem rate. We firmly believe that if this tariff is allowed to pass, it will do a considerable amount of harm to our business and benefit only one American manufacturer of tinsel wires and lahns.

Description and uses.—Tinsel wire is made of copper, plated with silver or brass, and drawn into fine wires of various sizes. Lahn is made with tinsel wire flattened down by a rolling process. Tinsel threads are made with lahn twisted around a cotton thread; there are many qualities and sizes of tinsel threads. Bullions are made with lahn only, twisted into various forms; there are many styles of bullion.

Origin of raw material.—The above described materials are made with American raw copper, American pure silver, and American raw cotton exported to Europe and reimported into the United States, still as raw material or semifinished products, to be used by American manufacturers in the manufacture of the above-stated articles.

Production and cost of lahn.—Most of the tinsel wires used in the manufacture of lahn in the United States are drawn by only one manufacturer of fine wires, and there is only one American manufacturer making lahn in commercial quantities for sale to the trade. There are three other manufacturers of lahn who use their lahn to make their own tinsel products. The total quantity of lahn produced by all these manufacturers amounts to less than 50 per cent of the quantity of lahn used in the United States. Lahn can be produced in the United States to-day for less than its cost of production in Europe. This is proven by Exhibit A, attached to this brief, showing cost calculations issued by the American Insulating Machinery Co., of Philadelphia, which manufactures the machinery used in the United States to make tinsel wires and lahns. These cost calculations were received by a prospective purchaser of these machines and show that lahn No. 20 can be produced here for $1.10½ per kilo (1 kilo=2.2046 pounds). The metric system is always used in the United States in the tinsel business; it is the reason why we are using it in this brief. On the other hand, the lowest

market price to-day for French lahn No. 18 silver, which is the number most used here, is $1.21 per kilo f. o. b. port of shipment. The duty on this lahn under the present tariff is 24½ cents plus 13 cents, and the lowest possible cost of importing this lahn here is 6 cents per kilo. Therefore, the minimum landed cost of French lahn No. 18 is $1.74 per kilo. This quality of lahn can be manufactured in commercial quantities in the United States for about $1 per kilo and is sold in the open market at $1.60 per kilo. Therefore, the domestic manufacturer would make a profit of 74 cents per kilo if he would sell his lahn at the landed cost of French lahn. As a matter of fact, he establishes his selling price by simply calculating the cost of foreign lahn landed here and making his price from 10 cents to 14 cents cheaper per kilo, in order to get the business. He could cut it a great deal lower and still make a handsome profit.

We have in the foregoing statement considered only plain lahn, silver, and false gold, as plain lahn is about the only kind of lahn that can be made in the United States. Colored lahn can not be made here and 99 per cent of the corrugated lahn used here is also imported from Germany and France. Under Exhibit B we are submitting samples of colored lahn, corrugated lahn, silver, and false gold, and corrugated colored lahn, which are not made in this country.

Tinsel threads.—With only one exception, all the tinsel threads used in the United States are made in France only. These tinsel threads can not be made in the United States due to the very specialized class of labor and delicate machinery required in the manufacture of these fine products. The only tinsel thread made in the United States is the cheapest quality called 7/S. There are only three American manufacturers who make 7/S threads in commercial quantities. The American 7/S is sold to-day at $2.42 per kilo for gold and $2.75 per kilo for silver, less 2 per cent 30 days. It is a different quality of 7/S than the one made abroad; it is made with a stronger cotton thread and measures about 10,000 meters per kilo, whereas the imported 7/S measures only 8,000 meters per kilo. On the other hand, the imported 7/S costs in France to-day, loco factory, $1.60 per kilo for gold and $1.80 per kilo for silver. The landed cost of this foreign 7/S under the present tariff is $2.50 per kilo for gold and $2.80 per kilo for silver. However, these prices would leave the importer no profit, they should be raised 10 per cent in order to show a profitable transaction. Under Exhibit B we are also submitting samples of some of the tinsel threads demanded by the local trade, but which have to be imported. We could submit a great many more samples of the fine tinsel threads which only France can make, but we have not done so as a good size case would be needed to show them.

Labor.—We wish to contradict a statement made before the Ways and Means Committee on this subject. The total amount of hands employed in France and Germany in the tinsel industry is below 8,000 people, but half of this amount of people make the copper wires and cords used by the electrical industry, as both articles, tinsel products and electrical copper wires and cords, are made by the same manufacturers. There is no question that touches labor under paragraph 385, since all the lahns and tinsel threads made in America are very largely produced, at least to the extent of 90 per cent, by the use of machinery. The labor item becomes important only when this raw material is used in the manufacture of the more finished products like ribbons, laces, braids, brocades, and embroideries. Most of the people employed in America in the manufacture of tinsel lahns and 7/S are young women and the labor required is of the simplest and most inexpensive class, averaging about $15 per week. On the other hand, labor conditions abroad are raising more and more to the American level. Wages have increased tremendously in Europe since the war, due to many causes: Taxes are many times higher; hours of labor are much shorter, the people have lost their pre-war frugality and practice high living; the inducement for spending has been greatly increased by the advent of automobiles, radios, motion pictures, etc. Moreover, American manufacturers have gone to Europe and established large factories in various countries, introducing over there American wages and American methods of mass production, together with the mentality and ideas of the New World which are being quickly assimilated. Therefore, the bugbear of cheap European labor and European sweatshops competing against American labor is becoming more and more a myth. The United States has enjoyed a tremendous and unparalleled prosperity under the present tariff and we submit there is no good reason for the general and drastic raises of duty propounded in the new tariff bill.

Increases of duty under House Bill No. 2667 and comparison with old rates under the Payne tariff.—Under the tariff now being enforced in the United States the duty on tinsel wire is 6 cents per pound plus 10 per cent ad valorem, but House bill 2667 increases this ad valorem duty 100 per cent. May we be allowed to

point out that under the Payne tariff law, applied up to 1921, the duty on tinsel wire was only 6 per cent ad valorem, but the Fordney tariff bill of 1921 raised this duty 66⅔ per cent plus 6 cents per pound (which means another 20 per cent increase). The present duty on lahn is 6 cents per pound plus 20 per cent ad valorem, but House bill 2667 raises the ad valorem rate 50 per cent. Allow me to remind you that under the Payne tariff the duty on lahn was only 6 per cent ad valorem but the Fordney tariff bill raised it 233⅓ per cent plus 6 cents per pound (which means another 15 per cent increase). The present duty on tinsel threads and bullions is now 6 cents per pound plus 35 per cent ad valorem but House bill 2667 raises their ad valorem duty 28½ per cent. Let us recall the fact that under the Payne tariff the duty on tinsel threads and bullions was 25 per cent ad valorem only, but the Fordney tariff bill raised it 40 per cent plus 6 cents per pound.

Rates and duty advocated by your petitioners.—We believe that we have shown that the American tinsel industry is amply protected by the present tariff. We, moreover, believe that the present duty is too high on tinsel wires and lahns. Therefore, we respectfully ask the Finance Committee to abolish the present ad valorem rate of 10 per cent on tinsel wire and 20 per cent on lahn, but to maintain the specific rate of 6 cents per pound on tinsel wire and lahn. This specific rate of 6 cents per pound really means an ad valorem duty of 20 per cent to 15 per cent on tinsel wires and lahns, due to the low cost of the wires and lahns. We also ask that the duty on tinsel threads and bullions, of 35 per cent plus 6 cents per pound be maintained. We again wish to emphasize the fact that these tinsel products are made with American raw copper, American pure silver, and American raw cotton, and this should be considered in fixing the rates of duty thereon.

Respectfully,

J. H. R. Grant, representing Carpenter Manufacturing Co., Norwich, Conn.; Dutchler, Trull & Justin (Inc.), West New York, N. J.; N. Béquié, Paterson, N. J.; Gino Desio Co., North Bergen, N. J.; Nathan Greenbaum, Paterson, N. J.; J. H. R. Grant, New York, N. Y.

EXHIBIT A.—STATEMENT ISSUED BY THE AMERICAN INSULATING MACHINERY CO.

It is to be understood that the operation of one unit producing 250 pounds of lahn per day will not reach the lowest costs. In this case, our figures are taken from the operation of a single unit of the size specified.

The labor apportionment and costs are as follows:

LABOR

	Cost per pound	
Cleaning and silver plating: 1 man, at $28 per week	$0.02	
Drawing heavy wire and drawing fine wire:		
1 man, at $28 per week (This man to attend portion of 1 fine wire machine and the L–1 machine.)	.04	
1 girl, at $22 per week, to tend 1 fine wire machine and the remainder to tend second fine wire machine.		
Flatting machine:		
1 girl to 8 lines of wire.		
3 girls total, of which 1 girl will help on fine wire drawing machine and balance on the flatting machines, at $20 a week each girl	.04	
1 man for general work, at $25 a week	.018	
1 chemist, also for general supervision, at $75 a week	.054	
		$0.172

RAW MATERIAL

Copper, average No. 18 wire used to make a No. 20 lahn (approximate production 250 pounds per day)	.175	
Silver, averaging 8 to 9 milliemes, cost	.125	
Wear, tear and replacement diamond dies	.03	
		.330
Total cost of lahn per pound		.502

NOTE FROM YOUR PETITIONER.—One kilo being equal to 2.2046 pounds, the cost of producing this No. 20 silver lahn in America would be $1.10½ per kilo, in small quantities.

BRIEF OF A. C. STAPFER, NEW YORK CITY, REPRESENTING THE SILK DEFENSE ORGANIZATION

[Silk-woven fabrics in chief value of metal]

SENATE FINANCE COMMITTEE,
Washington, D. C.:

I wish to protest against the increased House rates in paragraph 385 relating to silk-woven fabrics in the piece, in chief value of metal. The present rates on these fabrics are 55 per cent ad valorem, but in the House bill have been increased to 65 per cent ad valorem.

The foreign invoice values on such fabrics are exceedingly high and range from $3 to $10 per yard. They are practically the highest priced and most expensive fabrics imported. These importations are exceedingly small and are in no sense competitive.

It has been held by some of the most ultraprotectionists that certain importations are stimulating to our industry, lending it new impetus and information and incidentally supplying the American market with many things which, because of their character, were not readily produced here and for which there was a market entitled to be supplied. If this is true this certainly will apply to these particular fabrics. The 55 per cent ad valorem assessed on these exceptionally high-priced fabrics would under any condition more than offset the American conversion cost if identical goods were made here.

I therefore ask your honorable committee to carefully reconsider and amend the House rates to conform with the present Fordney-McCumber rates, which certainly have been amply protective in every instance.

In this connection I wish to go on record that our organization is composed of manufacturers, traders, and importers, and our viewpoint has been upheld and sustained by some of the largest manufacturers in this country which have no import connections whatsoever, which is evidenced by the letters and telegrams on file and submitted to the subcommittee of the Ways and Means Committee when the House bill was drafted.

Respectfully submitted.

AMIS C. STAPFER,
Representing Silk Defense Organization.

ILLUMINATING OR LIGHTING FIXTURES

[Par. 387]

STATEMENT OF WILLIAM E. FRIEDLANDER, NEW YORK CITY, REPRESENTING THE ART METAL AND LIGHTING FIXTURE GROUP OF THE NATIONAL COUNCIL OF AMERICAN IMPORTERS AND TRADERS (INC.)

[Including Pars. 398 and 1547]

(The witness was duly sworn by the chairman of the subcommittee.)

Mr. FRIEDLANDER. I represent the art metal group and the lighting fixture group of the National Council of American Importers and Traders.

Senator KING. This is a new paragraph entirely.

Mr. FRIEDLANDER. I am attempting to cover two paragraphs, the paragraph for metal not specially provided for which formerly included the lighting schedule, and also the new lighting schedule under paragraph 387.

Senator REED. What type is not specifically provided for?

Mr. FRIEDLANDER. There are many things; there are trays, statuettes, book ends, numerous items of that type.

Senator KING. That are not provided for now at all?

Mr. FRIEDLANDER. That are not specially provided for; and they immediately go into the basket clause.

Senator REED. They come under the basket clause on the manufacture of metals.

Mr. FRIEDLANDER. I think it is 398 of the new bill.

Senator REED. It was 399.

Senator KING. Are you here justifying those increases?

Mr. FRIEDLANDER. No, I am not, sir.

Senator KING. What justification was there for making the new paragraph 387 and allocating to that paragraph all those items?

Mr. FRIEDLANDER. I know of no justification, unless it is possibly to enable the department to gather better statistics on lighting equipment. That is the only reason I can think of.

Senator REED. The rates which the House has put in paragraph 387 follow exactly the rates in the basket clause.

Mr. FRIEDLANDER. They do, sir.

Senator REED. So that merely eliminating the paragraph would not affect you at all unless we changed the basket clause.

Mr. FRIEDLANDER. That is correct, or the rate under paragraph 387.

Senator REED. Exactly; as the House has increased the rates in the basket clause 50 to 65 per cent according to whether precious metals are used; 387 follows exactly along with that and merely gives you a specific reference to your lighting fixtures.

Mr. FRIEDLANDER. It does, sir.

Senator REED. With the same result as if the paragraph were not there.

Mr. FRIEDLANDER. It does.

Senator REED. All right; proceed.

Senator KING. It increases it from 40 to 65 per cent over the existing law.

Mr. FRIEDLANDER. Yes; sir, it does.

Senator REED. Are you an importer of these articles?

Mr. FRIEDLANDER. I am, sir.

Senator REED. From what country do you get them?

Mr. FRIEDLANDER. From various countries; from Germany, France, Chechoslovakia, Belgium, Italy—wherever we find the most artistic and the most interesting articles.

Senator REED. It is a very wide group of articles.

Mr. FRIEDLANDER. It is extremely wide, sir.

Senator REED. And covers practically everything that is called an art metal object.

Mr. FRIEDLANDER. Practically.

Senator REED. All right.

Mr. FRIEDLANDER. I should like to direct your attention to my testimony before the Ways and Means Committee, on pages 2574 and 2627.

In discussing the so-called basket clause, paragraph 398, we must necessarily treat this subject rather broadly, as this paragraph covers innumerable items which can not be imported into the United States to-day in competition with products of this country. Besides all these unusual items, this paragraph affects such items as ornamental trays, white metal manufactures, wrought iron tables, furniture hardware, fire place sets, lighting fixtures (although the latter have now

been specially provided for in this bill under paragraph 387) and thousands of other articles that must necessarily come under a clause covering all articles not specially provided for and composed in chief value of base metals. I will, however, concern myself chiefly with the few items typical and now being imported in limited quantities in which my group is particularly interested.

I direct your attention firstly to the consolidated statistics, the products covered generally by this schedule, to show importations of $5,974,151, exports of $15,022,295, and manufactures of $300,207,962. That last figure is the 1925 total. No later figures were available to us.

Senator KING. Has there been an increase in manufactures since then?

Mr. FRIEDLANDER. There has, undoubtedly, with the natural prosperity of the country—this $300,000,000 total would undoubtedly be considerably higher.

Senator KING. So the domestic manufacture would be over $300,000,000, or at least that.

Mr. FRIEDLANDER. It would be at least $300,000,000.

Senator KING. And the exports $15,000,000, and the imports $5,000,000.

Mr. FRIEDLANDER. The imports are about 3 per cent of the production, and the exports are almost three times the imports. The small percentage of importations, covering a wide field, would be found, in most cases, to be articles of artistic and distinctive design not produced in this country. Among the articles that are imported and dutiable under this paragraph are decorative metal novelties, such as book ends, statuettes, trays, etc. American firms manufacturing these products are in a prosperous state. One of the principal manufacturers of this commodity is the Art Metal Works, of Newark, N. J. Their published statement, issued about two months ago in conjunction with a stock issue, showed an increase in net profits from approximately $300,000 in 1927 to over a million dollars in 1928. Other profit statements are not available to us, as they are naturally not normally published, excepting under such conditions as stated here.

Andiron and fireplace sets can only be imported to-day in very limited quantities and only where the design is most unusual and distinctive, and the sale is so limited as to make the creation of new models and molds too costly.

I might inject the thought there that the cost of making molds and making original models is one of the large factors in the production of this class of goods. The European manufacturer has the advantage in that he has a wide field of distribution. He may make a model that will sell in the United States but will not sell in England or France; it may sell in Australia. So that he is not gambling to the same extent with his molds.

Senator KING. These articles do not lend themselves to mass production very well.

Mr. FRIEDLANDER. They do not, not that type.

Senator KING. They are art novelties.

Mr. FRIEDLANDER. They sell primarily because of their artistic merits.

Another factor to be considered is that most of the raw material, such as copper and brass, are exported from this country, and not

only is the export price higher than the domestic price, but to this must be added ocean freights, insurance, expenses, and any duties into foreign countries.

Furniture hardware is imported to some extent, but almost entirely of the fine grade. Manufacturers of very high-grade furniture will buy the foreign product when it is of distinctive design and workmanship, irrespective of cost, in order to enhance the beauty of costly furniture.

I would like to call your attention to my testimony on page 2628, which I wish to correct. I refer to the importations of an English firm which produces the largest quantity of this merchandise abroad. They are unable to sell their product in Canada, although in that country British products receive a preferential duty of 18 per cent against the general import duty of 37 per cent, and although the American industry must pay this general duty, the English product can not compete with the American product as the Canadian manufacturers do not produce the highest grade furniture and the makers of popular priced furniture buy the American product for less money.

Senator KING. When you use the word "furniture" do you use it in the comprehensive sense as including the art articles that you are referring to?

Mr. FRIEDLANDER. No; I am referring there, Senator, to furniture like bedroom suites, living-room suites, commodes.

Senator KING. Wood or metal.

Mr. FRIEDLANDER. Wood, typical home furniture.

Senator KING. What has that to do with these art products?

Mr. FRIEDLANDER. That refers, Senator, to the hardware, the furniture hardware. The furniture manufacturers in this country use that kind of hardware on furniture suites that sell for $1,500, $2,000, or $3,000 a suite.

Senator BARKLEY. They are not included in this list.

Mr. FRIEDLANDER. They are not; but those manufacturers will buy the best hardware to put on their furniture. They buy these artistic, fine, decorative pieces. Such furniture hardware can not be put on the cheaper stuff.

I wish to dwell in particular on the question of lighting fixtures, which, in the House bill, is especially provided for under paragraph 387. Objection was made in a rebuttal brief to certain statements made by myself before the Ways and Means Committee. On page 2623 Mr. Biddle takes exception to the statement of imports. However, his own estimates largely bear out my figures. On page 2624 the table of statistics shows importations for May and June, 1928, compiled by the United States Tariff Commission at New York, to be $82,417 for the two months, which would give an average importation of $494,502 for the year, and the New York Custom House probably receives 80 per cent of the total importations into this country, possibly more, as practically all the principal importers of this commodity are in New York.

The balance of imports would be largely individual purchases or purchases by department stores who, in this field, purchase comparatively little abroad but buy the majority of such imported merchandise from these New York importers.

And I think my figure of half a million dollars is extremely liberal.

Senator KING. Have you seen any reason to change those figures?

Mr. FRIEDLANDER. I have not.

Senator KING. Did your opponents present any facts to warrant you, or call for a modification of your statements, sir?

Mr. FRIEDLANDER. Only as I have stated just now, Senator, to rather emphasize my statements.

Exception is also made to the import and export figures that street lighting was omitted from the total of the American production of $106,000,000 and from the export figures of $1,902,000.

I am very glad to call this to your attention as it increases the domestic production to $129,698,389.

Senator KING. Of what?

Mr. FRIEDLANDER. Of production in this country when we included the street lighting.

Senator KING. You are speaking now of only lighting?

Mr. FRIEDLANDER. I am speaking now of lighting fixtures.

Senator KING. Those were not in this $300,000,000?

Mr. FRIEDLANDER. No, sir.

Senator REED. Are street lighting fixtures imported?

Mr. FRIEDLANDER. Not that I know of. That was the point that I wished to make. My opponent objected to my quotation of those figures, and I am glad he did, because it increased the domestic production $24,000,000.

As there are no imports of this commodity, the total percentage of imports would be further reduced than the figures that I originally placed before the Ways and Means Committee.

Reference is made to Pacific coast importations from the Orient. If lighting fixtures are imported from the East, then they have apparently not yet been offered for sale as I have been unable to find any dealer or importer who has heard of or seen such chandeliers or lighting equipment. At its best it can only be construed as a fantastic possibility and certainly no serious threat against our production.

The statement that was made to the committee that the American manufacturers are producing abroad can only refer to isolated cases, probably where models and moulds exist abroad and a limited quantity of parts required.

In my previous testimony I stated that wiring, wiring equipment, and so forth, was bought in this country, as the foreign fixtures could not be used with foreign wiring or sockets. On the popular-priced items this American material and labor, which must be added to the foreign fixtures, very likely add nearly 30 per cent.

Protests have been made to the House committee that certain large installations of lighting equipment were furnished by European manufacturers, but how infinitely few these are as compared to the thousands of annual installations throughout this country. The estimates given to you as to the value of these jobs are quite misleading, unless those figures include the wiring of the building, the wiring of the fixtures and the purchase of all the smaller fixtures, all of which were of American labor and material. On these jobs the entire installations were not foreign products and the figures published are estimated at from 60 to 80 per cent in excess of the actual import value of the foreign products. As matter of fact, the value of three of these jobs is stated to be estimated at a total of $500,000. Surely at that rate the importations of lighting fixtures must run into very many millions. It is quite obvious that these figures have been largely exaggerated.

The lighting fixtures industry in this country can be roughly divided into two classes:

1. Those producing stamped brass, white metal, and other base metal fixtures in quantities which are sold at popular prices and purchased by the average consumer.

2. Those manufacturers that produce high-grade and distinctive merchandise which is bought for the wealthiest homes, for the finest hotels, theaters, or clubs.

The latter are really the only ones that come into conflict at any time with the imported product. The first group, who face practically no foreign competition are not in a particularly prosperous state due to internal competition. The latter, who obtain satisfactory prices for their wares, are practically all earning substantial returns on their invested capital. I refer to such firms as Edward F. Caldwell Co., Black & Boyd Manufacturing Co., Frink Corporation, Victor Parlmen, and similar companies that enjoy a good reputation.

Producers in this country have frequently purchased foreign brackets, lamps, and chandeliers and have copied them, selling them at prices so far below the foreign products selling price that the latter were driven out of the market entirely. Naturally, under such conditions the domestic producer has no initial cost for new models.

A few years ago protests were made to the Federal Trade Commission against this practice on the ground of unfair competition, but no relief was granted the importer as the Federal Trade investigator informed the importer that as the imitation was not being offered to the public as the imported article, the consumer was not being mislead. Many examples of such practices have occurred and details can be presented to the committee if they so desire.

This practice has operated against not only English but German, Czech, and other foreign products.

If these domestic manufacturers are able to copy and sell this product below the foreign prices, surely they are not in danger of cutthroat competition from abroad.

It may also be noted that no appeal has ever been made to the Tariff Commission on section 315 for an increase in duty, as the opening of such a question must not only have proven unsuccessful but might very likely have proven to be a boomerang.

I have particularly called your attention to page 2630, paragraph 4, of my testimony before the Ways and Means Committee. The appellants for higher duty laid emphasis in their brief, page 2620, on the fact that importations under which lighting fixtures are imported had increased from $13,000,000 to $17,000,000 from 1924 to 1926, quoting Department of Commerce statistics. These statistics, however, were the totals of various general clauses providing for all importations not specially provided for of wood, china, marble, glass, metal, and other commodities but which have absolutely no bearing on the lighting fixture importations.

Comparison of the costs between foreign and domestic manufacturers can be seen by an examination of this chart.

(Mr. Friedlander exhibited a chart to the committee.)

These figures were taken from the briefs that were filed by the domestic interests.

Senator REED. That is Mr. Biddle's brief.

Mr. FRIEDLANDER. Mr. Biddle's brief on an American product or unit with a selling price of $100. I am accepting the figures in his brief all the way through. We start out with an American product valued at $100. Taking off a 5 per cent profit leaves $95, and 18 per cent for overhead gives you a selling price of $77; 32.2 per cent of the selling price, Mr. Biddle stated, was labor that bore on these fixtures, leaving a net on material of $44.80.

We will assume that the cost of material abroad is the same and on that we have $44.80 to start with. Labor is assumed on the basis of 25 per cent of American labor which Mr. Biddle claims and which I question but accept for the sake of the discussion; 18 per cent overhead and 5 per cent profit on the foreign manufacture selling price, $16.09. Cases and packing for export $1, which makes the foreign selling price, or foreign manufacture selling price, $69.94.

Duty at the present rate is $28.27; ocean freight and European freight, and export to the United States, $7.50. Landed cost in the United States is thus made $105.71 as compared to an initial selling price of the American product of $100.

To that we must add the importer's overhead and profit on the same basis, which makes the importer's selling price $137.29; and I will add this statement: That I know of no importer who can operate, or who does operate, on an 18 per cent overhead. The lowest I have heard of is 28 per cent; and they run from 28 per cent to 40 per cent. This is the reason why importations of lighting equipment can not be directly competitive to the American product, and such articles which may be imported must be of an unusual and distinctive style, and noncompetitive.

If we take these figures and consider a duty rate of 33⅓ per cent, you will change this item here and bring your cost landed in the United States to $100.15 as compared to the selling cost of the American producer of $100. To that landed cost of $100.15 we must now add the importers overhead and profit. So that would certainly give them a good basis to work on.

I see no particular objection to a special paragraph as provided in this bill, although it may be of interest to the committee to know that the Department of Commerce has notified the Association of Fixture Manufacturers that they will cease to gather statistics of the American manufacture due to the lack of cooperation from the manufacturers in this country. It is because of these figures I have just quoted that only artistic and distinctive lighting fixtures can be imported in competition with the domestic production; and, as far as I know, and I have been in this business over 20 years, there is only one line, one style of fixture that I know of that is imported from Eurpoe that can come into any conflict on competition.

Senator KING. What is that?

Mr. FRIEDLANDER. The so-called Flemish line of chandeliers and brackets, casting and turnings. They are only a small item in the turnover.

If a special paragraph is to be provided, then it should by all means be broad enought to include all lighting equipment and to include among other articles, glass prism chandeliers and lighting fixtures generally. Prisms, incidentally, are not manufactured in the United States. I therefore, take the liberty of suggesting that this paragraph be made to read as follows——

Senator KING. That is paragraph 387?
Mr. FRIEDLANDER. Paragraph 387; yes.
Senator KING. Go ahead.
Mr. FRIEDLANDER (reading):

Illuminating or lighting fixtures, lamps, lamp bases, candelabra and candle sticks composed in chief value of base metal or alloys and chandeliers and candelabra wholly or in chief value of glass or glass prisms 33½ per cent ad valorem.

I direct your attention to the chandelier that is right over your heads, Senators. Those are the prisms I am referrring to.

Senator REED. You say those are not made in this country?

Mr. FRIEDLANDER. They are not, sir, to my knowledge. I have never known them to be made here. The chandelier may have been made here, but the prisms are unquestionably imported. It is a home industry, a peasant industry in Czechoslovakia. That has never been made elsewhere except there were some made in England.

Senator REED. Are those prisms ground?

Mr. FRIEDLANDER. They are ground by hand, sir. It is a home industry.

Senator KING. Ought we to import into the metal schedule any articles of glass?

Mr. FRIEDLANDER. We have a lighting schedule here, Senator, and that is, unquestionably, a lighting fixture and the special provision for lighting fixtures should be broad enough to embrace a typical combination of glass and metal such as this; and it is distinctly lighting equipment.

Senator KING. Suppose the prisms were imported alone, not connected in any way with any metal leaving to the domestic manufacturer the production of the metallic chandelier, then what would you say as to the propriety of importing them into this paragraph?

Mr. FRIEDLANDER. I do not see that it makes any real difference as there is no competition anyway. I might add this, that formerly we imported a good many chandeliers made of metal and crystal, similar to the lower half of that fixture, but we found that our domestic competitors could so far undersell us in the making up of their metal frames and buying the separate crystals that we were driven from this field and our sales to-day in that particular field I do not believe amount to $500 a year.

The wording I have suggested would provide a special paragraph for lighting equipment and still, because of his ability to produce cheaply and because of his many production methods and his geographic position, insure the American manufacturer his home market in at least the same percentage as it exists to-day, and not compel the home builder or the home decorator who wants to add a touch of distinctive decoration to his home to pay a still higher price for his desire. Lighting fixtures are a distinctive part and cost of home building and the American public should not be penalized more heavily in this respect by excessive duty.

It will be seen from this chart that a duty of 33⅓ per cent makes the foreign manufacturer's price exclusive of the importer's overhead or profit, $100.15 as compared to the domestic manufacturer's selling price of $100.

That is all I have to say on that subject.

Senator REED. Just one minute; I want to ask you something about this chart you have given. In the first place in including overhead you took 15 per cent of the foreign selling price, did you?

Mr. FRIEDLANDER. I did, sir.

Senator REED. And to that you added 5 per cent profit?

Mr. FRIEDLANDER. I did, sir.

Senator REED. That gave you $16.09. Is it a fair assumption that material costs the foreign producer as much as it costs the American producer? I notice Mr. Roberts's statement that what is classified as materials in this country are, in reality, finished products of other industries into which a large percentage of American labor has entered, such as stampings, spinnings, tubings, lacquers, wire, castings, sockets, etc. Certainly those, as manufactured articles cost less abroad then they do here. While the raw materials may cost slightly more in the case of copper, or bronze, or brass, the raw material does not cost as much in the case of iron.

Mr. FRIEDLANDER. Senator, if the castings, the spinnings, the stampings, the sockets, the lacquer and all of that had been not included in the 32 per cent, then I certainly would change that 32 per cent as a labor figure for merely the assembled parts, the finishings; and even in the finishing we have the lacquers and colors.

Senator REED. He says that if you consider the labor cost in the production of raw materials the labor percentage is 47 per cent, not 32.

Mr. FRIENDLANDER. But does not that say that is an estimate?

Senator REED. Yes, necessarily.

Mr. FRIEDLANDER. Yes. I think that while you might be able to buy some individual fixtures, lighting brackets on which those percentages might apply, I think it would show on the matter of statistics that the average was not that high.

Senator REED. I am very much struck by your contrast on this chart.

Mr. FRIEDLANDER. I have taken those figures from Mr. Biddle's brief, sir.

Senator REED. Yes, but his statement was that the real labor constitutes 47 per cent, and materials 29.8 per cent. Well informed men in the industry state that labor is in excess of 50 per cent of the value of their product. However, for purposes of comparison he claimed that labor constitutes 40 per cent and materials 30 per cent.

Mr. FRIEDLANDER. Furthermore, Mr. Biddle includes sockets, wiring, hanging canopies and certain other parts of the fixture that would have to be added on to the import section as I pointed out. On a cheap lighting fixture it might run as high as 30 per cent or more, but on the more expensive the percentage would not be as large.

Senator REED. All right, sir. I think we have your point. Is that all that you wished to present?

Mr. FRIEDLANDER. There is one more point I would like to make.

Senator REED. We have about 20 witnesses yet to be heard.

Mr. FRIEDLANDER. It will take me but two minutes, sir.

Senator REED. We must finish to-night.

Mr. FRIEDLANDER. Yes. I wish to call attention to paragraph 1547. I have a short brief on that I would like to file with the committee.

Senator REED. That is works of art 20 per cent. Of course, wherever you can get your art articles in under that you do it, naturally.

Mr. FRIEDLANDER. Naturally we would.

Senator REED. Certainly.

Mr. FRIEDLANDER. But the difficulty has been this: We have had small white metal lead casts, or spelter casts statuettes costing about a dollar abroad, really artistic, and the original is certainly the work of an artist; we have had those passed at 20 per cent as replicas of works of art, and in the next shipment we might have had an $80 bronze statue of which three or four have been cast and they have been assessed at 40 per cent as manufactures of metal. I have a suggestion which I think would cover that situation.

Senator REED. Is it in your brief?

Mr. FRIEDLANDER. It is.

Senator REED. Give it to the stenographer and it will appear immediately following your testimony.

Mr. FRIEDLANDER. I wish to call attention to this, that my reason for injecting the minimum value there was to provide the cheap cast iron and novelty, little figures that might come in under another construction of the law if there were not a minimum; and any statue that cost more than $2.50 on the other side would sell in this country from $7 to $10. They would have to sell them for about that and, consequently, would not come in as novelty item.

(Mr. Friedlander submitted the following brief.)

BRIEF OF THE ART METAL GROUP, NATIONAL COUNCIL AMERICAN IMPORTERS AND TRADERS

In order to clarify and eliminate certain ambiguities existing in the 1922 tariff act as well as H. R. 2667, I respectfully submit to your earnest consideration the following changes in phraseology, paragraph 1547, as printed in H. R. 2667, which reads as follows:

"Works of art, including paintings in oil or water colors, pastels, pen and ink drawings, and copies, replicas, or reproductions of any of the same, statuary, sculptures, or copies, replicas, or reproductions thereof, and etchings and engravings, all the foregoing, not specially provided for, 20 per centum ad valorem."

I suggest it be changed to read:

"Works of art, including paintings in oil or water colors, pastels, pen and ink drawings, etchings and engravings, and copies, replicas and reproductions, all of the foregoing, not specially provided for, 20 per centum ad valorem. Statuary, sculptures, or copies, replicas and reproductions thereof not specially provided for, and valued at not less than $2.50 each, 20 per centum ad valorem."

It has apparently been the intent of the Congress not to place high tariff rates on artistic commodities.

Statuary is not a commodity which sells on a price basis but which sells primarily on its esthetic appeal.

Under the present law much confusion and confliction of opinion has been created due to the diversion of opinion as to the proper classification of such imports. Bronze statuettes have been classified as manufactures of metal not specially provided for, at 40 per cent ad valorem. Hundred of cases are pending in the courts awaiting decision, some of them representing importations entered in 1924 and 1925. If the importations have gone into consumption the court has offered no redress, holding that it could not determine from a photograph whether the article possessed any artistic merit. Some alloy metal statuettes costing as little as $1.25 each have been held dutiable at 20 per cent while other bronze statues costing as much as $80 abroad have paid the rate of 40 per cent.

The limitation of $2.50 each minimum value is suggested to prevent cheap cast iron, or novelty figures having little or no artistic attributes becoming dutiable under this paragraph.

Statuary does not compete with domestic production a on price basis.

Your earnest consideration for this charge is respectfully requested in order to prevent varying practice at different ports due to the matter of opinion as to when a statue ceases to be a statue, but should be classified as a manufacture of metal.

WILLIAM M. FRIEDLAENDER,
Chairman.

STATEMENT OF ROBERT BIDDLE, PHILADELPHIA, PA., REPRESENTING THE LIGHTING EQUIPMENT INDUSTRY

(The witness was duly sworn by the chairman of the subcommittee.)

Senator KING. Did you want to add anything to your very comprehensive statement in the House?

Mr. BIDDLE. Yes, sir; I do. I am appearing here for a group of manufacturers of lighting fixtures located in various manufacturing centers, including New York, Philadelphia, Cleveland, Chicago, Milwaukee, and St. Louis.

Under the present Fordney Tariff Act we were listed in paragraph 399, the so-called basket clause. We were there classed with manufacturers who were laboring under entirely different conditions from the lighting fixtures business. We therefore asked for a separate paragraph. The House in its wisdom in House bill 2667 gave us a separate paragraph 387, with a duty of only 50 per cent. In our brief we modestly asked for a duty of 60 per cent ad valorem.

Senator KING. You are not speaking, then, of those items that bear 65 per cent?

Senator REED. You do not make chandeliers out of gold or platinum?

Mr. BIDDLE. No; we do not make them out of gold.

Senator REED. It is the 50 per cent that you are concerned with.

Mr. BIDDLE. Yes. This, we feel, is a minimum percentage that we believe will permit the industry to prosper in competition with imported foreign products which are coming in in increasing quantities.

Senator REED. What is the name of your company, Mr. Biddle?

Mr. BIDDLE. Biddle, Gaumer Co., of Philadelphia, Pa.

Senator REED. How long has that business been established?

Mr. BIDDLE. Mr. Gaumer started in 1882. I incorporated it in 1890 and brought the Biddle in. Mr. Gaumer was associated with me for a good many years, however.

Senator REED. Is it a close corporation?

Mr. BIDDLE. Close corporation.

Senator REED. What is its capital?

Mr. BIDDLE. $100,000 capital with $40,000 surplus and undivided profits. That money is invested in machinery and stock and open accounts and activities of the business. That is all live capital.

Senator KING. What are your assets worth?

Mr. BIDDLE. That represents our assets.

Senator KING. What is the value of your products annually?

Mr. BIDDLE. Approximately a little over—between $300,000 and $400,000.

Senator REED. What kind of products do you make?
Mr. BIDDLE. Lighting fixtures.
Senator REED. Chandeliers?
Mr. BIDDLE. Chandeliers and brackets.
Senator REED. Wall brackets?
Mr. BIDDLE. Yes.
Senator REED. What metal do you use?
Mr. BIDDLE. Iron, brass, bronze.
Senator REED. Is that in the class of the higher-priced articles?
Mr. BIDDLE. No; we are rather medium class.
Senator REED. You do not make the kind of things that the Sterling Bronze Co. makes, for example?
Mr. BIDDLE. Not to any extent; no, sir.
Senator KING. Are you one of the largest manufacturers of the commodities of which you are speaking?
Mr. BIDDLE. No, sir.
Senator KING. Reference has been made to an art company, the Art Metal Works of Newark. Are you in their class so far as capital is concerned?
Mr. BIDDLE. I do not think they make fixtures to any extent. I think that testimony was in connection with other products, was it not?
Senator REED. Art metal objects, I think, of other descriptions.
Senator KING. This is limited merely to lighting fixtures?
Mr. BIDDLE. Principally. We do other metal work, but that is the principal business.
Senator REED. Mr. BIDDLE, I have been glancing over your brief in the House. Of course we do not want you to go over that same ground again, because we will read that. But I wish you would take this chart which Mr. Friedlaender produced and tell us where the error is in that, if there is an error.
Mr. BIDDLE. Well, I can not digest it off-hand this way very satisfactorily, but my feeling is that it is more or less of juggling figures there. And this is a hypothetical illustration.
Senator REED. Naturally, but he has taken your figures.
Mr. BIDDLE. Well, I will candidly say I think we made a mistake in making the illustration, because after we came to study it we saw, and recent developments show, that it was entirely wrong.
Senator REED. Well, in what respect was it wrong?
Mr. BIDDLE. Well, in the first place, the selling price and profit; of course that comes in as an item, and the overhead and——
Senator REED. Wait a minute. Let me ask you this question.
Mr. BIDDLE. The percentage of labor is not sufficient.
Senator REED. Do you average 5 per cent profit on your product?
Mr. BIDDLE. On the business we do, no. I do not believe we do, hardly. Some years we have and some years we have not.
Senator REED. Why did you tell the House that you did?
Mr. BIDDLE. We did not tell the House we did. We showed in this brief that that was a hypothetical illustration, that was all.
Senator REED. Well, it was supposed to be a typical case, was it not?
Mr. BIDDLE. No; it was just a hypothetical case.
Senator REED. Well, the hypothesis was the truth?
Mr. BIDDLE. If you will give me a little time I will illustrate where we were wrong in our demonstration there.

Senator REED. That is what I want you to do, because if that chart is accurate you have too much duty now.

Mr. BIDDLE. No; we have not, because that chart is not accurate. It was a mistake.

Senator REED. All right, you point out the mistake.

Mr. BIDDLE. Well now, Mr. Chairman, I would like to bring forward here an illustration of bracket No. 3366, a French bracket made by J. Broermann & Co. of Paris. The landed price on this is $9.75. I have here the bills which will be filed with the brief.

Senator REED. Is that bronze?

Mr. BIDDLE. Brass. We had five reputable manufacturers to figure on that fixture. We had the bracket in their place. They all estimated separately and their composite figure was $25.18.

Senator REED. In other words, they would need a duty of 150 per cent.

Mr. BIDDLE. On that thing you would. Exclusive of wire and so forth, but including 5 per cent profit. That is all they would ask.

Senator REED. How many articles did that request presuppose? Just making a single one?

Mr. BIDDLE. No; that was making a dozen lot.

Senator REED. Making a dozen?

Mr. BIDDLE. Making a dozen, yes.

Senator REED. Presumably the Frenchman makes a good many more than a dozen.

Mr. BIDDLE. I do not know about that.

Senator REED. How many were in the shipment?

Mr. BIDDLE. Twelve. There were 12 of those in that shipment. Now I would like to show you that other bracket, No. 203. Those were imported by the same party.

Senator KING. Who?

Mr. BIDDLE. Black & Boyd, New York. The landing price was $15.

Senator REED. Duty paid?

Mr. BIDDLE. Yes; everything paid. The average selling price of the five manufacturers was $29.92. With a 5 per cent profit. No wiring, as before, included. I have the bills here for illustration, which will be in the brief.

Senator KING. May you single out one or two particular patterns where perhaps there may have been a very large reduction—those patterns are very numerous I imagine—and use that as a basis for determining what would be the fair duty or tariff price upon a large number of different commodities?

Mr. BIDDLE. I do not quite understand you, Senator.

Senator KING. Well, I can imagine that, for instance, one particular style of bracket might be made very cheaply if you had a very large number, where you only had to make your molds or your dies once. Whereas if you had a large number of varieties and only a limited number of sales for each variety the cost would be very much greater. So I ask, would it be fair to take one or two samples and base entire case upon the sales and the prices of those one or two samples?

Mr. BIDDLE. No, sir, I will show you plenty more. Those are not made in quantities. There is not a market to make them in quantities in the first place. They have got to be made in small quantities.

Senator KING. Do you make that article?

Mr. BIDDLE. No, sir, that is foreign.

Senator KING. Do you make articles similar?

Mr. BIDDLE. Similar. As a further indication of the unfair competition that we are up against in this industry with foreign imported goods, I would like to show you this catalogue. This catalogue is the property or is issued by Pearson-Page Co. (Ltd.), Birmingham and London, England. They have an agency in New York, Skinner-Hill Co. This is a catalogue which has just come to our notice since we filed our brief. These that I have circled and are recorded in our brief show the American price and the foreign. These are all copies of American manufactures. They ship samples over to Europe, put them in the sand, cast them and send them back. Send the new product over. And this competition is absolutely, we feel, unfair. They can produce that and sell it in New York, all duty paid, boxing, freight and everything, for $9.62. The American price was $14.33 wholesale competitive price.

Senator REED. The retail price about $150, I suppose?

Mr. BIDDLE. No, I do not suppose it would be more than $30. But of course with the retail price there is an awful big overhead, and wiring, and so on. These are not wired in every case. Our industry is not wired. Some people do wire, but as a rule they do not. There is an extra charge made for wiring. All our catalogues are "not wired." I show you another one.

Senator REED. You are not showing it. You are only looking at it.

Mr. BIDDLE. $12.50 foreign price. $14.66 American. Here is one, $19.75 against $40.

Senator REED. Duty paid?

Mr. BIDDLE. Duty paid. Now that represents labor. There is a good deal of labor in cleaning up those castings, and there is where the one difference comes. In a case like this there is not much cleaning up, except this space [indicating], but here [indicating] that is all hand work. And there is where it shows the difference in labor, foreign and here. This one [indicating a picture in the catalogue] in a three-light is $28.12 against $56.66. Three-light. In two-light it is $22.50 against $46.66. These will all be in my brief.

Senator KING. Perhaps you are charging too much.

Mr. BIDDLE. It is competitive. These are not in the catalogue lists and discounts. They are special prices quoted on the 26th day of June.

Senator REED. I should think they were not, because the prices you have been giving us landed duty paid are much less than the printed prices in England.

Mr. BIDDLE. No; these printed prices are here. This is issued by Skinner-Hill Co. That is for their purpose, for American business.

Senator REED. Then the prices as printed bear no relationship, that is 100 shillings for the article which you say costs landed in America $12.50?

Mr. BIDDLE. That is a special quotation they have given. They do not as a rule stick to the lists and discounts.

Senator REED. And yet the notice fastened to the front page says "These prices are advanced 25 per cent."

Mr. BIDDLE. Yes.

Senator REED. So the list price of that would be 125 shillings?

Mr. BIDDLE. Yes; but I got special quotations on these goods on the 26th day of June.

Senator REED. So they must sell at about 80 per cent off their list?

Mr. BIDDLE. There is a little difference. Now I will show you some more. Here is a 2-light bracket, $11.25. The American price is $16.50. Copies of American goods taken over there without any pattern work or anything of that kind, stuck in the sand and cast.

Senator KING. Do we copy any foreign goods?

Mr. BIDDLE. Well, we may. I don't know.

Senator KING. Do you not know that we do in nearly every branch of industry?

Mr. BIDDLE. Yes, but I am telling you that we need tariff, we need protection.

Senator REED. Well, that is what we are trying to find out, Mr. Biddle.

Mr. BIDDLE. Now there [indicating in catalogue] is a 2-light bracket, $6.50. And the American price $10.66. Here is one [indicating], $8.25. American price $10. There is not so much difference there.

Senator REED. Do you find any in which the American price is the lower?

Mr. BIDDLE. Not one. Not one. Here is another, $20 against $40. Now there is a good deal of labor on that.

Senator REED. Yes; but you are on record in the brief filed in the House as saying that 32 per cent is labor.

Mr. BIDDLE. That should not have been, because you can not make a basis for any particular type of fixture. That might be for some particular fixture.

Senator REED. No, but you said that that was in the industry as a whole.

Mr. BIDDLE. And I will withdraw that and acknowledge that it was a mistake. It was done in a hurry. We had no time to prepare for this thing hardly. We were called—at least the Ways and Means Committee gave us very little time for preparatoin or study.

Senator REED. Well, what do you now think is the proper proportion for labor?

Mr. BIDDLE. As you can illustrate right here by these prices, there isn't any proportion and there is no tariff that will prohibit the importation of these goods.

Senator REED. Yes, but we can not make a separate tariff for every item in that catalogue.

Mr. BIDDLE. No, sir; we do not ask it. We did not ask anything unfair in our original brief. We did not ask for 100 per cent or 80 per cent. We did not expect a tariff that would prohibit the importation of this product. And 60 per cent will not prevent its importation in large quantities.

Senator REED. How much did you say your sales were last year, Mr. Biddle?

Mr. BIDDLE. Why, my firm was about a little over $300,000 I said. One year is different from another. Sometimes it is more than another.

Senator REED. Yes, but what was it in 1927, do you remember?

Mr. BIDDLE. I think it was 300—I can not remember—about 340,000 probably.

Senator REED. Has it been increasing in recent years?

Mr. BIDDLE. It increased up to 1926, and it has been a little less since. Each year has been a little less. This importation is affecting the market generally.

Senator REED. What percentage of the American production does your company make? One per cent?

Mr. BIDDLE. I haven't any idea.

Senator REED. Half of 1 per cent?

Mr. BIDDLE. I haven't any idea.

Senator REED. Well, if you do not know, how can we ever get an idea?

Mr. BIDDLE. The statistics are deceiving from this point of view. In that group is included street lighting and unit lighting and all that kind of thing which does not come in competition with this product at all. I do not suppose that there is probably $20,000,000 to $25,000,000 worth of business done in this class of house lighting in the United States. Now that is just a guess. I haven't anything to base it on.

Senator REED. In your brief in the House you state that in 1925 in 517 establishments the value of the products produced was $129,698,389.

Mr. BIDDLE. That was from the census statistics. Now that takes in all kinds of lighting equipment.

Senator KING. Well, it comes under this paragraph?

Mr. BIDDLE. I do not know anything about that.

Senator KING. I am speaking of the paragraph you are discussing, paragraph 387.

Mr. BIDDLE. That is taken out of another paragraph.

Senator KING. Yes.

Senator REED. Of course street lights are not imported.

Mr. BIDDLE. It is not fair to compare those. Now there is a large business in the United States in what we call unit lighting. Lighting office buildings. These bowls, you know. A large business in that. That is mass production.

Senator REED. The General Electric Co. makes a lot of that stuff.

Mr. BIDDLE. They make that duplex lighting.

Senator REED. Does the General Electric Co. make any of the articles covered by paragraph 387?

Mr. BIDDLE. I do not think they make it themselves. They have a company that is more or less affiliated with them.

Senator KING. A subsidiary?

Mr. BIDDLE. Yes.

Senator KING. Where is that?

Mr. BIDDLE. Meriden, Conn.

Senator KING. What is its name?

Mr. BIDDLE. The Miller Co. They do make fixtures, too.

Senator REED. What do you now think would be a fair figure to represent the percentage of labor in the value of your product?

Mr. BIDDLE. You can not make a basis of that kind, because these units are made of stampings, some of them, or castings, and so on. Now I will show you a little illustration right here.

Senator REED. Mr. Biddle, you have got to give us some idea of the difference in labor costs.

Mr. BIDDLE. In these goods——

Senator REED. You have got to give us some idea of the difference in labor costs in your products as a whole. May be I can get it. Tell me what your pay roll was last year.

Mr. BIDDLE. I haven't those figures with me, sir. I can tell you right here on some labor statistics that are official. In the United States the average weekly wage for skilled metal workers is $38.73, based on an 8-hour day. Japan is $6.72. More than five times as much.

Senator REED. We are not getting any imports from Japan, are we?

Mr. BIDDLE. Why, yes; I understand that some of these department stores import stuff from there. At least I have understood so.

Senator REED. In metals?

Mr. BIDDLE. Metals. I do not know to what extent. I have been told so. The average weekly wage in the United Kingdom is $14.82. Two and one-third times as much.

Senator REED. Do you not see that that information is perfectly useless to us unless we know what proportion of your product is labor?

Mr. BIDDLE. Well, Senator, let me illustrate right here. You take a fixture like that [indicating]. Well, I will take another one. Here are two brackets right here [indicating in the catalogue]. In this fixture [indicating] there is only $2 difference in the price. That is simply because there is very little labor there. The casting is made and the tubing is made there, and these are just spinnings, and the labor in quantities there would not vary so very much. Now, you take a fixture like this one [indicating]. There is more than twice as much difference there simply in labor.

Senator REED. I see that, Mr. Biddle. But you know we must act on the average. We have got to legislate to the average case.

Mr. BIDDLE. Well, the average would be more than twice.

Senator REED. More than twice what?

Mr. BIDDLE. Twice as much in labor as it would be in this country. The price of labor in Great Britain is more than twice what it is here.

Senator REED. You mean just the other way; twice as much here as it is in Great Britain?

Mr. BIDDLE. Yes; more than two and a third times as much.

Senator REED. Granting that, if labor constitutes 50 per cent in value of your selling price or of the foreign invoice price, then the duty could very well be set at 33 per cent?

Mr. BIDDLE. It could not and live in this country, a majority of them. Sixty per cent is as little as we feel is possible. We could have asked or demanded greater protection and tried to bluff it through and then tried to compromise on 60 per cent, but we did not do that. We asked what we considered was a fair valuation. And we feel that 60 per cent would not exclude importations. We can not expect to exclude them. But we do feel that we need protection. More protection than we have.

Senator KING. Mr. Biddle, I am going to ask you a question or two now.

Senator REED. Yes, I give up. I simply can not get anywhere.

Senator KING. How many men—I want actual figures now—have you got working for you?

Mr. BIDDLE. About a hundred and——

Senator KING. It is not "about." How many?

Mr. BIDDLE. I can not tell you. About 110, I guess.

Senator KING. That includes your entire force?
Mr. BIDDLE. Yes.
Senator KING. A hundred and ten?
Mr. BIDDLE. About that; yes.
Senator KING. Well, is it 100?
Mr. BIDDLE. It is more than 100.
Senator KING. All right. Now are all of those engaged in the manufacture of these articles?
Mr. BIDDLE. Most of them.
Senator KING. Most. Well, how many?
Mr. BIDDLE. Well, we do other work. I told you in the beginning that we do other work.
Senator KING. Other products than these?
Mr. BIDDLE. Yes.
Senator KING. What proportion of your products are these for which you are seeking this increased tariff?
Mr. BIDDLE. The large proportion of our work—a good proportion of our work is iron. We do some of this kind of work.
Senator KING. Then the greater part of your production is iron?
Mr. BIDDLE. Of my particular plant a large percentage—I say "a large percentage", I expect 70——
Senator KING. Well, now, let us get down to brass tacks. It seems to me—and I do not want to be unfair—that we have not been making much progress, and it is my fault, of course, in part. What proportion of your work in your factory relates to the articles here that you are seeking this increased tariff on?
Mr. BIDDLE. I guess last year probably 25 per cent.
Senator KING. Was it 25 per cent?
Mr. BIDDLE. I think it was.
Senator KING. How much the year before?
Mr. BIDDLE. Well, Senator, I can not possibly give those figures because I did not expect to be asked them.
Senator KING. All right; that is all.
Mr. BIDDLE. Now you take——
Senator KING. I have nothing further to ask, Mr. Biddle.
Mr. BIDDLE. You take Caldwell & Co., they make this kind of work—sterling bronze—these are copies of some of their work, and they are brass manufacturers exclusively, almost. Now I represent them as well as my own company. I did not come here for my own company. I came here representing the industry generally.
Senator KING. All right, sir.
Senator BARKLEY. How many companies are in the industry generally?
Mr. BIDDLE. In the manufacturing?
Senator BARKLEY. Yes, sir.
Mr. BIDDLE. Well, the statistics call for 915. But they take in small concerns.
Senator BARKLEY. How many of them do you represent?
Mr. BIDDLE. About 40.
Senator BARKLEY. They are in an association, are they?
Mr. BIDDLE. Some of them are members of the association. Some of them are not.
Senator BARKLEY. Do they all make other things in addition to these products?

Mr. BIDDLE. Some of them do.

Senator BARKLEY. Well, is there any one of them that is engaged exclusively in the manufacture of these articles?

Mr. BIDDLE. I think probably there is. I do not know. I can not answer that question.

Senator BARKLEY. That is all.

Senator KING. That is all, Mr. Biddle.

Mr. BIDDLE. We feel that the industry needs protection of 60 per cent. And I wanted to show you this. Can I not show you this? Here is a piece of work that I bought in Paris recently. I paid in our money $13.50 for two of those candlesticks. I just want you to examine and see the work that is on this. All this chased, rechased work here. Now I have had two people estimate on that and the best that they can work out is absolute labor of $14.30, and there is only 30 cents worth of brass in that. The rest it of is represented by labor and casting. We can not compete with that. We do not ask a tariff that will compete with that. Now that is for one fixture—$14.60 cost for one. I bought two of them for $13.50 in Paris.

Senator BARKLEY. Do you make that?

Mr. BIDDLE. No, sir.

Senator BARKLEY. Does anybody in this country make that?

Mr. BIDDLE. Not this particular design.

Senator BARKLEY. Well, what is the use of trying to form an estimate on something that is not even made in this country?

Mr. BIDDLE. Because the Senator asked me to give a proportion of labor. Now there is 30 cents worth of material, and the rest is all labor. Nearly $30 against $13.50 for a pair. Now we do not ask a tariff that is going to keep that out. There is not a great market for it. But I just want you to see the character of work that is in there, the chasing and all that. Chasing like jewelry—$13.50. I can show you the bill for that, if you like.

Senator REED. You can buy that material here quite as cheaply as the Frenchman can?

Mr. BIDDLE. The metal, yes. There is 30 cents worth of metal in that.

Senator REED. You can buy the material just as cheaply as he can, can you not?

Mr. BIDDLE. Yes.

Senator REED. So that our problem is to protect, if we can, the American workman, and therefore it is important for us to know in the industry as a whole how much the labor constitutes in the selling price of the product. And that is the one thing you have not given us. Do you not see? There has got to be some reason for fixing a particular rate.

Mr. BIDDLE. Can I file a brief by consulting my associates and giving it to you later?

Senator REED. Indeed I think you should.

Mr. BIDDLE. I should be glad to.

Senator REED. Because so far we have not anything on the record at all to justify these rates of duty here excepting statements in the brief which was presented in the House, and which you say is incorrect.

Mr. BIDDLE. I can give you a general average. I can not give you any specific amount as this illustrates here.

Senator REED. Oh, yes, you can. You keep cost sheets in your factory, do you not?

Mr. BIDDLE. Yes.

Senator REED. You know what the total value of your production of this class of fixtures was last year? If you do not know it you can find it out.

Mr. BIDDLE. Yes, sir.

Senator REED. You know how much your pay roll was in that branch of your business?

Mr. BIDDLE. Yes, sir.

Senator REED. Do you not see how vitally necessary it is that we have that kind of information?

Mr. BIDDLE. Senator, I will try to get an average of what it will be. For some of them the labor element is 99 per cent, as it is in this case, and in other cases it would probably be 40 or 50 per cent.

Senator REED. If you will give me your pay roll in that department and your gross sales in that department I will draw my own conclusions.

Mr. BIDDLE. I will give you one in the brass industry, which is the most important.

Senator BARKLEY. Give it for the whole series of articles covered in this paragraph.

Senator REED. No, for the whole production of that class of articles. Then we will try to draw our conclusions.

Mr. BIDDLE. How will it do to give it to you on these articles we have here?

Senator REED. No; not at all.

Mr. BIDDLE. They have been made here in this country.

Senator REED. I know that.

Senator KING. Mr. Biddle, in your brief here you have set out what you contend to be the number of manufacturers and the wages, and so on.

Mr. BIDDLE. They were simply from statistics.

Senator KING. Well, statistics. You went to the best source you cou'd obtain them from.

Mr. BIDDLE. I will tell you——

Senator KING. Let me finish.

Mr. BIDDLE. I beg your pardon.

Senator KING. Do you challenge now the accuracy of the statements which you furnished to the Ways and Means Committee?

Mr. BIDDLE. No, sir; because they were statistics from the Government.

Senator REED. But you challenge the accuracy of your own statistics as to the proportion of labor in this product?

Mr. BIDDLE. Yes, on that. We made a mistake on that.

Senator BARKLEY. How are you able to tell us when you do not know what the proportion is?

Mr. BIDDLE. That kind of a product they could import probably.

Senator KING. On page 2622 of the House record you have set orth with meticulous care the cost and expense in wages and profits and everything else. It seems to me that you can not add very much o that unless you repudiate the figures which you have heretofore ubmitted.

Senator REED. Now, Mr. Biddle, if you will get up a supplemental brief and will send it to Mr. Young, the clerk of the Finance Committee, as early this week as it is possible to do it, he will see that it is printed in the record. And it is very necessary, I assure you.

Mr. BIDDLE. Now, what is it you want?

Senator REED. I have been trying for three-quarters of an hour to tell you, Mr. Bidde.

Mr. BIDDLE. The proportion——

Senator REED. Just listen to me a minute. The theory of a protective tariff is that we endeavor by the rates that we set to equalize the difference in the labor cost here and abroad.

Mr. BIDDLE. Yes, sir.

Senator REED. That is what we want to know. And we do not want to know about model 30023-G or anything like that. But we want to know for the whole range of products covered by this paragraph. And up to date we have not gotten a vestige of information, either in the House or in the Senate, excepting some figures that you tell us now are mistaken. Do you not see where you lead us? I am a protectionist to the core, but I have got to have some information on which to base the protective duty.

Mr. BIDDLE. These goods are selling in this country in competition with us and are cutting us out very materially in our market.

Senator REED. How do I know that that is not due to inefficient factory methods here, or to difference in cost of material, or excessive overhead?

Mr. BIDDLE. Difference in cost of labor.

Senator REED. Well that is what you tell us. Now let us find out.

Mr. BIDDLE. I gave you some figures right there.

Senator REED. You gave us some illustrations; yes.

Senator KING. How do we know that that is not the result of the fact that there has been a falling off in building along the Atlantic coast as well as other parts of the United States the last year?

Senator REED. You gave us illustrations, Mr. Biddle, but we do not know that they are typical.

Mr. BIDDLE. French labor is $9.22 as against $38.73. Three and a quarter times as much.

Senator REED. Yes; but how can we fix the duty until we know what proportion that labor constitutes in the total price of the product?

Mr. BIDDLE. I do not think that anybody could give you a positive statement on that, because these goods are so varied in their construction and the amount of labor on them. The material element, such as copper, and so on.

Senator REED. Yes; we have got to legislate for the average. Now if you will give in your supplemental brief the amount of your sales last year in articles included in this paragraph, and the amount of your pay roll last year of articles included in this paragraph, why that will be very helpful.

Mr. BIDDLE. Personally our company only makes a few of these or orders. We do not job these at all. And I would have to get that from some brass factory.

Senator REED. Well, get somebody else to get it then.

Mr. BIDDLE. I would like to submit this as a part of the brief

(Mr. Biddle submitted the following brief:)

BRIEF OF LIGHTING FIXTURE MANUFACTURERS

Hon. DAVID A. REED, *Chairman.*

GENTLEMEN: We appear on behalf of the committee representing lighting equipment manufacturers of the United States.

Supplementing facts already in your possession and contained in our original brief and in the supplemental brief filed in answer to the importers' statement to the Committee on Ways and Means of the House of Representatives, we call your attention to the following added considerations in connection with our appeal for a higher tariff on lighting fixtures as such. We call your attention to a photograph of a bracket (Exhibit No. 2, No. 3366) made by J. Broermann and Co., Paris, France. The landed price of this bracket in the United States, including duty, was $9.75 each (see invoice, Exhibit No. 1 and No. 1-a) as against the average selling price of five American manufacturers of $25.18, exclusive of wiring, which includes a profit of only 5 per cent in each case.

Similarly, another bracket (Exhibit No. 2, No. 203) from Jules Neuberger, Paris, France, value $15, as against an average selling price of five American manufacturers of $29.92, including a profit of 5 per cent in each case (see invoice Exhibit No. 12 and 12-a).

This great discrepancy in selling prices between the foreign and domestic manufacturer is due to the tremendous difference in wages paid here and abroad for the same class of work as has been shown in our original brief.

A good indication of foreign competition is the photostatic copy of a letter (see Exhibit X) from a German manufacturer clearly stating they are able to produce lighting equipment and sell it in this country at prices with which the American manufacturer can not compete.

As a further indication of the unfair competition the industry is meeting from importations from abroad, we call your attention to a number of illustrations in the 1927 catalogue of Pearson-Page Co. (Ltd.), of Birmingham and London, England, which illustrations are copies of designs that originated, were designed and made in America and are now being made abroad, imported and sold in this country at prices far below the American manufacturers' price, thereby reducing the market of the domestic manufacturer.

Catalogue	Page No.	Description	Net price foreign manufacturer	Net price American manufacturer
			Each	*Each*
Sec. 25	1-11282	2-light bracket	$9.62	$14.33
Do	1-11284	do	12.50	14.66
Do	1-11460	do	22.50	46.66
Do	1-11460	3-light bracket	28.12	56.66
Do	1-11497	2-light bracket	19.75	40.00
Do	2-11281	do	11.25	16.50
Do	3-11353	do	6.50	10.66
Do	3-10738	do	8.25	10.00
Do	5-11814	3-light bracket	18.75	32.00
Do	5-11496	2-light bracket	13.75	20.00
Do	5-11458	do	20.00	40.00
Sec. 27	4-11751	6-light chandelier	43.00	46.66
Do	4-11752	8-light chandelier	124.50	193.33
Do	5-14754	6-light chandelier	47.00	60.00
Do	6-11749	do	95.00	133.33

The net prices given above of the foreign manufacturer are the quotations of the Skinner Hill Co., American representative of Pearson-Page Co. (Ltd.), given on June 26, 1929. Those of the American manufacturers are of the same date. The net prices of foreign product are for goods landed in this country, including handling, freight, duty, etc.

These are just a few illustrations—there are more. Those of the English manufacturer are net prices f. o. b. New York, 2 per cent cash, 10 days, but are subject to a further discount of 10 per cent when the order exceeds $250 net. No American manufacturer can meet such competitive conditions and remain in business.

It is obvious these great differentials in selling prices and the consequent displacement of American merchandise means reduction in employment for American labor. These conditions plus the low wage rate abroad is giving the foreign

manufacturer further advantage to the direct loss of the individual manufacturer in this country and all of his employees.

We submit that competition so one sided as these facts prove the international status to be can operate only to the great detriment of American labor and invested American capital and, consequently, we are forced to the conclusion that unless a duty of at least 60 per cent ad valorem is levied upon all imported fixtures that this critical condition will become worse.

Because of these things and the facts contained in our brief, we urge that the wording of the clause applying to lighting fixtures be retained in exactly the same form as in H. R. 2667, as passed by the House, paragraph 387, with the exception that the percentage of duty be changed from 50 to 60 per cent ad valorem, as originally requested by the United States fixture manufacturers, for even this rate of duty will not in many cases place the American manufacturer on anywhere near an equal basis with his foreign competitor.

Respectfully submitted.

ROBT. BIDDLE,
Legislative Committee, Lighting Fixture Manufacturers.
ROBERT BIDDLE, *Chairman.*

Affirmed and subscribed before me this 9th day of July, 1929.

[SEAL.] CORNEAL J. MACK,
Notary Public.

(The exhibits above referred to are filed with the committee.)

SUPPLEMENTAL BRIEF OF LIGHTING FIXTURE MANUFACTURERS

Hon. DAVID A. REED, *Chairman.*

DEAR SENATOR: In submitting the supplementary brief we wish to call your attention to the fact that the figures on the chart submitted by Mr. Wm. M. Friedlaender to your committee on Wednesday, July 10, were not the figures submitted by us to the Committee on Ways and Means and reported on pages 2619-2622, inclusive, of Vol. III, Schedule 3, of committee hearings.

Mr. Friedlaender in his chart grossly distorted the figures submitted by us. By his manipulation of the figures he has minimized the labor content and magnified the material content.

As I indicated in my oral statement the labor content varied greatly according to the character of the various articles manufactured, but after a study of the figures submitted in our brief and checking them up from our own and other factory records, I find that the percentage of labor runs from 45 to 58.6 per cent of the total cost, including profit of 5 per cent, a fair and conservative average being 50 per cent.

The same is true regarding the meterial content running from 26 to 32.2 per cent of the total cost, including profit of 5 per cent, a fair and conservative average being again 30 per cent.

The average overhead and profit being 20 per cent.

Mr. Friedlaender assumes that the material cost is the same in the United States and in foreign countries. This would be true if the material used was actually raw material, but, as a matter of fact, quite a percentage of the purchased material used by fixture manufacturers, both in this country and in foreign countries, is partially manufactured and therefore has a considerable labor content, which should be taken into consideration, resulting in a lower cost for material abroad than in this country. The actual difference, however, is unknown and therefore we are taking in our estimate, as Mr. Friedlaender has done, the material content at the same figure.

Again in the tabulation submitted by Mr. Friedlaender he has added a rather large percentage on the foreign cost for inland and ocean freights, and other expenses, namely, $7.50. For the purpose of comparison we are ignoring this excessive charge and using Mr. Friedlaender's figure.

Using the cost figures presented in our original brief the correct tabulation of our American cost is as follows:

Labor content, 47 per cent	$47.00
Material content, 29.8 per cent	29.80
Overhead, 18.2 per cent	18.20
Profit 5 per cent	5.00
Total	100.00

Using the same basis for arriving at the cost of the foreign article laid down in the United States with the amount of duty requested by us, namely, 60 per cent and figuring the average foreign labor cost at one-quarter the labor cost in the United States, we arrive at the following results:

Foreign product

Labor content (one-quarter United States cost)	$11.75
Material content (same as United States cost)	29.80
Overhead, 18.2 per cent	7.54
Profit, 5 per cent	2.58
Cases and packing	1.00
	52.67
60 per cent duty	31.60
Freight, landing charges, etc	7.50
	91.77

Based upon the revised figures of American average cost as above noted:

American product

Labor content	$50
Material content	30
Overhead and profit	20
	100

The corresponding cost of foreign article laid down in the United States would be as follows:

Foreign product

Labor content (one-quarter United States cost)	$12.50
Material content (same as United States cost)	30.00
Overhead, 18.2 per cent (same as United States cost)	7.73
Profit, 5 per cent	2.01
Cases and packing	1.00
	53.24
60 per cent duty (as requested)	31.94
Freight and landing charges, etc	7.50
	92.68

Even with the liberal allowances made for the foreign material content and the excessive freight charges, the foreign merchandise (after paying 60 per cent duty) can be landed in this country to sell below the manufacturing cost of similar goods in the United States.

In making these tabulations we have not taken into consideration the selling expenses of the American product, and therefore, no consideration should be made of the selling expenses and other overhead charges incident to the sale of the foreign merchandise after it arrives in the United States.

We believe that after a careful consideration of the above facts and figures your committee will not feel that our request was in any way excessive, but absolutely necessary for the preservation of our business.

Respectfully submitted:

ROBERT BIDDLE,
Chairman Legislative Committee
Lighting Fixture Manufacturers.

Affirmed to and subscribed before me this 12th day of July, 1929.

[SEAL.] CHARLES C. ENBURG,
Notary Public.

My commission expires March 7, 1933.

STATEMENT OF GEORGE J. KLEIN, CLEVELAND, OHIO, REPRESENTING THE LIGHTING EQUIPMENT INDUSTRY

(The witness was duly sworn by the chairman of the subcommittee.)

Senator REED (chairman of the subcommittee). Mr. Klein, you have been here and have been able to size up our difficulties in regard to the tariff. Can you train yourself to that very vital subject, please?

Mr. KLEIN. I will be very glad to do it.

Senator REED. You may proceed.

Mr. KLEIN. I should like to make a preliminary statement, and I will be very brief: I have been wired from New York to come down and replace Mr. Fred Farmer, who could not be here this week. I should like to make a few statements with reference to conditions in our industry.

Senator KING. Whom do you represent?

Mr. KLEIN. I represent a group of lighting equipment or fixture manufacturers, who are being affected by the importation of such fixtures as Mr. Biddle demonstrated in the catalogue of Pearson-Page Co. (Ltd.), of Birmingham and London, England.

Senator REED. Are you yourself engaged in this business?

Mr. KLEIN. I am engaged in a branch of the lighting business, but I am not directly affected by the most of the importations.

Senator REED. What is your business?

Mr. KLEIN. I make lighting specialties, lanterns particularly. We are not affected by these brass fixtures such as Mr. Biddle showed you in this catalogue.

Senator REED. Do you mean electric lanterns?

Mr. KLEIN. Yes; electric lanterns, such as are used in churches and on the exterior of buildings.

Senator REED. All right. You may go ahead.

Mr. KLEIN. The statements that I am now about to make are in connection with the English merchandise that has been coming in for the past year or two. There is quite a bit of this merchandise being sold in this country, and at prices that make it impossible for American factories to compete. The amount is not small, as was stated by Mr. Friedlaender, and that fact is demonstrated by the situation that no firm could afford to come over the Atlantic Ocean to New York and open an office for only a small amount of business. They are doing quite a volume of business, and it is affecting our American manufacturers.

I want to say to the members of this committee that German manufacturers are of opinion, and we have a photostatic copy of a letter in the brief that Mr. Biddle is to present, which will make quite clear that there is a very considerable market over here for their merchandise. They think that they have an opportunity to make this type of brass lighting fixtures and to sell them in America.

Furthermore, Holland is now shipping in electric lighting fixtures of the same character as shown in the catalogue of Pearson-Page Co. (Ltd.), and at prices that the salesmen of that company tell me make Pearson-Page Co. (Ltd.), look like highway robbers. They are fixtures of the same general character, but if I might pose as an expert I would say that they are possibly not of as good quality.

So it strikes me that inasmuch as the English are already importing these electric lighting fixtures, and Holland is importing them, and

at a lesser price as I have said, and Germany is trying to get a foothold in this market, unless we have ample protection we are going to be met with a fight on prices by European manufacturers, not only among themselves but particularly on American manufacturers.

I should like to say a work about glass fixtures being brought in. They started originally with almost the highest type, I mean that type that is of the finer design, of the finer type of workmanship. As long as that very high type was being brought in, I mean the crystal chandeliers and the fine French pieces, the types that America did not make anyway, there was no competition. Then there was the type that the Skinner Hill Co. are putting in this country, that competes with quite a number of our manufacturers. Then when the manufacturers of Holland began competing with the English manufacturers, and really unloading their fixtures in America, that made conditions worse. And to cap it off, now the Germans find there is a good market here for foreign-made electric lighting fixtures and are preparing to come into the market as strong as possible. We think with these three countries competing in this country for what little business there is here——

Senator KING (interposing). In what class of fixtures?

Mr. KLEIN. I am speaking of the class of electric lighting fixtures shown in this catalogue of Pearson-Page Co. (Ltd.), of Birmingham and London, England.

Senator REED. Do you say "what little fixtures business there is in this country"? Why, as I understand it, America is the biggest electric lighting fixtures market in the world.

Mr. KLEIN. Yes, sir; but I was speaking from a comparative standpoint. Comparatively speaking the electric lighting fixtures business is a small industry. I am speaking of residential lighting fixtures. You must remember that when a house is built and we sell fixtures for that house, only once as a rule, it lasts a lifetime. So it is one of the smallest of our industries; in comparison with almost any other industry I know of, it is a small industry.

Unfortunately statistics are not accurate on the exact amount of lighting fixtures sold in this country. Any attempt to make a survey of the hundred-odd so-called lighting fixtures manufacturers would probably result in our finding that a number of concerns probably do 80 per cent of their business in other than residence lighting fixtures. Concerns like Caldwell & Co. do probably a larger percentage of their business in fine glass fixtures. The Beardsley Chandelier Co., of Chicago, do a considerable amount of business in commercial lighting, and then I might say that——

Senator REED (interposing). Are Caldwell and Sterling affected by imports?

Mr. KLEIN. I think Sterling is in receiver's hands.

Senator REED. How about Caldwell & Co.?

Mr. KLEIN. I am under the impression that Caldwell has made money. He has been able to make money probably through the air-light connections he has had, or at least that is the rumor. I do not know anything about that, however.

Senator REED. They make the highest class of lighting fixtures, do they not?

Mr. KLEIN. Yes, sir; a very high class, and they work along with architects who do the finer jobs and in connection with the larger buildings.

Senator KING. Does not the General Electric Co., through some of its subsidiaries or allied companies, do considerable electric lighting fixtures business, or are they not getting into it?

Mr. KLEIN. Do you mean the General Electric Co., Senator King?

Senator KING. Yes.

Mr. KLEIN. We believe they might have some affiliation in that way. Probably 85 per cent of the output of Merton is in commercial units—duplex. Incidentally, I might say, that a large percentage of their exports go to American-owned foreign corporations with which they have affiliations.

Senator KING. Aren't they extending their activities into various illuminating fields, in the manufacture of a greater variety of lamps?

Mr. KLEIN. Not in residential lighting. As a matter of fact, I should say that they have been decreasing their activities in residential lighting in recent years.

Senator KING. And who has been taking their place?

Mr. KLEIN. A group of small factories about the country that have always done a lighting fixture business.

Senator KING. Is it not a fact that the domestic production of lighting fixtures in the United States has increased tremendously in the last few years?

Mr. KLEIN. There are no definite statistics along that line. I should say that in the past four years it has decreased 20 per cent. There was a short period when there seemed to be an increase, during the building boom just following the World War; there was a period of two or three years when there was apparently an increase.

Senator REED. The lighting fixtures business keeps pace with building construction, I take it?

Mr. KLEIN. Very much so.

Senator REED. Very well. Now, let us get to the things that are troubling us. Is this placard that was left here by Mr. Friedlaender a fair illustration of the competitive situation?

Mr. KLEIN. Without making a study of the matter I could not say. But I do not see where they get their 18 per cent overhead. There is no plant in the country that could work on an overhead of 18 per cent. The best authorities on cost of production will tell you that overhead runs an average of 100 to 125 per cent of your direct labor cost. I am quoting Cooley & Marvin who are authorities on costs in the lighting business.

Senator KING. What do you mean by overhead, that should make the cost so great as you have just mentioned?

Mr. KLEIN. Nonproductive labor, factory expense, and so on. I should like to explain to you gentlemen of the committee why overhead in America is so great. I should say that——

Senator REED (interposing). Let me interrupt you right there: You say you wonder where he gets his figures on overhead. Mr. Biddle, in his brief before the Ways and Means Committee, says that American labor represents 47 per cent of the value of the product, and materials 30 per cent, which would leave 23 per cent for all overhead and profit. I think there is where it comes from, from Mr. Biddle's brief. I notice that overhead and profit are figured at 23 per cent.

Senator KING. These figures are taken from American manufacturers that you represent, are they not?

Mr. KLEIN. Now, what was your question, please, Senator Reed?

Senator REED. I want to find out how much of the selling value of these articles represents labor. We know the relative rates of labor here and in various foreign countries. It seems to be about the same difference in this industry as in others. There is no trouble about that, but we must know what percentage of the selling value of an article represents labor before we can intelligently frame a tariff. Do you understand.

Mr. KLEIN. I understand.

Senator REED. And nobody is giving it to us. Can you do it?

Mr. KLEIN. Will you kindly state your question again?

Senator REED. In the production of illuminating fixtures, such as are covered by paragraph 387 of the bill H. R. 2667, taking the group of articles as a whole, not a particular article but the whole group, what percentage of the factory selling price is constituted by labor?

Mr. KLEIN. I would say that the average labor item would probably run around about 40 or 42 per cent; that is, taking the cheaper with the better fixtures.

Senator REED. That is what the paragraph does.

Mr. KLEIN. I should like to make this statement: That it is possible to take 2 pounds of brass, and put onto those 2 pounds of brass only 50 cents worth of labor, or $40 or $50 worth of labor.

Senator REED. You do not need to tell us that. We certainly understand about that. But what we want to know——

Senator KING (interposing). You can take $2 worth of paint and put it on a $100,000 canvas.

Mr. KLEIN. Yes.

Senator REED. Take a typical product selling at $100, and that means $42 worth of labor here and $10.50 worth of labor abroad. That would change this illustration by making the foreign selling price about $71, would it not?

Mr. KLEIN. I do not know what labor is on this.

Senator REED. I am assuming it is 25 per cent of the American labor cost. Of course, in England it is very much more than 25 per cent, but I am taking that as an extreme case.

Mr. KLEIN. Well, I do not know about that.

Senator KING. The reports coming to us from the Tariff Commission show that in Germany the productivity of labor is nothing as compared to America's labor. In other words, assuming the productivity of American labor at 100, in Germany the productivity of their labor would be only 39. In other words, the American worker will give a result of 100, as compared with 32 to 39 by the German worker, in these finer classes of work.

Mr. KLEIN. I do not know.

Senator REED. Well, assuming that they do the same amount of work, that would still leave a differential of $31.50 on your $100 article. Then $7.50 is taken care of by ocean freight and transportation charges, which are just as effectual as a tariff rate. That leaves a differential of $24 that we have to take care of by a tariff on a $71 article. That is about 35 per cent on the foreign selling price of the article, is it not?

Mr. KLEIN. I think shere is the matter of overhead, a large proportion of which is comprised within the conditions under which we operate in America, while in the case of many foreign manufacturers they do not have that same situation.

Senator KING. Mr. Witness, we are told that in our factories, because of their efficiency, the superior class of machinery, and so on, especially when you consider mass production, means that we operate more economically and more effectively and more cheaply so far as overhead is concerned than any foreign countries. What about that?

Mr. KLEIN. I will grant you that in the matter of mass production that is true. But in the matter of the type of lighting fixtures affected in this discussion there is not mass production, but there is necessarily a large amount of hand labor involved.

Senator REED. We realize that, and there is a large overhead for designing and all that sort of thing. But you can see what we need here. We need the facts of the situation. Do you understand?

Mr. KLEIN. Yes.

Senator REED. All right, go ahead.

Mr. KLEIN. I should like to make a statement in reference to wrought iron work that is coming in from Spain and Italy, which is beginning to appear now in America.

Senator REED. That is mostly hand work?

Mr. KLEIN. Yes. They are mostly wrought iron lanterns and brackets. Such pieces are coming in here now, and at prices that are below what we can make them for in America, considering the labor involved alone.

Senator REED. All right. Go ahead.

Mr. KLEIN. There was some mention made of merchandise coming in from the West. There are coming into this country lanterns and lamps from China and Japan, and while there are no factories in America at this time that can make them, yet they are replacing metal products that would ordinarily go into those same outlets if such pieces were not coming in from China and Japan. I am not raising that question specifically at this time for a higher tariff in order to protect us against such fixtures, but I will say that if you will visit any Chinese restaurant you will quickly learn that there is a tremendous quantity of such lanterns coming in from the west coast.

I believe that is about all I have to say.

Senator REED. All right, Mr. Klein, we thank you very much.

TYPE

[Par. 389]

STATEMENT OF MELBERT B. CARY, JR., REPRESENTING THE CONTINENTAL TYPEFOUNDERS' ASSOCIATION (INC.), NEW YORK CITY.

(The witness was duly sworn by the chairman of the subcommittee.)

Senator KING. What paragraph do you desire to address your remarks to?

Mr. CARY. Paragraph 389.

Senator REED. Did you testify before the House committee?

Mr. CARY. Our company filed a brief, but I did not appear before them personally.

Senator REED. What do you ask—a reduction or an advance?

Mr. CARY. A reduction.

Senator REED. What industry and what company do you represent?

Mr. CARY. I represent the Continental Typefounders' Association (Inc.), of New York, who are importers of the type used by printers.

The present duty on type is 20 per cent ad valorem. The previous duty under the former tariff was 15 per cent ad valorem. We are requesting a return to the 15 per cent duty. The new duty suggested by the House is 30 per cent ad valorem, which is a 50 per cent increase. This we believe unwarranted.

Our reasons for this are the following:

The industry is not an infant industry. In 1892, 23 important American foundries were consolidated in one gigantic company, the American Typefounders' Corporation. Since that time they have included in their organization almost every other competing type foundry, until to-day the industry consists of this single gigantic $33,000,000 corporation, practically without competition.

Senator KING. Does it still bear that name—The American Typefounders' Corporation?

Mr. CARY. The American Typefounders' Corporation.

Senator KING. Where is its situs?

Mr. CARY. Jersey City, N. J.

Senator REED. Where are their plants?

Mr. CARY. They have one plant in Jersey City, and another in Chicago. They are reported to be the largest type foundry in the world. They admit in their brief that their type sales increased in value during the last seven years by $500,000. No one knows the total value of their type sales, but they admit an increase of that amount in the last seven years.

Senator REED. That is about 25 per cent of their production in 1921.

Senator EDGE. As a matter of fact, in that connection, according to the Tariff Summary, in 1914 the value was $2,319,781, and in 1927 $2,683,704—an increase in 13 years in value of only about $300,000. Is not that correct?

Mr. CARY. That would be true if those figures——

Senator EDGE. Is not that true?

Mr. CARY. No, sir; because they manufacture a great many other things besides type, and those gross figures represent their total sales. The amount of sales of type alone is not indicated, to the best of my knowledge. The largest in value of type ever imported into this country was two years ago, when $72,000 worth of type was brought in.

Senator KING. $72,000 worth?

Mr. CARY. Only $72,000 worth, compared with an increase in sales admitted by the trust of $500,000 over a period of seven years.

Senator KING. I see they exported new type from the United States amounting to 768,817 pounds in 1928, valued at $443,317.

Mr. CARY. Yes, sir. That corporation exported over six times the amount of type imported, and yet they have asked an increase in duty to afford them additional protection.

Senator EDGE. In that connection I call attention to the fact that the imports of new type in 1927 and 1928 were more than 200 per cent greater than those of the preceding years.

Mr. CARY. It is our belief, gentlemen, that that increased protection is not warranted by the facts. The type which is brought over by us amounted only to $72,000 in the largest year, which is a negligible amount.

Senator REED. Whence do you bring your type—from England or Germany?

Mr. CARY. Both England and Germany, and also France, Holland, Spain, and a little from Italy.

Senator REED. Does that include matrices suitable for use in linotype machines?

Mr. CARY. No, sir; it does not.

Senator REED. This is type, metal type used for direct printing?

Mr. CARY. Yes, sir. It is commonly called standard foundry type. The use of that type is limited largely to those who do not use monotype and linotype machines.

It is our feeling, sir, that we should be permitted to continue to import this comparatively small amount of European type, which appeals in this country on account of its design value. It is not ordinary, commonplace type; but it has artistic merit, and it is sold on the basis of its artistic merit, the principal demand coming from national advertisers who desire to impart to their advertising an atmosphere or a feeling that can not be secured with type of commonplace design.

Senator EDGE. Is there not any of the so-called artistic type produced by type founders in this country?

Mr. CARY. Yes, sir; we produce just as good type in this country as any that is produced abroad.

Senator EDGE. I rather gathered from your testimony that they had to buy the imported type in order to get the artistic value.

Mr. CARY. It is comparable to the Paris hats, let us say, which are imported for the select few who want something that is a little different.

Senator REED. Let me ask you about that. Where do people like Bruce Rogers get their type?

Mr. CARY. They use type which is made in this country, and also type which is imported from abroad.

Senator REED. Type can be cut here just as well as it can abroad; can it not?

Mr. CARY. Yes, sir.

Senator REED. With the same accuracy and skill?

Mr. CARY. Yes, sir.

Senator EDGE. Do you claim that this duty represents more than the difference in the cost of production in our country and abroad, considering labor costs, and so forth?

Mr. CARY. I do not know, Senator, what the costs of production are here.

Senator EDGE. It seems to me that is the entire problem. There is no reason why we should not produce 100 per cent of the type used, if we can, by having the duty protective, but not overprotective.

Senator KING. Why?

Senator EDGE. On the basis of the protective policy.

Senator KING. The protective policy does not mean prohibition; does it?

Senator EDGE. It does in some cases.

Senator KING. Then I think we had better modify it.

Senator EDGE. Not where a better product can be secured abroad, or one that is more desirable.

Senator EDGE. The only competition, then, is the small amount that you bring in?

Mr. CARY. Yes, sir; it is.

Senator KING. I wish you would send to Senator Reed a statement of the assets and liabilities of this large company, the American Typefounders' Corporation, whether it has made stock dividends, and the amount of dividends each year. Get it from Moody and any statistical sources that you can, and send it as soon as you can.

Mr. CARY. We will file their annual balance sheet, if you please, sir.

Senator EDGE. Likewise, will you file an accurate, sworn statement of the cost of production of your products delivered in New York? We can not get that in any other way; but perhaps you will give it to us.

Mr. CARY. We can show you what we have to pay for the type, sir. Of course we have not access to the books of the companies abroad.

Senator EDGE. You are only familiar with the matter from the importer's standpoint?

Mr. CARY. We are not manufacturers. We are importers only. May I add, however, that our type which we import from abroad has to be sold at a higher price than the level for American-manufactured type in order to yield us a profit. There is no question, therefore, of the possibility of dumping in this country. It must be sold for a higher price than the American price level.

Senator KING. And is that the case?

Mr. CARY. It is the case, sir; and it is proved by the brief which we have already filed before the House committee.

Senator REED. How does it happen, then, that the price of type has increased so much? There were large imports early in 1922 at an average of 28 cents a pound. There were large imports last year, and the average price was 46 cents a pound. What is the reason for the increase in price?

Mr. CARY. Possibly increased cost of production abroad, sir.

Senator REED. Lead and antimony have not gone up any; have they?

Mr. CARY. I do not know, sir; but I do know that costs of labor have gone up.

Senator EDGE. You say your product costs even more than the American product?

Mr. CARY. Our selling price is higher than the selling price of the American product, sir.

Senator EDGE. That is what I wanted to find out.

Mr. CARY. I might add, sir, that this affects the entire advertising community in the country, who are the principal users of this type, as well as the printers. We could bring before you, but we do not wish to take the time, witnesses from the big advertising agencies and from the printers who would testify in the matter; but such

testimony is not of great value, because every corporation has customers who are indebted to it through financial assistance or some other reason, and naturally the ones who would testify favorably would be produced. For that reason we have not brought witnesses; but may I ask, if testimony is given on this paragraph by others, that we be permitted again to be heard in the matter?

Senator KING. Were there any witnesses before the Committee on Ways and Means in favor of this increase?

Mr. CARY. So I have heard.

Senator KING. Have you not seen the hearings?

Mr. CARY. I have seen the hearings, but they are not reported there.

Senator KING. Where were they heard?

Mr. CARY. I believe they were heard privately.

Senator KING. They were heard in camera, were they?

Mr. CARY. So I am told.

Senator KING. Who were they? Who were the witnesses?

Senator REED. Here is a brief of the American Typefounders' Co. appearing in the record. There is nobody scheduled in our list of witnesses.

Mr. CARY. At the last hearing there was no scheduled appearance of the American Typefounders' Co.; but they waited until the last minute, and were then heard, after the scheduled hearing on this paragraph.

Senator KING. You mean by brief rather than by oral testimony?

Mr. CARY. I do not know, sir. It was printed in the proceedings. I do not know whether it was oral or written.

Senator EDGE. We permit that. You say you have already filed one brief before the House?

Mr. CARY. Before the House; yes, sir.

Senator REED. All right. If you want to file a supplemental brief after anyone else has appeared or filed a brief, we will permit that, Captain.

Mr. CARY. Thank you.

Senator REED. But we can not hear you again orally.

Mr. CARY. I wish to apologize for taking your time at this time. It was under a misconception.

Senator REED. All right, sir; I think we have your point.

(Mr. Cary submitted the following brief:)

BRIEF OF THE CONTINENTAL TYPE FOUNDERS ASSOCIATION (INC.), NEW YORK CITY

SENATE FINANCE COMMITTEE,
Washington, D. C.

GENTLEMEN: We are importers of the new manufactured metal type used by printers. This we purchase from foundries in England, France, Germany, Holland, and Spain, reselling it to American printers. The present tariff is 20 per cent ad valorem. Under the preceding tariff the duty was 15 per cent ad valorem. We respectfully urge a return to the previous rate of 15 per cent ad valorem.

This type is in demand by reason of its design. Mechanically it is of equal quality to the domestic product. Artistically, however, its value is important. It imparts to the printed matter on which it is used an appearance that is desired by advertisers and by purchasers of quality printing. Because of its

design it is, therefore, in demand by American advertisers and those printers doing the better grade of work.

The type-founding industry was started in this country by Benjamin Franklin, so that it has been established for over 100 years. It is not, therefore, an infant industry. Furthermore, the revenue from this extra 5 per cent duty is unimportant, since the largest total duty collected on this item in any one year in the last 10 years was less than $15,000; to be exact, $14,524. (Department of Commerce.)

An attempt to secure a prohibitory duty on printers' type now threatens to deprive the 33,000 printing plants of this country of all imported type and to destroy the last vestige of competition with a monoply which dominates and controls approximately 90 per cent of the type-founding industry.

BRIEF SUMMARY OF FACTS

1. The American Type Founders Co. and its subsidiaries enjoy a practical monopoly.

2. Their last annual report shows net sales of $11,822,263.20.

3. The value of all the type imported during the last seven years is only $266,421, an average of $38,060 per year, a negligible quantity in comparison.

4. To exclude this last remaining competition the trust has asked for an increase in duty from 20 per cent ad valorem (present rate) to 30 cents per pound. Using their figures, this is a 500 per cent increase. It would crush all competition from this source.

5. Actual type imports (Department of Commerce statistics) have been as follows:

Calendar year	Rate of duty	Quantity (pounds)	Value	Duty collected
1919	15 per cent	17,657	$5,749	$862
1920	do	35,016	10,694	1,604
1921	do	42,420	20,970	3,146
1922	15 and 20 per cent	111,144	33,726	5,325
1923	20 per cent	22,677	18,925	3,785
1924	do	30,730	22,517	4,503
1925	do	39,453	26,887	5,377
1926	do	49,183	32,795	6,559
1927	do	155,649	72,619	14,524
1928	do	149,959	69,039	13,808

6. Imports decreased last year. Even the biggest year ($72,619 in value) is trifling compared to the increase of $500,000 which the American Type Founders Co. admit their type business enjoyed in the last seven years.

7. Imported type sells at higher prices than American and therefore does not compete on a price basis.

8. The American Type Founders Co. has not hesitated even to produce types so similar to successful imported designs that they would satisfy the demand created by the originals and would easily be confused with them.

9. While trying to stop type imports entirely, the American Type Founders Co. itself exports over six times as much as all imports, as follows:

Exports of new type from the United States Department of Commerce statistics

Calendar year	Quantity (pounds)	Value	Calendar year	Quantity (pounds)	Value
1919	626,634	$320,715	1924	553,371	$324,344
1920	646,639	341,697	1925	727,418	344,048
1921	514,024	350,905	1926	620,296	376,754
1922	508,895	324,173	1927	636,909	381,422
1923	624,209	342,120	1928	768,817	443,317

10. It is evident that a corporation which already dominates an industry is trying to stifle the last vestige of competition by a prohibitory duty.

11. This trust has consistently in the past absorbed or crushed all competition and the present request for increased duty will further this policy. The following is quoted from a financial agency report:

"American Type Founders Co., incorporated February 9, 1892, in New Jersey, acquired 23 of the leading type foundries of the United States * * *. It owns a majority of common stock of National Paper & Type Co. and Export Sales Co., transacting business in Cuba, Mexico, West Indies, Central America, and South America, and all of the common of Barnhart Bros. & Spindler * * *. No great competition in the manufacture of foundry-cast type exists."

Dow, Jones & Co. (Wall Street Journal), Thursday, May 2, 1929, American Type Founders Co.:

"The exceptional record has resulted from the stable character of the business, the company being the largest manufacturer of type in the world * * * Barnhart Bros. & Spindler, the second largest type-founding plant, is 100 per cent controlled and is being merged gradually." (Merger since completed.)

12. The American Type Founders Co. dominates the industry. The American Type Founders Co.'s report to the committee on stock list of the New York Stock Exchange of October 30, 1925, states:

Total sales of type for the year ending August 31, 1925, as	$2,899,821
It also shows sales for the same period, of type for Barnhart Bros. & Spindler (common stock owned 100 per cent by the American Type Founders Co.) as	686,528
Combined sales of type of companies controlled by the American Type Founders Co	3,586,349
Whereas the Department of Commerce's report of the total production of type in the United States for the census year 1925 is	2,450,503

The excess of sales of the American Type Founders Co. over the total production for the United States (Department of Commerce figures) may be caused by the variance between the retail sales prices and factory prices and the fact that the two 12-month periods do not coincide. It is amply demonstrated, however, that the American Type Founders Co. enjoy a virtual monopoly of the entire business of the manufacture of foundry-cast type in the United States.

CONCLUSION

A $33,000,000 corporation has requested a tariff increase which, if granted, will crush any shadow of foreign competition in the entire field of printers' type. This corporation now has a practical monopoly of the business in the United States and the suggested higher tariff is needed neither for revenue nor protection, but solely to protect its monopolistic position. The following additional information is submitted in explanaton of several misleading statements made in their brief before the Finance Committee of the House.

PRESENT SITUATION

One corporation dominates the manufacture of printers' type in the United States. This is the American Type Founders Co., whose last balance sheet shows assets of $33,735,551.82.

Only two or three very small and unimportant independent foundries exist in competition with this tremendous corporation. One is the Damon Type Founders Co., of Philadelphia, employing less than 100 men, while another is the Village Letter Foundry, employing 3 or 4 men.

It is apparent from the above that the American Type Founders Co. exercises a practical control of the production and sale of hand-set type in the United States. This is the result of a consistent and carefully carried out policy of absorbing all independent competition. This policy has been carried out for years. Even in their last annual report the absorption of two additional independents is recorded,—the Printers Supply Co., of Minneapolis, and Prince & Hensley, of Los Angeles.

With this background we respectfully draw your attention to the following additional facts which should be considered in giving weight to their brief as submitted to the Finance Committee of the House.

1. Reference is made to the "American manufacturers of movable types for printing." In view of the facts given above it is apparent that no considerable group is here in question. This general term refers, in effect, only to this particular corporation requesting the increased duty.

RATE OF DUTY

2. The duty on printers' type under the previous tariff was 15 per cent ad valorem. The present duty is 20 per cent. The duty requested by the American Type Founders Co. is 30 cents per pound. If foreign type is landed at 30 cents per pound, as claimed in their brief, the new duty they request is an increase of 500 per cent from 6 cents to 30 cents. This is prohibitory and is so intended.

3. It is argued that the manufacture of type in the United States should have increased during this decade to keep pace with the general development of American industry, the inference being that such an increase has not taken place and that such a lack of increase is due to imported types. This is not the case, for during this period mechanical typesetting machines have come into widespread use. The monotype and linotype machines displace handset type and have worked a revolution in the industry. Every book and newspaper of importance is machine set. Despite this, however, the volume of type sales in the United States has increased. The American Type Founders Co. in their own brief admit an increase in sales of type alone in the last seven years of $500,000. In the same period the total imports of type came to only $266,421, about half their increase.

AMERICAN PRODUCTION GREATLY EXCEEDS IMPORTATIONS

4. It is categorically stated, "Competition from low-wage countries abroad is responsible for its (the American manufacture of type) lack of expansion. As shown by the Department of Commerce statistics during the past seven years, the period of our country's greatest economics expansion, our production has increased but one-half million dollars in value. During that time imports of movable type have increased fifteen fold." During the past seven years, according to figures supplied by the Department of Commerce, 1921-1927, the total value of type imported into the United States was $266,421, or an average of $38,060 per year. If the American production has increased $500,000 while the importations have amounted to only $38,060 per year, certainly there is little cause for concern. It should be further borne in mind that these import figures include a large percentage of Asiatic types for the Japanese and Chinese language, which are imported from the Orient for use in Asiatic newspapers on the Pacific coast.

IMPORTED TYPES ARE EXPENSIVE

5. It is further stated, "The average landed-value of foreign types includes duty and freight, laid down at New York City for the year 1927 was far less than American cost of manufacture. * * * Foreign makers are landing types here at less than our cost of production, and are underselling us in our own market." A vital fact which has been omitted from this broad statement and which throws considerable doubt upon its validity is that the foreign types which have been imported are being sold at higher prices than the American level. Attached hereto (Exhibit A) is a statement giving the selling price of the imported foreign types now being sold in this country. The average of these prices is distinctly higher than the American price level which is stated by the American Type Founders Co. to be approximately $1 a pound for all sizes. There can be no price competition whatsoever when imported types are sold for more than American types. This argument can not be raised as a basis for requesting further tariff protection.

6. The further statement has been made, "The foreign manufacturers maintain direct importing branches or selling agencies in the United States." At once the impression is conveyed that there are numerous European branch offices in the important cities of this country. As a matter of fact, there is just one office representing one foundry. The principal importer of European

type is an American firm, the officers of which are all Americans, one of them being no less than Frederic W. Goudy, America's leading type designer. This company employs American capital exclusively. This is the Continental Typefounders Association (Inc.), which is submitting this brief.

7. It is later stated that "They (foreign manufacturers' American branches) can undersell us for two reasons: (1) Their lower costs of manufacture, (2) their pirating of our designs."

It has already been stated and proved that the selling price of imported type in this country is higher than the American selling price for American type, taking the figure given in the American Type Founders Co.'s own brief.

As regards the second point, the following information should be considered. The only type of American design which has ever been copied in Europe and then reimported into the United States is the Cheltenham series, issued by the American Type Founders Co. in 1902. This type has been copied all over the world, and through error a quantity of it was imported from Italy in 1927. All copyright protection of the design had expired through the lapse of years and its use was open freely to all. No rights were violated. Nevertheless, the type should never have been imported, since the design is a commonplace in America and the type proved unsaleable. In fact, the company which purchased this Italian type made only the one importation in 1927 and none since then. Finding it impossible to sell this type even at the regular American standard price, they have given up the business. This is the Hood-Falco Co., of New York. It is apparent from these facts that competition from this source is not to be anticipated.

PIRATING OF DESIGNS

On the other hand, the American Type Founders Co. within the last two years has issued three type faces which bear such startling similarity to European designs that the charge of direct plagarism has frequently been made. The most notorious case is that of the foreign type known as Bernhard Script. This is a very distinctive letter unlike any other modern type face. It was designed abroad by a foreign designer and first imported into this country about 1926. In 1928 the American Type Founders Co. brought out a type design to which they have the name of Liberty, while their subsidiary company, Barnhart Bros. & Spindler, produced another under the name of Pompeian Script. Both these types are so close to the Bernhard Script that they might be tracings.

The American reproductions and the foreign design are practically identical. In this way the American Type Founders Co. secured much business which rightfully belonged to the original Bernhard type. Moreover, this is not an isolated instance, as the design of two other imported types has been closely paralleled by American type issued since the foreign types have won popularity in this country.

Under the above circumstances it is apparent that the charge of pirating American designs is one which can not be made by the American Type Founders Co. with justice, but is a charge which might well be made by the European foundries against them.

8. Figures are given concerning the German wage scale, these figures being taken from a report dated in August, 1927. It is not contended that German wage costs equal American wage costs, but it is grossly misleading to use figures which are almost two years old, since important increases in labor costs abroad have taken place since that time. Furthermore, it is misleading to use Germany only as an example. Type is imported from the other countries of Europe as well as Germany and also from England. In England the wage scale is notoriously high, so that the landed cost of type imported from Great Britain far exceeds the cost of manufacture in this country.

9. It is further argued that Germany pays less for her lead, the principal constituent of printers' type, the reason given being that the smelting and refining operations are performed in Germany. This would lead the casual reader to believe that America was at some disadvantage in this respect, whereas it is a matter of common knowledge that one of the principal lead deposits of the world is located in Missouri and the ore is smelted in this country.

10. Considerable emphasis is given to importations of type from Italy. These amounted in 1927, according to statistics of the Department of Commerce,

to about 11 tons. This quantity is insignificant. Moreover, in their brief submitted to the Ways and Means Committee of the House, they admit that the value of their type production during the last seven years has increased $500,000. At their own figures of $1 per pound a business which can increase 500,000 pounds should have little to fear from an importat on of 26,522 pounds, or about 5 per cent of the increase.

It should further be born in mind with regard to this particular Italian importation that practically no Italian type was imported either before or since. This entire Italian shipment was to one concern, the firm already mentioned, and most of it is still on their shelves in New York unsold and practically unsalable. This is proved by their letter attached (Exhibit B) which states that—

"The first importation of type that we made from Italy was far above 30½ cents a pound. In 1928 we imported very little type from Italy, practically none, as the original shipment was not sold on account of keen competition from the American Type Founders Co.

"So far this importation of type has been an absolute loss to us and we are not contemplating importing any more type. * * *"

The serious threat to the American type-founding industry (which is the American Type Founders Co.) predicated upon this particular Italian importation is therefore not of importance.

11. A sad picture is drawn of the domination of the American type founding field by "European cartels." The imminence of this danger would not seem to be great if one regards the actual conditions existing to-day. The net sales of the American Type Founders Co. and subsidiaries for the year ending August 31, 1928, amounted to $20,057,743.37, while the importations of type for the same period amounted to approximately $70,000. (Department of Commerce figures.)

In this connection it should be born in mind that the bulk of type sales in America is made to small and medium sized printers who purchase type without particular regard to its artistic merit. It is impossible for European foundries to compete in this field which comprises approximately 90 per cent of the business. A glance at the type faces which have been imported for sale in the United States illustrates clearly the fact that these are sold purely on a style basis. Their market is limited to those who do advertising, printing, and quality work. This is a very restricted market. If it were not for this styles appeal it would be imposible for these imported types to sell for prices higher than the general American price level. So long as this condition exists it is absurd to claim that the American type founding industry is threatened.

This increase would operate to restrict the artistic development of printing in this country, for while we have many in this country who are competent designers, we do profit by the cleverness of Europeans in many matters that require artistic design.

The imported type is used largely by people who exert a considerable influence in the development of typographic design in this country and the effect of increasing the rate of duty would be to restrict the use of new and artistic ideas.

12. Finally, it is urged that the American Type Founders Co., if forced out of business will throw out of work 10,000 men now engaged in the manufacture of movable type throughout the United States. As the two plants of the American Type Founders Co. employ for the casting of movable type only about 500 men; as the Damon Co. employs less than a fifth of this number, and the Village Letter Foundery employs only three or four men, it is difficult to see how the figure of 10,000 is reached. It is approximately 9,400 men too high.

The above are pertinent facts omitted from the statement made you, but which will throw light upon a number of its claims. The American Type Founders Co. has a consistent record for stifling all competition. If the extreme tariff increase of 500 per cent requested is granted to them by you, they will effectually stamp out the last remaining vestige of competition, a competition which is negligible in amount of gross sales, but which is welcomed by the quality printers of the United States. It is not good that any industry should have a complete monopoly. Certainly foreign competition, so long as it must sell its importations at prices higher than those profitably charged by an American monopoly, can not be seriously threatening.

For these reasons we respectfully request that a tariff of 15 per cent ad valorem on new printers' type, this being the rate under the Underwood tariff, be reestablished.

Respectfully submitted.

CONTINENTAL TYPEFOUNDERS ASSOCIATION (INC.),
MELBERT B. CARY, Jr.,
President.

WARREN A. RANSOM.

STATE OF NEW YORK,
County of New York, ss:

Warren A. Ransom, being duly sworn, deposes and says that he is the secretary of the Continental Typefounders Association (Inc.).

That he has read the foregoing brief and that the same is true to the best of his knowledge and belief.

Sworn to before me this 11th day of July, 1929.

[SEAL.]

JOHN C. BROWN,
Notary Public.

EXHIBIT A

Name of type	Weight of 1 font each size of this series	Price of 1 font each size of this series	Average price per pound
	Pounds		
Astree Italic	55	$60.80	$1.11
Astree Roman	54	57.40	1.06
Bernhard Brushscript	190	217.50	1.12
Bernhard Cursive	60	105.50	1.74
Bernhard Italic	47	81.75	1.73
Bernhard Roman	59	83.25	1.46
Bernhard Roman Bold	63	83.25	1.30
Bordoni Bold	56	62.00	1.10
Bodoni Italic	50	62.00	1.24
Bodoni Roman	52	62.00	1.19
Caslon Old Face	175	197.16	1.13
Caslon Old Face Italic	136	156.49	1.15
Eve Heavy	92	89.45	.99
Eve Italic	62	67.15	1.08
Eve Roman	57	57.35	1.00
Futura Bold	162	137.00	.85
Futura Light	127	137.00	1.08
Futura Medium	136	137.00	1.01
Greco Adornado	33	29.75	.90
Greco Bold	100	105.20	1.05
Greco Bold Italic	101	119.30	1.18
Kabel	102	103.50	1.01
Kabel Bold	101	101.30	1.00
Lutetia Italic	40	59.10	1.47
Lutetia Roman	150	169.99	1.13
Mercure	45	54.25	1.20
Narcissus	101	96.15	.95
Neuland	76	76.00	1.00
Neuland Inline	68	73.80	1.09
Nicolas Cochin Bold	85	83.89	.99
Sphinx	105	111.40	1.06
Sphinx Inline	40	50.00	1.25
Sphinx Italic	40	42.00	1.25
Sylvan	56	59.45	1.06
	2,876	3,188.95	

Average price per pound, $1.11.

EXHIBIT B

HOOD-FALCO CORPORATION,
New York, N. Y., April 1, 1929.

CONTINENTAL TYPEFOUNDERS ASSOCIATION (INC.),
New York, N. Y.

GENTLEMEN: In looking over the brief filed by the American Typefounders with the Committee of Ways and Means, we beg to state the following:

The first importation of type that we made from Italy was in 1907 and the value of the type was far above 30½ cents per pound. In 1928 we imported very little type from Italy, practically none, as the original shipment was not sold on account of keen competition from the American Type Founders Co.

So far this importation of type has been an absolute loss to us and we are not contemplating importing any more type, at least not at the present time and under the present conditions.

Yours very truly,

HOOD-FALCO CORPORATION.

BRIEF OF THE AMERICAN TYPE FOUNDERS CO., JERSEY CITY, N. J.

Submitted in disproof of incorrect statements contained in the supplemental brief of the Continental Typefounders Association of New York City, the representatives and agents of a group of European typefounders, as printed on pages 10501-10508 of Tariff Readjustment, 1929.

(The original brief of the American Type Founders Co. was submitted to the Ways and Means Committee and printed, vol. 3, Schedule 3, of hearings, p. 2540.)

To the Subcommittee of the United States Senate on Schedule 3, Metals and Manufacturers of, Tariff Readjustment 1929.

GENTLEMEN: On behalf of the manufacturers of movable types for printing in the United States, we respectfully submit the following facts in disproof of statements contained in the supplemental brief of the Continental Typefounders Association (Inc.), New York City, addressed to the Committee on Ways and Means of the House of Representatives, and recorded on pages 10504–10508 of Tariff Readjustment 1929.

The Continental Typefounders Association represents a group of European type founders (German, French, Italian, and Spanish), hence the name "Continental." In its supplemental brief these importers ask for a decrease of the duty established in the tariff act of 1922 (para. 389), "New types, 20 per cent ad valorem," to a duty of 15 per cent ad valorem, and in its petition there are embodied a number of misstatements explainable only (1) as being based upon a limited knowledge of the type-founding industry in the United States, or (2) as having the intention to mislead your honorable committee.

The supplemental brief of the Continental Typefounders Association is the reply of these representatives of the European type founders to the brief of the American Type Founders Co., Jersey City, N. J. (a printed copy of which is attached), recorded on pages 2540-2541 of Tariff Readjustment, 1929, Volume III, Schedule 3, Metals and Manufactures of. In its brief the American Type Founders Co., as leader in the type-founding industry in the United States, asks that paragraph 389 of the tariff act of 1922 be changed, viz: Strike out "20 per cent ad valorem and insert 30 cents per pound." In response to this request and the arguments submitted in support thereof, the Committee on Ways and Means of the House of Representatives reported an increase of duty on new movable types for printing from 20 per cent ad valorem to 30 per cent ad valorem, probably believing that since American-made types sell in the United States at $1 per pound on the general average for all sizes, the increase in duty granted was an approximate equivalent to the request for a duty of 30 cents per pound.

The manufacturers of movable types for printing respectfully renew their request for a duty of 30 cents per pound, for the following reasons:

A SPECIFIC DUTY OFFERS THE ONLY PROTECTION ADEQUATE

(1) By no other method than a specific duty per pound can undervaluation be prevented.

(2) All the principal countries which impose a duty on type importations have specific duties based on weight. This is the law in Germany, France, Italy, and Spain, from whence the bulk of type importations are coming into the United States. In the instance of France, there is an additional ad valorem duty.

(3) The opportunities for undervaluation of invoices are created by the practice, common to type founders in all countries, of selling types of precisely the same size and metal content at prices varying according to classifications determined for the most part by the relative salability of each type design. For example: Types made in Germany, such as are suitable for use in English-speaking countries, may be price listed according to any one of eight of the classifications in the latest price list of the Association of German Typefounders. The prices in this list for types of, say, 10-point size, all cast in the same grade of metal, vary from 7.50, 7.90, 9, 9.30, 10.30, 11.50, 15, to 18.30 marks per kilo. Yet all these prices apply to type castings of precisely the same size and metal content the sole variation being in the faces of the types. These numerous classifications may be justified, but it is a fact that they afford opportunities for errors, unintentional or intentional, and make it impossible for customs examiners to detect undervaluations, unless they were provided with tabulations of all of the many thousands of type designs made in Germany. The most expert of type founders could not detect errors or under valuations by examining the actual types unless they were made in his own foundry. In recent years the tabulations of these eight classifications have been omitted from the specimen books (catalogues) of German type foundries, making it impossible to learn the prices of the types from the catalogues. In the United States the type founders have only two classifications. More than 95 per cent of American types are in one classification, the prices varying according to the weights ordered, 20 pounds taking the maximum price and 1,000 pounds and over the minimum price per pound. Undervaluations in so many commodities have compelled every important country, except the United States, to enact specific duties based upon actual weights to prevent error or fraud.

EXTENT OF THE TYPE-MAKING INDUSTRY IN THE UNITED STATES

The representatives of the European type founders, the Continental Typefounders Association, on page 10505 of Tariff Readjustment, 1929, assert that the type-making industry of the United States is monopolized by one company, the American Type Founders Co., which, it is alleged, has only two or three competitors. Of these independent foundries two are named: "The Damon Type Founders Co., of Philadelphia, employing less than 100 men, and the Village Letter Foundry, of New York, employing 3 or 4 men." This is a foolish and utterly untrue statement. There never was in the whole history of the type-founding industry in the United States competition so widely extended and severe as at the present time.

There are at this writing 88 type foundries actively engaged in making and selling movable types for printing (see Appendix A, giving names and addresses). These are located in the various States as follows: Alabama, 1; California, 1; Colorado, 1; Florida, 1; Georgia, 3; Indiana, 7; Illinois, 10; Iowa, 2; Kansas, 1; Kentucky, 2; Massachusetts, 5; Maryland, 4; Michigan, 4; Minnesota, 5; Missouri, 5; Nebraska, 1; New Hampshire, 1; New Jersey, 3; New York, 9; Ohio, 2; Oregon, 3; Pennsylvania, 3; Rhode Island, 1; Tennessee, 1; Texas, 4; Virginia, 1; Washington, 1; Wisconsin, 6. As will be seen in Appendix A not all of these style themselves type founders; most of them combine type making with type composition. They belong to an auxiliary section of the printing industry that has developed during the last 20 years. All the firms listed in Appendix A advertise themselves as makers and sellers of types. With few exceptions their businesses are local; nevertheless, their output is enormous in the aggregate. They use principally Lanston Monotype casting machines and Thompson type-casting machines, both made in Philadelphia.

We are informed by the manufacturers of the Lanston Monotype casting machines that more than 6,000 of them are in actual use at this writing in the United States and about 200 Thompson type-casting machines. The manufacturers of these type-casting machines supply matrices as well as machines. As a further indication of the extent of the competition in the

type industry in the United States, it may be noted that during the last three years one of the concerns manufacturing type-casting machines and matrices has paid $45,629 in royalties to the American Type Founders Co. for the privilege of reproducing that company's original type designs. The royalty per matrix is very small.

COMPARISON BETWEEN IMPORTERS' LANDED VALUES AND THEIR SALES PRICE

The European importers have laid great stress on the fact that their sales price ranges well over $1, viz, from $1.06 to $1.47 per pound. See their exhibit "A," page 10508, volume 17, hearings, House of Representatives. The statistics of type imports in Tariff Commission Survey, page 882, show value per unit of quantity imported in 1927 was $0.467 per pound.

With no expenditures for plants or equipment, utilizing a rented building, employing no American labor except salesmen, using no American materials, the importers on every pound of type sold to American printers may now clear a profit ranging from 56 cents to $1 per pound.

And they have the effrontery now to request Congress not to increase the duty, so that their profits may be still greater. Truly, the American consumer pays well for the privilege of supporting a foreign industry on American soil.

EXTENT OF IMPORTATIONS OF TYPES

On page 10505 of Tariff Readjustment, 1929, the representatives of the European type founders, the Continental Typefounders Association of New York City, state that the average value of importations of movable types for printing during the last 10 years amounted to only $28,693. Ten years ago importations of movable types for printing were practically nil, so that the 10-year average has no relation to present and future conditions. The average of declared values of type importations in 1927 and 1928 based on foreign values was $70.829. For the first four months of 1929 the declared valuation of type imports was $47,103, which indicates importations during 1929 of $141,309, or twice as much as in 1928. These are United States Department of Commerce figures.

In the attempt to undertake the extent of type importations from Europe, the representatives of the European typefounders, the Continenal Typefounders Association of New York City, permit themselves to make the absurd statement (p. 10505, par. 9) that approximately one-half of type importations are from China and Japan. It is true that neither Chinese or Japanese types are made in this country. The total importations of types in 1928 was valued at $69,039, of which the importations from China and Japan were valued at $3,406. Instead of being approximately one-half they were approximately 5 per cent.

ANALYSIS OF TYPE IMPORTS JUSTIFIES THE REQUESTED INCREASE IN RATE TO 30 CENTS PER POUND

Detailed import statistics are not published in full in the Tariff Commission reports, but we are herewith appending them:

Movable types—Imports for consumption in the calendar year 1927

[Statistics of Bureau of Foreign and Domestic Commerce]

Country	Quantity	Declared value	Average declared value
	Pounds		*Per pound*
Germany	75,499	$40,397	$0.535
France	11,132	4,444	.399
Spain	9,654	3,733	.386
Japan	14,596	5,606	.384
China	4,561	650	.142
Italy	26,522	8,011	.303
	141,964	62,871	.....
All other countries [1]	13,685	9,748	.....
Total	155,649	72,619	.467

[1] United Kingdom, Canada, Netherlands, Hong Kong, Austria.

Landed value of imported type under proposed rate

	Per pound
Average declared value imported type is	$0.467
Insurance, freight, packing, etc. (maximum)	.01
Duty now requested here is	.30
Landed value, duty paid, imported type would be	.78

Giving importer a margin of 22 cents per pound for his selling expenses and profit, on the sales price of American made type, which averages $1 per pound—

	Per pound	
But importer's brief states that his own selling price ranges from	$1.06–$1.47	
Cost and proposed duty deducted	.78–	.78
Or (clear profit) from	.28–	.69

which should be enough to satisfy even an importer.

EXPORTS

During 1928 our sales of type to all of Europe amounted to about 1½ per cent of our total type sales, and practically all of our type exported to Europe went to England.

The reason that England still buys type from America instead of from our German competitors (who are able to undersell us in England even better than they are in America) is due to the fact that for many years prior to the time that Germany adopted standard height for type known as Didot (0.027 inch), England had standardized on 0.918, which height is also and has always been the standard for all type founders in America. England was not very progressive in designing new and novel faces (designs) of type, and, therefore, in order to get the variety in effect demanded by some of the more progressive English advertisers, had to import certain kinds of type, and naturally looked to the country which had the same standard height as they had.

While it is true that Germany within the last few years has been making type at 0.918 as well as 0.927, still type founders in America had the jump on them so far as England was concerned, as many English printers had American type in their cases, and naturally continued to purchase from the type founders who could match the designs which they already had.

When we say "match" the faces, we mean either in larger or smaller sizes of the faces which they have, in what is technically known as "series" or "families." By "families" we mean that where an "old style" or "roman" face is made, an italic is usually made to harmonize with it; and in many cases, bold face, condensed, extended, for several of the members of the so called "families" are made; all amplifications of the original design.

NUMBER OF PERSONS EMPLOYED IN THE INDUSTRY

The representatives of the European type founders, the Continental Typefounders Association, having sought to make the Congress believe that one type foundry monopolizes the type making business in the United States (with only two competitors), and that the meagre enterprises of the Chinese and Japanese inhabitants of the United States import "approximately one-half" of all types entering our country, proceed to inform the Congress that there are only "approximately 500" persons employed in the type making industry of the United States. The brief of the American Type Founders Co. put the number at "about 10,000." Here is a great discrepancy. It is impossible in the time available to give exact figures; but it is an exact fact that the American Type Founders Co. employs from 2,100 to 2,200 persons, engaged in varying degrees in the manufacture or sale of movable types. The sales force naturally sells a diversity of products, but their main employment is in selling types.

The American Type Founders Co. is first of all a type foundry; incidentally it manufactures or merchandises a variety of machines and equipments that are used with types in printing offices. Incidentally, in addition, it manufactures all the machines it uses in the manufacture of types, and workmen in

that department are properly credited to the type industry. It can not be ascertained (in time for use by your committee) how many persons are employed in the type making industry by the 88 operative foundries listed in Appendix A; but there certainly are several hundred. The National Association of Type Composition Houses includes 738 concerns, each employing a number of type-casting machines, the type products of which are mainly for the use of the owners and not for resale. In addition to the actual type founders and the trade composition houses, there are several hundred printing houses (newspaper and commercial) which are using Monotype and Thompson type-casting machines for making movable types for their own exclusive use. As we have already said, there are more than 6,000 of these type casting machines in use in the United States at this writing, employing the services, directly and indirectly, of several thousands of persons—casters, machinists, warehousemen, and salesmen, etc. Your committee may judge of the situation as between our estimate of "about 10,000" and the type importers estimate of "about 500."

WAGE COSTS IN EUROPE AND THE UNITED STATES

The supplemental brief of the Continental Typefounders Association disputes our statement (page 2540, Tariff Readjustment, 1929, hearings, Vol. III) that "American wages are four times as much" as in Europe, but in doing so they furnish no statistics. The wage scale agreed upon by the Association of German Typefounders and their workmen, Deutscher Schriftgiesser-Tarif, of 1924, with a supplement dated September 23, 1925, confirms the correctness of our statement that wages in Germany in the type-making industry range from $1.95 to $2.74 per 8-hour day. The average wages of type casters in Germany, whence most of the importations of types come, are $12.50 for a 48-hour week. During the month of May, 1929, the average of the actual earnings of the type casters who operate the automatic type casting machines of the American Type Founders Co. was $52.67 for a 48-hour week. These are piece workers, and all did not work full time. The highest wage of a type caster during said month was $81.08 for a 48-hour week, which was exceptional. The wages of operators of Monotype and Thompson type-casting machines, agreed upon between the Employing Printers' Association of Greater New York and the Typographical Union, range from $57 to $62.50 for a 44-hour week. Higher wages are paid in Chicago and San Francisco, we believe, and lesser wages in smaller cities. These facts, provable by pay rolls, demonstrate the inadequacy of protection to American wage earners in this industry against the lower wage scales of Europe. The greater importations are from Germany. Type casters in France, Italy, and Spain have still lower wage scales. Needless to say, the remuneration of designers, draftsmen, executives, managers and all other employees in American type foundries are proportionately higher than in Europe.

PIRATING OF TYPE DESIGNS

In its brief the American Type Founders Co. referred to the appropriation without compensation of its type designs by European type founders, who are thus in a position to use these designs on types cast for sale in the United States, which may be sold at lower than American prices because of European lower costs of production. The reply of the representatives of the European type founders, the Continental Typefounders' Association of New York City, is (p. 10506, par. 7): "Under the circumstances it is apparent that the charge of pirating American designs is one which can not be made by the American Type Founders Co. with justice, but is a charge which might well be made by the European type foundries against them." The "circumstances" referred to above consist of the charge that the American Type Founders Co. "plagiarized" a type design called Bernhard script. That is a false allegation, as will be proved below, but proof of the pirating of American type designs is submitted in Appendix B, which records 37 instances of "appropriation" without permission, with the names of the appropriators, and the pages on which such "appropriations" are exhibited in three of the latest German type specimen books. More than a hundred additional instances might be cited in other specimen books were it necessary. The fact is that since 1876 the United States has been the leader in type designing, and in 1929 the leadership is maintained.

The latest specimen book of the American Type Founders Co. shows its type products, and there is not a design in it which infringes any ethical, financial,

or legal right of any person or type foundry anywhere. In the case of Bernhard script, Professor Bernhard's design may be traced to letterings under copperplate engravings of the early eighteenth century, the designs of which letterings have become the general property of the art, which accounts for the fact that while the Bauer Type Foundry of Frankfort-am-Main was the first to restore this ancient design to use in printing, two other German type foundries and one British had made colorable copies of Professor Bernhard's restoration before the American interpretation was issued. Thirteen absolute piracies of American original type designs are listed in Appendix B, under the head of the Bauer Type Foundry.

A PERSONAL ATTACK

The greater part of the supplemental brief of the Continental Typefounders Association consists of a various attack upon the American Type Founders Co., all of which is irrelevant to the matter of the tariff on movable types and is unworthy of an answer. We hesitate to give space to the rebuttal of statements that are quite as far from the truth as the allegations of the representatives of the European type founders regarding the status of the type industry and importations of types which we have refuted above with plain facts easily provable.

The American Type Founders Co. is accused of having "a consistent and carefully carried out policy of absorbing all independent competition." How far this alleged policy has succeeded is shown in Appendix A, in which the names of more than 80 keen competitors are listed. It is said (p. 10505, par. 4) that "even in their [our] last annual report the absorption of two additional independents is recorded—the Printers' Supply Co. of Minneapolis, and Prince & Hensley, of Los Angeles." Neither of these concerns was in the type-founding industry.

HISTORY OF FORMATION OF THE AMERICAN TYPE FOUNDERS CO.

When the type-composing machines displaced hand composition on book and newspaper work, 25 years ago, 20 of the type foundries then in existence were deprived of the bulk of their trade. What was left of the trade for each type foundry was too small to be manufactured profitably. In this crisis the owners of these type foundries, some of which dated back more than a century, sought safety in merging their plants for the purpose of getting mass (and consequently lower cost) production. Thus the American Type Founders Co. was formed in 1892, realizing all expectations and saving an industry of great importance to the progress of the United States. Concentration of manufacture to get mass production is the only means of making types profitably in the United States. Most of the existing type foundries are content to supply local needs. Of those type foundries which have attempted a nation-wide business, half a dozen within a quarter century have sold out to the American Type Founders Co., their machines have been added to those in that company's central plant in Jersey City, and such workmen as chose to follow the machines were employed in Jersey City. In some instances the sons of the former proprietors were added to the executive staff in Jersey City. Any intimation that there has been the least semblance of coercion is utterly baseless.

Respectfully submitted.

AMERICAN TYPE FOUNDERS CO.,
By J. RUSSELL MERRICK,
Vice President and Treasurer.

STATE OF NEW JERSEY,
County of Hudson, ss:

J. Russell Merrick, being duly sworn according to law, deposes and says that he is an officer of the American Type Founders Co., to wit: vice president and treasurer, and that the facts set forth in the above statements are true to the best of his knowledge, information, and belief.

J. RUSSELL MERRICK.

Sworn to and subscribed before me this 5th day of July, 1929.

[SEAL.] D. W. MACPHEE,
Notary Public.

Commission expires June 5, 1934.

APPENDIX A

List of firms and corporations engaged in manufacturing movable types for printing in the United States, as of June 1, 1929:

Alabama: Dixie Type Foundry, Warrior Road, Birmingham.

California: Monotype Composition Co., 659 Folsom Street, San Francisco.

Colorado: Jackson Monotype Products Co., 1317 East Fifth Avenue, Denver.

Florida: Hall Composition Co., 111 East Bay Street, Jacksonville.

Georgia: Gus Russell, 59½ Alabama Street, Atlanta; Augusta Chronicle, Augusta; Herald Publishing Co., Albany.

Indiana: Superior Typesetting Co., Fort Wayne; Fort Wayne Typesetting Co., Fort Wayne; Haywood Pub. Co., Lafayette; T. T. Butler, Noblesville; So-Bend Mono-Products Co., South Bend; C. E. Pawley Ptg. Co., Printcraft Building, Indianapolis; Philip Moore & Sons, Evansville.

Illinois: Barnhart Bros. & Spindler, Monroe and Throop Streets, Chicago; Dearborn Type Foundry, 2101 West Van Buren Street, Chicago; Eagle Type Founders Co., 522 South Clinton Street, Chicago; Globe Type Foundry, 956 West Harrison Street, Chicago; Printers Supply Service, 719 South Dearborn Street, Chicago; T. Monsen & Son, 730 North Franklin Street, Chicago; Sigwalt Manufacturing Co., 3658 Armitage Avenue, Chicago; Ruled Typesetting Corporation, 510 Federal Street, Chicago; Englewood Typesetting Co., 728 West Sixty-fifth Street, Chicago; Ruppert Dieber Typesetting Co., Rockford.

Iowa: J. J. Wickham, 522 East Walnut Street, Des Moines; Musseter Monotype and Linotype Co., Des Moines.

Kansas: Missouri Central Type Foundry, 705 East Murdock Avenue, Wichita.

Kentucky: The Dickson Co., 110 North Fourth Street, Louisville; Miller & Bauer, 107 North Third Street, Louisville.

Massachusetts: New England Type Foundry (Inc.), 470 Atlantic Avenue, Boston; Franklin Type Foundry (aluminum), 53 Belvidere Street, Boston; Cecil H. Wrightson, Inc., 74 India Street, Boston; S. Stephens & Wickersham Quoin Co., 174 Fort Hill Square, Boston (spaces and quads); Monotype Composition Co., 74 India Street, Boston.

Maryland: Baltimore Type and Composition Corporation, 702 Pennsylvania Avenue, Baltimore; Samuel Hall, 914 North Chester Street, Baltimore; Monotype Composition Co., 105 West Pratt Street, Baltimore; National Composition Co., 307 East Lombard Street, Baltimore.

Michigan, Sterling Type Foundry, Vermontville; Central Trade Plant, Grand Rapids; Hastings Printing Co., Hastings; Doyle Composition Co., Grand Rapids.

Minnesota: George Field (type founders only), 510 Fifth Avenue south, Minneapolis; Anderson & Foss Typesetting Co., 314 Fifth Avenue south, Minneapolis; United Typesetting Co., 510 Seventh Avenue south, Minneapolis; J. E. Walkup, 403 Fourth Avenue south, Minneapolis; Perfection Type (Inc.), 141 East Fifth Street, St. Paul.

Missouri: National Typesetting Co., 1118 Pine Street, St. Louis; Thom-Paul Monotype Co., 206 North Third Street, St. Louis; Monotype Typesetting & Foundry Co., 922 Pine Street, St. Louis; Western Typesetting Co., 928 Central, Kansas City; Enright-Freel, 1015 Central, Kansas City.

Nebraska: Omaha Printers Supply Co., 1122 Harney Street, Omaha.

New Hampshire: Hopkins Printing Co., 115 Nutfield Lane, Manchester.

New Jersey: American Type Founders Co., 300 Communipaw Avenue, Jersey City; William Patrick, 18 Lawrence Street, Newark; Paterson Composition Co., 298 Straight Street, Paterson.

New York: Mack Type Foundry, 55 Fulton Street, New York City; Neotype Co., 229 West Twenty-eighth Street, New York City; Ludwig-Duell Co., 30 Beekman Street, New York City; G. G. Tegge & Son, 45 Rose Street, New York City; Commanday Bros., 175 Varick Street, New York City; Guide Printing Co., 160 Jay Street, Brooklyn; Empire Type Foundry, Delevan; Queen City Linotype Co., 169 Ellicott Street, Buffalo; The Holling Press, 501 Washington Street, Buffalo.

Ohio: Cincinnati Typesetting Co., Cincinnati.

Oregon: Portland Monotype Co., 102½ Second Street., Portland; George Meredith Monotype Co., 8½ North Eleventh Street, Portland; Pacific Type Supply Co., Henry Building, Fourth and Oak Streets, Portland.

Pennsylvania: Damon Type Founders Co. (Inc.), 16 South Fifth Street, Philadelphia; John E. Meyer & Son, 129 North Twelfth Street, Philadelphia; Pittsburgh Type Foundry, 340 Second Avenue, Pittsburgh.

Rhode Island: Typesetting Service Co., 148 Dorrance Street, Providence.

Tennessee: Adcraft Press, 150 Fourth Avenue North, Nashville.
Texas: Temple Type Foundry, Temple; Miller & Oren, Houston; Egan Printing Co., Dallas; Jaggars Typesetting Co., Dallas.
Virginia: State Linotyping Co., Richmond.
Washington: Pacific Typesetting Co., 219 Seneca Street, Seattle.
Wisconsin: Dorsey (Inc.), 475 Fifth Street, Milwaukee; Trade Press Pub. Co., 129 East Michigan Street, Milwaukee; Western Typesetting Co., 62 Mason Street, Milwaukee; Lawrence Typesetting Co., 368 Milwaukee Street, Milwaukee; Hayward Typesetting Co., 210 Michigan Street, Milwaukee; Timmers Composition Co., Appleton.

APPENDIX B

List of type designs of American origin which have been appropriated sans permission, by three German typefounders in recent years, and are shown in their latest specimen books

From the specimen book of the Bauer Type Foundry, Frankfurt-an-Main:

American name	German name
Satanick	Fette Britannia-Gotisch (p. 36).
Bradley	Amerikanische Alt-Gotisch (36).
Jenson old style	Elzevier (p. 74, 75).
Jenson italic	Elzevier Kursiv (p. 76).
Jenson heavy face	Halbfette Jenson (p. 77).
De Vinne	Halbfette Elzevier (p. 121).
De Vinne condensed	Schmale Halbfette Elzevier (p. 121).
Columbus	Reklame-Versalien (p. 122).
Ronaldson old style	Mediaeval-Antiqua (p. 123).
Engravers old English	Englische Gotisch (p. 126).
Wedding text shaded	Stella (p. 127).
Title shaded litho	Azuree (p. 127).
De Vinne italic	Halbfette Elzevier Kursiv (p. 146).

From the specimen book of D. Stempel Type Foundry, Frankfurt-an-Main:

American name	German name
Satanick	Morris-Gotisch (p. 111).
Houghton	Tasso (p. 111).
Ihlenbergh	Amerikanische Altgotisch (p. 114).
Century expanded	Reform-Antiqua (p. 160b).
Cheltenham old style	Union (168c).
Cheltenham bold	Halbfette Union (pp. 168–168E).
Cheltenham italic	Union-Kursiv (pp. 168F–168G).
De Vinne	Halbfette Romanisch (p. 194).
De Vinne condensed	Schmale Halbfette Romanisch (p. 195).
De Vinne italic	Halbfette Romanisch Kursiv (p. 197).
Childs	Freie Romanisch (p. 199).
Howland open	Lichte Schmale Renaissance (p. 260).
Becker	Continental (p. 254a).
Polo	Polo (p. 254).

From the specimen book of H. Berthold, Berlin:

American name	German name
Satanick	Morris-Gotisch (pp. 268, 269).
Bradley	Alt-Gotisch (pp. 263–264).
Washington	Washington (p. 426).
Lafayette	Concordia (p. 424).
Johnson	Zierschrift Skandia (p. 428).
Primitive	Alt-Englisch (p. 428).
Caxtonian	Monopol (p. 514).
Stencil	Franklin (p. 514).
Aquatinta	Aquatinta (p. 516).
Circular script	Manuskript (p. 560).

NOTE. Selections have been made from these three type founders for no other reason than that their specimen books are the more recent. Similar selections could be made from the specimens of all European type foundries, without exception. Since 1876 the United States has been the leader in type designs, and in 1929 it continues in leadership.

BEST AVAILABLE COPY

NICKEL AND NICKEL PRODUCTS

[Par. 390]

STATEMENT OF J. R. BOKER, REPRESENTING H. BOKER & CO., NEW YORK CITY

Mr. BOKER. I would like to talk on paragraph 390, nickel.

On the theory of equalizing production costs, it looks as though the duty of 25 per cent ad valorem for rods, plates, sheets, strips, et cetera, is considerably out of line for hot-rolled, hot-worked nickel. The price of nickel is universal all over the world, the same as the price of copper. If copper is quoted at 18 cents in New York City, it is quoted at 18¼ cents, cost, insurance, freight, Hamburg. It is the same way with nickel. If it is quoted at 35 or 36 cents in New York, it is quoted at a corresponding price in London. Consequently the price of nickel is universal in Europe as well as it is here.

The prices for nickel are published regularly; nickel ingots, 35 cents a pound; nickel shot, 36 cents a pound; electrolytic nickel, 37 cents a pound. Then the price for hot-rolled bars is quoted as 45 cents a pound. Consequently there is a spread of 10 cents a pound for taking the gray nickel and making it into a hot-rolled bar. I have very lately obtained a quotation for a large quantity of hot-rolled nickel, three-quarter round, and the price at which this nickel sells in Bremen is 43½ cents a pound. It sells here at 45 cents a pound. With a duty as at present of 25 per cent ad valorem, this nickel costs, after paying expenses, 56½ cents a pound, whereas the American selling price is 45 cents a pound.

Senator EDGE. It has been 25 per cent for many years, has it not?

Mr. BOKER. Yes; on the theory of equalizing production costs the 25 per cent seems to be out of line.

I would carry it further, into hot-rolled nickel-chromium rods, and 80 per cent——

Senator EDGE. I do not understand why you say they are out of line. Every product, as I understand it, containing nickel, and many of the other alloys, is under the 25 per cent ad valorem.

Mr. BOKER. Yes.

Senator EDGE. What are you trying to take away from them?

Mr. BOKER. I want to prove that 25 per cent ad valorem is far more than the difference in the cost of converting it into a hot-rolled condition.

Senator EDGE. You are attacking the entire nickel schedule, then.

Mr. BOKER. I am attacking the entire nickel schedule.

Senator REED. Do you object to 3 cents a pound on the nickel shot?

Mr. BOKER. No. I wanted to argue that the 25 per cent ad valorem for hot-worked nickel is out of line, and I want to prove this by reciting instances, such as I related on the hot rolled nickel bar, which costs 43½ cents, and on which we pay a duty of 25 per cent. It would cost 56½ cents in New York, whereas the selling price is 45 cents.

In regard to hot rolled nickel chromium rods, which cost $1.30 a pound abroad, the 25 per cent ad valorem duty, plus the expenses

of bringing it over, makes it cost $1.69 a pound, whereas it sells for $1.25 a pound. My argument is that the 25 per cent ad valorem for hot-worked nickel is too high. At least, it far more than compensates for the difference in cost of production.

Senator REED. The imports have been fairly considerable. Last year we brought in 111,000 pounds of the hot-worked nickel in spite of this 25 per cent duty.

Mr. BOKER. I did not know that, Senator.

Senator REED. That information is given by the Tariff Commission.

Mr. BOKER. We are absolutely unable to bring any in.

Senator REED. And in the cold drawn or cold rolled, where the duty is 35 per cent, they show imports of 11,500 pounds.

Mr. Boker. Yes. That would be about right.

Senator REED. The figures vary a good deal. In 1925, of the hot-worked stuff, there were 73,000 pounds; in 1926, 18,000 pounds; in 1927, 15,000 pounds; and in 1928, 111,000 pounds. The average invoice value was 81 cents per pound.

Mr. BOKER. Yes.

Senator EDGE. That is the classification you are discussing?

Mr. BOKER. Yes.

Senator EDGE. That is the description, I mean, because the other type of nickel, carrying only 10 per cent, shows tremendous imports.

Senator REED. That is nickel outside, coming from Canada.

Mr. BOKER. This nickel I am talking about is mostly American nickel, because the mill I am representing is probably one of the best customers of the United States for copper and nickel. They probably buy from $5,000,000 to $7,000,000 worth of metal from them.

According to the figures I have worked out, if the hot-worked nickel could be placed at 3 cents a pound, and 5 per cent or 10 per cent for cold-worked, that would compensate, on all the articles I know of, for the American selling price.

Senator REED. How much do you suggest that the duty be made?

Mr. BOKER. For hot-worked nickel, 3 cents a pound; and in addition, for cold-worked, between 5 and 10 per cent ad valorem.

Senator REED. Three cents a pound would be about ¼ per cent ad valorem.

Mr. BOKER. The hot-worked nickel costs 43½ cents, and 3 cents a pound would be——

Senator REED. That may be in the simplest forms, but the average foreign invoice price last year was 81 cents. If we reduced that duty to 3 cents a pound, it would be 4 per cent ad valorem duty on all those products. Evidently these include products of a different type than that about which you are talking.

Mr. BOKER. Yes. I do not know what that could be. That may be some special instances that I do not know of.

Senator EDGE. But they use that material.

Mr. BOKER. It is absolutely impossible now to import the regular commercial hot-rolled nickel. There may be some circumstances where this importation is possible that I do not know of. It is news to me.

Senator REED. We will have to make inquiry as to that. Thank you, Mr. Boker.

LEAD AND ZINC

[Pars. 392-393 and 394-395]

STATEMENT OF GEORGE E. COLLINS, DENVER, COLO., REPRESENTING THE LEGISLATURE OF THE STATE OF COLORADO AND THE COLORADO MINING ASSOCIATION

[Including tungsten, par. 302 (c), and silver, par. 1638]

(The witness was duly sworn by the chairman of the subcommittee.)

Mr. COLLINS. If the committee please, I appear on behalf of the Legislature of the State of Colorado and of the Mining Association of the State of Colorado, and I have brought here my credentials which perhaps your clerk would care to examine.

In my remarks I shall as far as possible cover aspects of the subject that will not be covered in a brief which I wish to file.

Senator REED. What is the subject, Mr. Collins?

Mr. COLLINS. I am instructed by the legislature to appear here in respect of the tariff on certain metals—lead, zinc, silver, and tungsten. In the main, I shall speak with reference to lead and zinc.

The mineral production of the State which I represent here, since the United States entered the war, has dropped from an average of nearly $50,000,000 to $16,000,000 last year. The number of mines has dropped in the same period from nearly 1,000 to 300. The number of producing mines and the number of men employed have dropped in about the same proportion. I shall endeavor to show to the committee that, broadly speaking, that is a condition which arises in part from the change in the value of commodities, but largely from the absence of tariff protection.

Senator REED. First let us put in the record a copy of the resolution of the State of Colorado, which you have presented. I see you have presented two resolutions. Are they duplicates?

Mr. COLLINS. No; one is a copy of a memorial from the legislature to the Senate. The other is a copy of the Senate joint resolution.

Senator REED. Very well; we will put them both in.

(The papers referred to are as follows:)

CERTIFICATE

STATE OF COLORADO,
OFFICE OF THE SECRETARY OF STATE.

UNITED STATES OF AMERICA,
State of Colorado, ss:

I, Chas. M. Armstrong, secretary of state of the State of Colorado, do hereby certify that the annexed is a full, true, and complete copy of Senate Memorial No. 3, which was filed in this office by the secretary of the senate of the twenty-seventh general assembly, 1929.

In testimony whereof I have hereunto set my hand and affixed the great seal of the State of Colorado, at the city of Denver, this 14th day of June, A. D. 1929.

[SEAL.] CHAS. M. ARMSTRONG, *Secretary of State.*
By A. G. SNEDEKER, *Deputy.*

Be it resolved by the senate of the twenty-seventh general assembly (the house of representatives concurring), That this general assembly favors the prompt enactment of legislation by the Congress of the United States to establish a protective tariff on the metals, silver, lead, tungsten, and zinc, which will effectively establish and maintain a fair price for these metals to the metal mining industry of

Colorado, reasonably in excess of that price now prevailing, and that this general assembly believes that such a tariff would completely revive the metal mining industry of Colorado and would permit the labor of the Colorado miner to successfully compete with the cheap mine labor of Mexico and foreign countries; be it further

Resolved, That the United States Senators and Members of the United States House of Representatives representing the State of Colorado are hereby earnestly requested and urged to exert their efforts to secure the passage of this legislation by Congress, and that copies of this resolution be sent to the President of the United States, the President of the Senate of the United States, the Speaker of the House of Representatives of the United States, and to Senators and Representatives of the State of Colorado in Congress.

CERTIFICATE

STATE OF COLORADO,
OFFICE OF THE SECRETARY OF STATE.

UNITED STATES OF AMERICA,
State of Colorado, ss:

I, Chas. M. Armstrong, secretary of state of the State of Colorado, do hereby certify that the annexed is a full, true, and complete copy of Senate Joint Resolution No. 12, which was filed in this office by the secretary of the senate of the twenty-seventh general assembly, 1929.

In testimony whereof I have hereunto set my hand and affixed the great seal of the State of Colorado, at the city of Denver, this 14th day of June, A. D. 1929.

CHAS. M. ARMSTRONG, *Secretary of State.*
By A. G. SNEDEKER, *Deputy.*

AN ACT (S. JOINT RES. NO. 12), BY SENATOR ARTHUR

Whereas a revision of the tariff schedules affecting agriculture, stock raising, and mining will probably be undertaken by the Congress of the United States recently called by the President in extraordinary session; and

Whereas such revision may likewise be undertaken by the next regular session of such Congress; and

Whereas such interests are of great and vital importance to the progress, development, and prosperity of this State; and

Whereas such vital interests are now, in the opinion of the general assembly, inadequately protected by import duties and tariffs; and

Whereas additional protection to agriculture, stock raising, and mining products of this State would greatly enhance the prosperity and well-being of the State; and

Whereas it is believed by the general assembly that the people of this State should be effectively represented at any hearings which may be had before the appropriate committee or committees of said Congress, to the end that the necessity of such additional tariff protection may be properly urged upon such committee or committees and upon the Congress: Now, therefore, be it

Resolved by the senate of the twenty-seventh general assembly (the house concurring), That a joint committee of three representative citizens of this State be constituted for such purpose, such members to be appointed by the concurrent action of the president of the senate and the speaker of the house of representatives, and that one member of said committee be designated as a representative of the farming interest of the State, that one be designated as a representative of the stock-growing interest of the State, and that one be designated as a representative of the mining interest of the State, and that said committee be authorized, empowered, and directed to attend any tariff hearings affecting said interests which may be held preliminary to or during said extraordinary session of the Congress, and also any tariff hearings which may be held preliminary to or during said regular session of the Congress and that said committee be authorized and directed to prepare and submit at any session of any such committee at which such committee may be heard all available arguments, statements, and data relative to the necessity for such additional protection of the interest

above mentioned, to the end that the Congress may be fully advised as to the needs of the said industries of additional and adequate tariff protection.

GEORGE M. CORLETT,
President of the Senate.
ROYAL W. CALKINS,
Speaker of the House of Representatives.

Mr. COLLINS. The brief, which we have intended to make as brief as possible, I shall lay on the table at this time, and a short supplemental brief I will also present to you. But I shall try, as my subject is a rather wide one, to treat of it verbally in a way that is not covered by the brief.

Senator REED. You have seen the list of witnesses, Mr. Collins?

Mr. COLLINS. Yes.

Senator REED. You know what we are confronted with?

Mr. COLLINS. I know, and for that reason I shall try not to repeat myself. I shall assume that the committee will try to give time to read those briefs.

Senator KING. May I say, Mr. Collins, I took your briefs home last night and read every word.

Senator BARKLEY. Are you speaking first of lead?

Mr. COLLINS. Yes. In the hearings held before the Ways and Means Committee of the House, by some accident, our State and our association were not represented. Therefore our entire side of the subject has not yet been presented to Congress. A statement was made to the House, which I have read during the last few days in the report of the House hearings, by the president of the Lead Industries Association, comprising 35 corporations. In that statement made by the president of that association it was stated that the association represented virtually all the lead producers and a large proportion of the manufacturers of lead products in the United States. I have no doubt that the gentleman who made that statement made it, as he thought, with entire accuracy, and I have no doubt that in some sense it is perfectly true; but not in the sense in which we should take those words.

Now, in our State we had last year, according to our commissioner of mines, 132 producing mines, most of which were very small; 78 of those produced not more than $10,000 worth of product. Only five mines in our entire State produced more than half a million dollars.

Senator King. May I interrupt you a moment?

Mr. COLLINS. Yes, sir.

Senator KING. I find a presentation by Mr. Crane, speaking for the following companies: Ahumada Lead Co.; American Lead Co.; the American Metal Co.; American Smelting & Refining Co.; Andrews Lead Co.; Bingham Mines Co.—that is in my State; Bunker Hill & Sullivan Mining & Concentrating Co.; Cerro de Pasco Copper Corporation; Chief Consolidated Mining Co.—they are in my State; Jerome P. Day, from Idaho, as you know; The Eagle-Picher Lead Co.; El Potosi Mining Co.; Evans-Wallower Lead Co.; Federal Mining & Smelting Co.; Federated Metal Corporation; Fleck Bros. Co.; W. P. Fuller & Co.; General Cable Corporation; The Glidden Co.; Hecla Mining Co.; The Lewin Metals Corporation; Metals Refining Co.; National Lead Co.; Northwest Lead Co.; Park Utah Consolidated Mining Co.—one of the mining companies of my State.

Mr. COLLINS. I know, sir.

Senator KING. Remington Arms Co.; St. Joseph Lead Co.; the Sherwin-Williams Co.; Silver King Coalition Mines Co.—another large mining company in my State; Tintic Standard Mining Co.—one of the largest lead producing and silver producing mines in the United States, in my State; United Metals Selling Co.; U. S. L. Battery Corporation; United States Smelting & Refining & Mining Co.; Utah-Apex Mining Co.; Utah Copper Co. The last two are in Utah. Now they state:

> The lead-producing members of our association unanimously feel that at this time there should be no revision of the tariff act of 1922 in the present lead schedule, paragraphs 392 and 393. Similarly, the lead-consuming members are of the opinion that there should be no revision at present of the various schedules covering the manufacture of lead products.

I just want to invite your attention to that testimony as produced in the House which may be in contravention of your views.

Mr. COLLINS. That is true, sir. In general, I think, it is fair to say that the corporations that appear on that list do represent all or virtually all the large producers. I think it is also correct to state that the small producers of lead, who sell their ores to many of these companies which are smelting companies, that the small producers vastly outnumber the large ones. I think it is entirely true that the majority of the production in amount, and perhaps the very great majority in amount of the production, concurred in that statement. In number it would be entirely the other way. For instance, in our State we have now 132 producing mines. Of that number we have no exact description to show which of those produce lead, but I believe it is correct to say that at least two-thirds produce some lead. In other words there are at least twice as many lead producers in number in our State who do not concur in that presentation as the entire membership of the Lead Industries Association, and I think if you segregate dealers, manufacturers and customs smelters that probably we have between five and ten times as many in number.

Senator REED. You have 80 or 90 lead mines then in Colorado?

Mr. COLLINS. Lead producing mines; yes.

Senator REED. What do they want, Mr. Collins?

Mr. COLLINS. They want a net increase in the present duty to bring it back to where in effect the duty——

Senator EDGE. What paragraph?

Senator REED. Paragraph 392.

Senator KING. What would it be in percentage ad valorem or specific?

Mr. COLLINS. Thirty-three and one-third per cent in amount on ores, with a corresponding advance in metal.

Senator KING. What would that be? What would be the corresponding advance in the metal?

Mr. COLLINS. It would be just one-third of 2⅛ cents. One-third of that.

Senator BARKLEY. Two and three-eights cents.

Mr. COLLINS. Two and one-eighth cents, I think.

Senator REED. If the committee will turn to paragraphs 393 and 392. You would like the specific duty on lead in pigs and bars and other forms raised from 2⅛ to approximately 3¾, is that right?

Mr. COLLINS. Lead bullion or base bullion at present is 2⅛ cents; lead in sheets, pipe, shot, glazier's lead, and lead wire are 2⅜ cents a

pound. Lead in ore is 1½ cents a pound. We want one-third, or 33⅓ per cent added in each case so as to make it uniform all the way up.

My State, if the committee please, at one time produced over 40 per cent of the lead of the United States. Even up to 1912, even up to the time of the passage of the Underwood Tariff Act we produced, I think it was 16 per cent on the average, of the lead of the United States. It is really the Underwood tariff that killed our business.

Senator EDGE. Do not blame us for that.

Mr. COLLINS. No, sir; I am not blaming you. I am merely explaining the condition.

Senator KING. And I suppose that you do not blame the petering out of some of the mines? I was interested in a proposition that produced a large amount of lead and now does not produce any because it is all gone.

Mr. COLLINS. Yes; but that is not the condition in Colorado. That is not the reason for the falling off.

Senator KING. The lead production in the United States is greater to-day than previously, is it not?

Mr. COLLINS. It is.

Senator KING. Yes.

Mr. COLLINS. And Colorado will never come back to produce 40 per cent again, but we should produce, if we were permitted, 80,000,000 pounds of lead annually as we did for a great number of years prior to the passage of the Underwood tariff act.

Senator EDGE. Where is it coming from now? Apparently it is not imported, according to the records. It is coming from other States, is it not?

Mr. COLLINS. The quantity imported, sir, is about the same percentage of the total production that our production is. In other words, if we were permitted to supplant the lead ore that is to-day imported, that would be what we want to do, and what we could do perfectly well. Now the importations average slightly under 5 per cent.

Senator EDGE. That is what I was going to draw your attention to.

Mr. COLLINS. Yes, sir. But the price is dictated by that importation. Whenever the London market for lead drops, importations begin, and our American price has to be lowered exactly to meet that price. It has been so continuously for several years, every time that there is an over supply in London or for other reasons the London price drops, our price immediately follows. Now the proportion is only 5 per cent, but that 5 per cent is just what we want to produce.

Why is it that we are not able to increase as our neighbor States have done? For this reason: Lead, zinc, and silver occur in the same ore, excepting in the Mississippi Valley. Everywhere else it is characteristic of those metals to occur together. It is not possible to talk of lead ore as if it were a thing that occurs in one mine or in one State, or zinc ore or silver as if they occurred in another mine or State. Now I can not come before you—while our legislature does favor it—at least I can not face this committee and say that we want a tariff on silver. Why? Because, in view of the fact that we produce more silver than we consume, a tariff would be ineffective. I think that we should

have every moral claim to ask you for that. But it is no use asking for it because it would not have any effect.

Senator Edge. Your duty was raised under the 1922 act, was it not?

Mr. Collins. Back to where it has been for over 30 years. It was raised to a cent and a half.

Senator Edge. From three-quarters of a cent?

Mr. Collins. Yes, which was the three-quarters of a cent that killed us, and we have not been able to come back under the cent and a half rate. Why? Because a cent and a half is not worth to-day what a cent and a half was worth before the war. The commodity index and the value of money have changed so that that cent and a half no longer has the same effect that it did have.

Senator King. Under that philosophy we would have to readjust every schedule in the entire tariff law and readjust prices throughout the United States upon Professor Fisher's theory of the unit of value to be measured by commodities, 160 commodities?

Mr. Collins. Not in so far as improved methods enable us to produce more cheaply than other countries.

Senator King. Well, with improved methods, if you can produce more cheaply, then you ought to reduce prices.

Mr. Collins. We should. And that would be done if it were possible. But in our mines we can not, because a large part of our value is not the lead. It is the silver and the gold.

Now there is an unfortunate thing that puts us at a disadvantage in competing. Our friends in some States are able to do that, but we can not meet their costs. My belief is that the price of the last two years is not adequately remunerative—and I speak there as an engineer with some knowledge—for any lead producer in the United States. It enables large mines to earn a surplus, but does not adequately take into consideration the depletion factor.

Now the whole trend of lead production throughout the world is this, that lead consumption is increasing at the average rate of 3 per cent annually, and the prospective lead resources throughout the world are not increasing in proportion. Economists and engineers almost uniformly accept the conclusion that lead sooner or later will come to very high prices.

Senator Barkley. According to the Tariff Commission, the total production of lead ore in the world has increased since 1919 from 976,000 short tons to 1,856,000 short tons.

Mr. Collins. Yes, sir; and the reserves have not increased.

Senator Barkley. You stated a while ago that the Underwood tariff law put you out of business. I see here that in 1919, under the Underwood Act, Colorado produced 18,867 short tons. In 1922, with the present tariff in effect, you produced 11,108 short tons.

Mr. Collins. In 1922 the effect of the present tariff had not begun to apply in Colorado. Our ores are complex, and there are several elements which make up their value; from that fact production changes very slowly with changes in conditions. Our mines are not like those where, if the price goes down, they can lay off a thousand or so men. Just curtail production. We can not do that. We have absolutely to continue, because we are right up against it all the time, for if we reduce production we end for good.

Senator BARKLEY. Is the lead mining industry in Colorado different from what it is in other States?

Mr. COLLINS. Merely in this respect, that we are dependent to a greater extent on the other metals that occur with lead than most other States.

Senator BARKLEY. I see that in 1927 out of a total production of 684,000 short tons in the United States, Colorado produced 37,000.

Mr. COLLINS. In 1927, you say?

Senator BARKLEY. In 1927.

Mr. COLLINS. Yes, and we have been gradually dropping from that since.

Senator REED. Mr. Collins, what other metals did you wish to speak to us about?

Mr. COLLINS. As to zinc, sir.

Senator REED. We shall be glad to hear about that.

Mr. COLLINS. The tariff on zinc is 1½ cents per pound of zinc.

Senator EDGE. You ask a 33⅓ per cent raise?

Mr. COLLINS. On lead, all the way through.

Senator EDGE. On lead ore and lead bullion?

Mr. COLLINS. Yes. As to zinc, we do not suggest——

Senator EDGE. Was the same proposition made to the House Ways and Means Committee by a representative of the lead interests?

Mr. COLLINS. No, sir.

Senator EDGE. Did not anyone appear before the House Ways and Means Committee representing the lead industry?

Mr. COLLINS. The Lead Industries Association appeared, which represents essentially the large producers and the manufacturers.

Senator EDGE. Did they petition the House Ways and Means Committee for a similar raise?

Mr. COLLINS. No, sir.

Senator KING. They opposed it.

Senator EDGE. Did anyone appear asking for a raise?

Mr. COLLINS. No. That was the only appearance made.

Senator REED. Now, on zinc, paragraph 394, the rate varies according to the metal content?

Mr. COLLINS. Yes. With zinc ore containing less than 10 per cent, there is no tariff. In the tri-State district, the greatet zinc-producing region of the world, the ore does not contain 10 per cent of zinc. It would not average more than 4 or 5 per cent.

Senator REED. Is it imported in that condition or is it concentrated?

Mr. COLLINS. It is not. It is a case where zinc ore has not yet begun to be imported, but where the industry is menaced any minute, owing to a change in conditions. It has become possible, since that tariff was established, through the perfecting of the selective flotation separating process, to separate lead and zinc in ores to a degree and in a manner that was not possible in 1922.

Senator KING. But the zinc would be a by-product of the lead or the silver ores?

Mr. COLLINS. Or the other a by-product of zinc. They come in together.

Take the ore that is treated, mined, and shipped in the Rocky Mountain region: It would average between 10 per cent and 20 per

cent, under which a foreign ore would pay a nominal duty of a half cent on the zinc. In 1922 there was perhaps no danger of that ore coming in; but now there is danger, owing to the change I spoke of.

Senator REED. But it has not actually begun to come in?

Mr. COLLINS. No. It will be too late to do anything when it begins to flow over the border, sir.

Senator REED. Not necessarily. That is what the Tariff Commission is for.

Mr. COLLINS. Yes, I know; but, as we have found in other cases, it takes the Tariff Commission a year or so, and while the Tariff Commission is investigating we get ruined.

Senator REED. Yes; that is true of all industries. The importations of zinc for consumption in the United States have been less than 1 per cent of the consumption.

Mr. COLLINS. They have been very small, sir.

Senator REED. Do you think that condition would warrant us in clapping an increase on the tariff on zinc?

Mr. COLLINS. It does no harm to provide for an imminent danger. What little zinc comes in at present would probably come in anyway.

Senator KING. Would it not do any harm to the purchasers?

Mr. COLLINS. I do not think so—not one bit.

Senator KING. Then why do you want the tariff, if you would not raise the price?

Mr. COLLINS. Because the foreign producer in Mexico or in Canada, under the provisions as they now stand, will be able at any time to supplant a very large part of our industry. I do not see how our consumers can gain by that.

Senator KING. The purpose of the tariff is to permit you to increase the price, is it not?

Mr. COLLINS. No; not in the case of zinc. In the case of lead, the main object of the increase that we asked for is to prevent disastrous fluctuations such as we have had in the last two years. Secondarily, we would like it to increase the price somewhat, even over the present price; but what we want to avoid and what it is essential that we should avoid is further drops down to 6 or 6½ cents, because the smaller producers will be put out of business; the consumer in the long run will be injured, because such drops as that are inevitably going to be followed by very high prices, which in turn bring out substitutes. Great fluctuations in price do raise prices to the consumer.

Senator KING. Mr. Collins, do you not find fluctuations, more or less violent, in part superinduced by our inventive genius and by the development of mechanical contrivances in many of the commodities which the American people produce and consume?

Mr. COLLINS. Yes, sir; but——

Senator KING. And is not that fluctuation incident to a progressive country? We are not a static country.

Mr. COLLINS. I do not think so, sir. I think that the major fluctuations in the case of minerals and metals are mainly due to the sudden development of new sources of supply abroad or the sudden utilizing of previously known sources. I think that one of the great functions of the tariff, and why it is more valuable in connection with mineral products than anything else, is that it has a stabilizing effect. It calls into existence a large domestic industry, which, in order to be

profitable, has to be permanent; up to a certain point it does tend slightly to raise prices, but it also tends to obviate those sudden floods of production that make the tremendous fluctuations in prices.

Senator KING. If the stabilization produces some sort of a unit of prices which resists—and that inertia is the tendency, of course, where you have your stabilization—which resists the downward price which ought to come as a result of inventions and new metallurgical and other processes, then the statement which I have suggested would be true, that an increase in tariff would either increase the rate or would produce a sort of a frozen stabilized condition which would resist legitimate downward prices as the result of development, metallurgical and otherwise?

Mr. COLLINS. Senator, in the case of the metals of which the ultimate supply is limited, there will be no further such downward tendency. All students of this subject have worked that out. What we have to fear is a too violent upward tendency, due to exhaustion.

The metals of the world, unlike everything else, are limited in quantity; and particularly is this true of lead which geologically tends to exist near the surface. Lead is one of the metals that will first be exhausted, and approaching exhaustion will tend to raise the price unduly. There is grave danger——

Senator EDGE. Do you think we are forcing that grave danger?

Mr. COLLINS. I think there is very strong reason why, as a matter of public policy, we should try to encourage broadening the basis of production, because otherwise we shall inveitably, sooner or later, come up against famine prices for metals, especially lead and tin, with which last you are not concerned——

Senator EDGE. Would you consider a total of five per cent of imports any menace to the broadening and increasing of production in this country?

Mr. COLLINS. If it prevents the small mines, which are the big mines of to-morrow, from being developed and opened up; yes.

Senator REED. That philosophy would lead to the conservation of our domestic resources, and the free importation of metals from all other countries.

Mr. COLLINS. It might, if the exhaustion were in our own country alone, and not in the rest of the world; but the exhaustion in this case applies all the world over.

Senator REED. The last statement of production that we have for the United States indicates a production of 708,000 tons of zinc from domextic ores. Against that we have an importation in the same year of 155 tons.

Mr. COLLINS. Yes, sir.

Senator EDGE. Can that importation control the world's price that you referred to?

Mr. COLLINS. Not for a minute. In the case of zinc the danger is coming, because Canada and Mexico have ore in great quantities of the same grades that we have, and directly that ore comes across the border line it is subject to the same economic conditions. It has even better facilities for treatment, because our plants are concentrated along our borders.

Senator REED. If they bring over the ore of low zinc content, of course the freight is against them. There is that much more tonnage to pay freight on.

Mr. COLLINS. No, sir.

Senator REED. If they concentrate it first, then it comes in under the duty clauses here.

Mr. COLLINS. No, sir. Our plants are to a great extent concentrated near our own borders, where reasonably favorably situated mines in Canada or in Mexico have the freight with them instead of against them. They are better situated than we are, in many cases.

Senator REED. What increase do you ask, Mr. Collins, in the zinc tariff?

Mr. COLLINS. I do not ask for any increase, sir; but I do ask that you abolish the distinction under which low-grade ores are admitted at nominal tariff rates, or at none at all.

Senator REED. Then you would make the 1 cent per pound apply to all ores?

Mr. COLLINS. One and a half cents; per pound; yes, sir.

Senator REED. One and a half cents?

Mr. COLLINS. If the zinc is recovered, it is economically recovered. There is no reason that I can see for any difference there.

Senator REED. I think we have your point, sir.

Mr. COLLINS. May I add one word as to the particular need, the immediate need?

The mining industry of Colorado is not important only to itself. It happens to be important to the State; and if it were not so I should not be here talking for the State. In the western part of Colorado, freight conditions and market conditions are such that the agriculturists have no other cash market in which they can dispose of most of their products except in the mining communities. It is an unfortunate condition or situation; and it is true that for Colorado to-day, while my colleagues are asking for help, the help for which they ask can hardly benefit large sections. The only way of benefiting the farmer throughout most of the western part of the State is through allowing him to keep his markets in the mining communities.

In the southwest corner of our State to-day we have a railroad named the Rio Grande Southern. At this time, while we are talking, sir, that railroad is threatened with abandonment. It is not paying. Our mineral production, which sustains it, has dropped, and they threaten to stop it. At present through trains are not running on it at all.

Senator REED. Certainly that is not due to the importation of one-fiftieth of 1 per cent of the country's production of zinc ore.

Mr. COLLINS. Not zinc ore. It is due to that lead importation.

Senator REED. I thought you were speaking about zinc.

Mr. COLLINS. The two must be considered together, sir. They occur in the same ore. Where nature has put them in one schedule it is impossible for you to consider them as if they were entirely separate.

Senator REED. We have got to consider them together, of course. Is there any other metal about which you want to speak to us?

Mr. COLLINS. Merely as to that imminent danger. Now, if that railroad stops in that corner of the State, there is absolutely no other outlet—no other possible outlet. Those people there absolutely depend on the mineral production.

Senator BARKLEY. Have not new processes made it possible to recover zinc in a large quantity of ores that in former years were regarded too refractory for use?

Mr. COLLINS. Yes, sir.

Senator BARKLEY. Does that apply to Colorado?

Mr. COLLINS. Yes; it applies perhaps more completely to Colorado than to any other State; and when I say Colorado can produce 80,000,000 instead of at present perhaps 55,000,000 pounds of lead, it is that type of ore that I refer to.

Senator BARKLEY. I am speaking of zinc.

Mr. COLLINS. They occur together.

Senator BARKLEY. I know, but the same thing may not apply. There may be a smaller quantity of zinc in proportion than of lead.

Mr. COLLINS. There is not. In general, about the same proportion between lead and zinc exists everywhere.

Senator BARKLEY. I notice here that in 1927 we produced a total of 708,000 short tons. What proportion of that was produced in Colorado?

Mr. COLLINS. Of zinc?

Senator BARKLEY. Yes, sir.

Mr. COLLINS. In 1928 Colorado produced 54,000,000 pounds of lead, 65,000,000 pounds of zinc——

Senator BARKLEY. Pounds or tons?

Mr. COLLINS. Pounds. I am talking of pounds.

Senator BARKLEY. That is a very small portion of the total.

Mr. COLLINS. It averages about 5 per cent in the case of lead, and has been rapidly dropping during the last year and a half.

Senator BARKLEY. That is all.

Senator REED. Mr. Collins, we are very much obliged to you, sir.

(The brief submitted by Mr. Collins is as follows:)

BRIEF OF TARIFF COMMITTEE OF THE COLORADO LEGISLATURE

At the regular session of the Twenty-seventh General Assembly of the State of Colorado, held in Denver, Colo., on April 12, 1929, Senator Arthur introduced the following resolution:

"SENATE JOINT RESOLUTION NO. 12, BY SENATOR ARTHUR

"Whereas a revision of the tariff schedules affecting agriculture, stock raising, and mining will probably be undertaken by the Congress of the United States recently called by the President in extraordinary session; and

"Whereas such revision may likewise be undertaken by the next regular session of such Congress; and

"Whereas such interests are of great and vital importance to the progress, development, and prosperity of this State; and

"Whereas such vital interests are now in the opinion of the general assembly inadequately protected by import duties and tariffs; and

"Whereas additional protection to agriculture, stock raising, and mining products of this State would greatly enhance the prosperity and well-being of the state; and

"Whereas it is believed by the general assembly that the people of this State should be effectively represented at any hearings which may be had before the appropriate committee or committees of said Congress, to the end that the necessity of such additional tariff protection may be properly urged upon such committee or committees and upon the Congress: Now, therefore, be it

"*Resolved by the senate of the twenty-seventh general assembly (the house concurring)*, That a joint committee of three representative citizens of this State be constituted for such purpose, such members to be appointed by the con-

current action of the president of the senate and the speaker of the house of representatives, and that one member of said committee be designated as a representative of the farming interests of the State, that one be designated as a representative of the stock-growing interests of the State, and that one be designated as a representative of the mining interests of the State, and that said committee be authorized, empowered, and directed to attend any tariff hearings affecting said interests which may be held preliminary to or during said extraordinary session of the Congress, and also any tariff hearings which may be held preliminary to or during said regular session of the Congress and that said committee be authorized and directed to prepare and submit at any session of any such committee at which such committee may be heard all available arguments, statements, and data relative to the necessity for such additional protection of the interests above mentioned, to the end that the Congress may be fully advised as to the needs of said industries of additional and adequate protection."

This resolution was unanimously adopted by the senate and sent to the house, where it was also unanimously adopted.

On April 20 the president of the senate, with the speaker of the house of representatives concurring, appointed the following committee as provided for by Senate Joint Resolution No. 12:

Senator Claude H. Rees, of Rifle, Colo., representing the stock-growing industry.
Hon. R. T. Burdick, of Fort Collins, Colo., representing the farming industry.
Hon. George E. Collins, of Rico, Colo., representing the mining industry.

On April 17 the senate passed Senate Memorial No. 3, which was sponsored by Senators Flebbe, Arthur, Pingrey, and Wheeler. Senate Memorial No. 3 is as follows:

"*Be it resolved by the senate of the twenty-seventh general assembly (the house of representatives concurring)*, That this general assembly favors the prompt enactment of legislation by the Congress of the United States, to establish a protective tariff on the metals, silver, lead, tungsten, and zinc which will effectively establish and maintain a fair price for these metals to the metal mining industry of Colorado, reasonably in excess of that price now prevailing, and that this general assembly believes that such a tariff would completely revive the metal mining industry of Colorado, and would permit the labor of the Colorado miner to successfully compete with the cheap mine labor of Mexico and foreign countries; be it further

"*Resolved*, That the United States Senators and Members of the United States House of Representatives representing the State of Colorado are hereby earnestly requested and urged to exert their efforts to secure the passage of this legislation by Congress, and that copies of this resolution be sent to the President of the United States, the President of the Senate of the United States, the Speaker of the House of Representatives of the United States, and to Senators and Representatives of the State of Colorado in Congress."

BRIEF PREPARED BY COMMITTEE

The committee appointed by the Legislature of the State of Colorado respectfully submits the following memorandum to the Congress of the United States, with reference to changes desired by the State in the metal schedules of the tariff act now before Congress:

The condition of the mining industry in our State is serious and almost desperate. From 1900 to 1928 the total production of gold, silver, lead, zinc, and copper (metals which are in great measure produced by the same mines and which are therefore included in the same Government statistical publications) fell from $50,000,000 to $16,000,000 annually. The amount of suffering and loss which this has involved to the people in the mining towns, and to the neighboring ranchers, whose best market, in many cases whose only market they afforded, can hardly be overstated. In many districts, and especially in the southwestern portion of the State, distances are so great, and freight rates so high, that the farmers and stockmen have practically no other remunerative market. Nothing is more vitally important to the farmer in Colorado than the resuscitation and prosperity of the metal mining industry.

TARIFF ON LEAD

Excepting the Cripple Creek district (which produces practically nothing but gold) and those districts which produce tungsten, molybdenum, or vanadium, the mines of Colorado produce silver, gold, lead, and zinc or copper, in varying amounts. They can not be considered exclusively as precious-metal or base-metal mines. All of them depend essentially on the price of lead, even in those

cases where they happen to produce a negligible quantity of that metal. For nearly all silver ores, and most gold ores in Colorado, contain some lead. Even if they do not, the ores or their products require eventually to be smelted in lead-smelting furnaces. The cost of recovery of precious metals depends largely on the quantity of lead ores available at the smelter, and consequently on the price of lead. An improved price for lead is therefore one method—perhaps the only method immediately practicable—of assisting the larger part of the metal-mining industry.

Colorado was at one time the largest producer of lead in this Nation. During the eighties its production of this metal averaged 44.6 per cent of the total output of the United States. By 1927 our contribution had fallen to one-eighteenth of the total. This resulted partly from the exhaustion of the readily smelted carbonate ores of the Leadville district. Nevertheless, the lead resources of Colorado are still very extensive and widespread. The ore bodies are exceedingly numerous but relatively small, so that individual mines do not justify equipment with smelting plants, or even in most cases separate milling plants, and their output has to be transported to distant treatment plants, at high cost. The loss of the output of the metal mines has impoverished our railroads, and in many instances has resulted in their abandonment; it has seriously affected distant communities which otherwise would hardly have known that the mines existed. To a greater degree, perhaps, than in other States, our ore deposits have changed in depth to what are called "complex" ores, the economic treatment of which requires the cooperation of many other industries. There are probably no other so-called "natural resources" which have to undergo as many or as complicated processes before entering the hands of the ultimate manufacturer. There are almost certainly none the final cost of which includes as large a percentage of labor cost, direct and indirect.

We give below a table showing, in pounds, the production of Colorado and of the United States in relation to tariff and metal prices:

Tariff (cents per pound) and year	Colorado	United States	Colorado per cent, total	Lead price, per pound
	Pounds	*Pounds*		*Cents*
1½ cents, 1898-1912	1,545,382,304	9,179,778,000	16.2	----------
¾ cent:				
1913	87,897,773	823,736,000	10.6	4.4
1914	74,211,893	1,025,588,000	7.2	3.9
1915	68,810,597	1,014,052,000	6.8	4.7
1916	70,914,087	1,104,456,000	6.4	6.9
1917	67,990,012	1,096,910,000	6.2	8.6
1918	63,960,760	1,079,810,000	6.1	7.1
1919	37,070,241	848,360,000	4.3	5.3
1920	46,629,788	953,698,000	4.8	8.0
1921	19,660,466	796,444,000	2.5	4.5
1922	23,477,200	937,492,000	2.5	5.5
1½ cents:				
1923	45,798,185	1,087,682,000	4.2	7.0
1924	47,557,061	1,132,314,000	4.2	8.0
1925	62,966,000	1,309,842,000	4.8	8.7
1926	68,988,000	1,361,370,000	5.1	8.0
1927	66,772,557	1,336,640,000	5.0	6.1
1928	54,036,000	----------	----------	6.3

It will be observed that the production does not respond directly to change in lead price, largely because costs have increased in much the same ratio and because the value of the ore produced is the aggregate value of the several metals contained, which vary from time to time. And in Colorado, where the mines ship to custom smelting plants, the cost of treatment and freight are practically a prior fixed charge.

We respectfully urge an increase of 33⅓ per cent in the present tariff rates on lead ores, lead products, and metallic lead.

It is not easy for us to combat, in advance, the arguments that may be brought forward in opposition to the moderate increase that we advocate. No such arguments have been adduced, and we doubt if any sound arguments exist. So far as we have heard any criticism, it has been the following:

(*a*) The foreign importations of lead, chiefly from Mexico, are very little more than our own exports.

This is true; the excess is relatively small, but its effect on prices is immediate and overwhelming. Anyone who has closely followed the relation between domestic and foreign quotations, during the last few years, can not but have been struck by the fact that frequently, as the domestic demand increased, the price has begun to rise. After a week or two, however, weakness in the London market has followed, the London price dropping to a point at which foreign exportation into the United States becomes profitable, whereupon the New York price is reduced in order to hold the domestic market. Domestic and foreign prices, in fact, have seesawed, each being used in turn to hammer the price down. In other words, the natural level of prices which the free play of supply and demand in America would otherwise have brought about has repeatedly been interferred with by Mexican importations.

(*b*) An advance in price is not necessary in order to enable the larger producers to earn satisfactory profits.

It is true that, up to the present, the larger deposits of Missouri, Idaho, and Utah have shown themselves able to maintain profitable output at the present price of lead. But the situation of Colorado is typical of the small mines throughout the Western States; and after all, it is the large number of small mines, rather than the few great ones, on which the public welfare mostly rests. This is a Government of men, rather than one of interests; and it is on behalf of the people of the Western States that we make this appeal to Congress.

It may be true that these big mines can continue to produce lead indefinitely under the existing tariffs; but our information from many of their workers and technical staffs leads us to doubt whether it can be done without drawing unduly on their richer ore. Their interests are represented before Congress by the men who exercise the financial control, and who are, in the great majority of instances if not in all, themselves heavily interested in foreign mines. In any case, if the mines of Colorado, and the smaller mines throughout the West, are forced to close down permanently, and if, as must follow, the railroads which now haul their products and the smelters which treat their ores, also go out of existence, the final result will be that the few big mines will obtain a monopoly, and the consumer will have to pay higher prices.

(*c*) Advance in prices will tend to increase output.

The increase in tariff which we advocate can not increase prices more than its amount; directly this is exceeded, Mexican lead will come in and restore the balance. The effect can only be to raise the minimum price to a figure at which our industry can barely exist, during periods of low world prices. Increase of tariff to this moderate extent will tend to stabilize prices, and thus will benefit the real consumer, who does not profit by the sudden fluctuations which have characterized the lead market during recent years. A 50-cent increase in tariff on lead will merely increase output to a point where the United States production will equal consumption.

(*d*) Advance in price will tend to encourage substitutes.

The reply to this is that a 50-cent advance can not possibly have any such effect. The violent fluctuations in price that we have experienced in recent years, ever since the war period, and which, as is well established, are to some degree discouraged by moderate protection of home production, may necessitate substitution, to the ultimate injury of industry.

TARIFF ON ZINC

Many of the reasons for a moderate increase in the tariff on lead apply also to a similar increase in zinc tariff. On the other hand, we have the fact that the United States produces a surplus of zinc which must be exported. This being the case, it may be questioned whether a duty can be practically effective.

There is, however, much reason to doubt whether this condition will be maintained in the future. Increased production from Canada and Mexico is threatened, and as this production will be made at low cost it may displace the production of some of our domestic mines. We respectfully commend to the consideration of Congress whether an increase in tariff, to forestall any such future development, should not be made at this time; or, as an alternative, the Tariff Commission might be instructed by resolution of Congress to proceed in advance with such of the necessary investigations as may be possible, with a view to making prompt recommendations to the Executive under the flexible provisions of the tariff, if the threatened emergency should actually arrive, before a great part of our domestic industry shall succumb to foreign competition. The Ways and Means Committee of the House of Representatives proposes to provide that lead and zinc contained in complex ores shall be admitted free of duty

unless actually recovered. Such a provision seems very plausible; nevertheless, it is ambiguous, and may form a source of serious danger unless carefully guarded. The progress of metallurgy is so rapid that metals that are not recovered to-day will certainly be recovered to-morrow; and if imports of such metals are permitted free of duty, they will constitute a continual menace to the domestic producer. Among the most striking illustrations of this is the zinc that is now sent to waste in the slags of lead-smelting plants. In Germany and Poland zinc is now being recovered from such slags; and it will certainly be recovered by similar means in the United States before long. To permit the importation of such material, or the zinc in lead slags to accumulate here after being imported free of duty, will be in effect to subsidize the unprogressive importer, at the expense of the domestic producer.

TARIFF ON SILVER

The Legislature of Colorado has memorialized Congress for a duty on silver. The United States produces more silver than it consumes, and it is doubtful if a tariff would bring any relief to the silver miners. The committee feels that some other way must be found to help this important industry. If any class of producers in this entire Nation needs and deserves the utmost endeavor of Congress to render assistance to the fullest extent possible under our institutions, it is the gold and silver miners of the Western States.

TARIFF ON TUNGSTEN

We respectfully reiterate the request heretofore made on behalf of the tungsten producers of Colorado for a 50 per cent increase in the tariff on tungsten ore and metal, the tariff to include alloys, metal scrap, and all material of every kind and description containing tungsten. Years ago, when the congressional hearings were held, as a result of which the present tariff was enacted, it was the opinion, practically unanimous, of all those qualified to judge, that a price for tungsten based on the equivalent of $15 per unit of tungstic acid contained in the ore was necessary, in order to justify the investment of capital in the development and operation of tungsten deposits. The experience of subsequent years has merely served to prove the correctness of this opinion. The undeveloped resources of the United States in tungsten are enormous and ample to supply its entire requirements. But it is not possible, in the long run, to produce tungsten profitably without tariff protection sufficient to keep out the coolie-produced alluvial tungsten from China, and enable the domestic producer to obtain about $15 per unit. In our opinion, nothing less than an increase of 50 per cent in the existing tariff rate will effect this.

Respectfully submitted on behalf of the Legislature of the State of Colorado.

CLAUDE H. REES.
R. T. BURDICK.
GEORGE E. COLLINS.

JUNE 25, 1929.

FINANCE COMMITTEE,
United States Senate, Washington, D. C.

GENTLEMEN: I desire to add the following to the brief already presented on behalf of the State of Colorado and the Colorado Mining Association with respect to zinc: Outside of the Mississippi Valley lead and zinc minerals exist together, in the same ore, mixed in varying proportion. The lead and zinc content must therefore be considered together. Since the selective flotation process was perfected it has become possible to separate them commercially. In the Rocky Mountain region to-day ores are evaluated, not on the percentage of lead or zinc taken separately, but rather on the combined lead-zinc percentage.

The existing tariff was formulated before this development, and provides for different rates, varying with the zinc content of the ore. The grade of ore that we are to-day producing in the Rocky Mountain region is subject only to a nominal duty of half a cent per pound on the zinc content. The grade of ore that is produced in our tri-State region bears no duty at all. The present tariff does not apply the full rate (1½ cents per pound) until a zinc percentage of 25 per cent is reached; which means, in lead-zinc ore, that only exceptionally high-grade ore pays this rate.

Northern Mexico is as well situated as is the Rocky Mountain region, in respect of freight rates and other conditions, and has much lower labor costs.

The domestic producer of zinc-lead ore can not compete with Mexico, and Mexican ores by the new processes of treatment will command a large part of our domestic market.

In Canada conditions are fully as favorable as in the United States; smelting plants of the most modern type and ample capacity now exist just across the border from Canada and Mexico, ready to take the production from those countries that now menace the domestic producer.

We submit that there is no valid reason for the differentials in the existing zinc-ore tariff. Whether zinc-bearing ore at the time and place of importation contains 5 per cent, 15 per cent, or 25 per cent of zinc is largely a matter of the size and character of the ore body, and the amount of preliminary enrichment by sorting or concentration, that is found expedient to effect at the mine. We respectfully submit that zinc-bearing ore should bear a uniform tariff rate of 1½ cents per pound on the zinc recovered therefrom, irrespective of the zinc percentage.

Respectfully submitted.

GEORGE E. COLLINS.

SUPPLEMENTARY BRIEF OF THE STATE OF COLORADO AND COLORADO MINING ASSOCIATION

When I presented my testimony concerning the extent of tungsten resources in the United States, members of your committee asked me questions as to the necessity and justification for what seems, at first sight, to be a very high tariff rate, which questions I did not feel qualified to answer on the spur of the moment. After giving them careful thought I feel able to make more intelligent replies, and if the committee desires to receive and consider this further supplementary brief, I will now submit them.

I will commence by restating and amplifying (translating as far as possible precise geological terms into words that can be understood by any educated man) my statement that our resources of tungsten-bearing ore of very low grade are enormous.

Throughout the western United States, geologically recent granitic rocks are common, and in many acreas the material of which these were formed originally contained tungsten. This material, called by geologists "magma," came up from greater depths, was molten or at least sufficiently fluid to be mobile, and contained in addition large amounts of water vapor and other gases. It was forced, probably by external pressure, against and into pre-existing sedimentary rocks; whereupon as it cooled and consolidated, the vapors and some substances theretofore held in solution were expelled. This took place at a considerable depth below the present surface. At and near the places where the magma came into contact with limestone rocks, the latter were often changed into a distinctive type of rock, characterized by the minerals garnet (red-brown) and epidote (green). This changed rock, in many areas, contains grains of scheelite (a compound of tungstic acid and lime) scattered throughout its mass, constituting low-grade tungsten ore. The amount of tungstic acid so contained in sometimes less than one-quarter of 1 per cent, and occasionally more than 1 per cent. But considering these deposits as a whole the percentage will vary between one-fourth of 1 per cent and 1 per cent.

This type of ore is called by geologists "contact-metamorphic" tungsten ore. It was first precisely described by Messrs. Hess and Larsen, of the United States Geological Survey, in Bulletin No. 725-D, published by the survey in 1921. They called it "tactite," and say concerning it, on page 245:

"For years the United States has been not only one of the largest producers of tungsten concentrates but the largest producer of scheelite and ferberite, and in 1918 it was by far the largest producer of tungsten concentrates from contact-metamorphic deposits * * * It is probable that other such deposits will be found in widely different parts of the country, as prospectors and geologists have only recently learned that material so unpromising looking as nearly all the contact-metamorphic tungsten ore may carry the difficultly detectable scheelite in paying quantities."

And again, on page 258:

"With tungsten at the present prices in the United States little prospecting for it is likely, but when the price again reaches a point where ore running from one-fourth to 1 per cent of WO_3 can be profitably mined, systematic prospecting for bodies of contact-metamorphic tungsten ore will probably be again under-

taken and should result in the discovery of new deposits in the California-Nevada area, and probably also in some of the adjoining States."

Considerable areas of this contact-metamorphic tungsten-bearing rock occur throughout the Western States, especially in Nevada and California, but also in Utah, Arizona, Oregon, and Colorado. Many of such deposits have never been located or claimed under the United States mining laws. Many others have been made the subject of mineral locations and subsequently abandoned. A few of the more favorably located ones or of those that appeared to be richer were opened up and worked more or less during the closing years of the war. A few of the richer deposits are being worked now, but these are only a small percentage of the deposits already known, and probably a much smaller percentage of the total number, which are not known or discovered, because their value is not recognized. Those that are known, of course, are exposed at the surface; there must be an infinitely greater number that are partly or entirely covered by other rocks.

In other areas, the portions of the magma, which began to consolidate last, were segregated by natural processes into different types of rock; the more quartzy separating out from the parts containing less quartz, because these contrasting types freeze or solidify from the molten state at differing temperatures. Both varieties of rock thus differentiated often contain tungsten, in areas where the original magma contained it. These types of ore, or at least tungsten-bearing rock, are often found in distinct layers separating other rocks, and sometimes as layers separating the granite from the overlying sedimentary rocks. They contain scheelite, sometimes as large crystals or nests of crystals, sometimes very finely disseminated throughout the entire mass of rock.

This type, which I will call "differentiated magmatic" tungsten ore, is less generally known, and as far as I know has never been described in any scientific or technical publication. It is even less easy to recognize by the eye than the contact-metamorphic type; but broadly speaking contains tungsten in percentages varying within the same range, although in isolated patches it is often excedingly rich. The occurrences of this type that I have seen are mostly in southern Arizona, but they are probably numerous wherever the granite magmas originally contained tungsten. Unless the nests of tungsten crystals are prominent and of distinctive color, as they often are, these deposits are difficult to recognize, and as for the most part they have been considered uncommercial at the average price that has ruled for tungsten since the war they have not been looked for. The number of known occurrences is large; the total number that exist is probably much larger.

The contact-metamorphic deposits are sometimes distinct veins, when thin limestone beds were interstratified with less soluble rocks and subsequently tilted on edge. Sometimes wide belts are interstratified with the general country rock. Sometimes they occur as masses, of irregular shape. The differentiated magmatic deposits may also be of irregular shape, but most that I have seen are like coal beds in form, sometimes lying flat, sometimes inclined.

(2) The raw material in this case is the low-grade tungsten-bearing rock, which can usually be quarried or mined on a large scale quite cheaply. But there is not and will not be a market for such rock, as it occurs in nature, for it would not be worth the cost of transportation for 1,000 or 2,000 miles. To extract from it relatively small quantities of 60 per cent tungstic acid concentrates, clean and almost pure, is a tedious, expensive manufacturing proposition; fully as complicated, and requiring as much knowledge, skill, capital, and labor, as any other manufacturing business known. On the average it will require at least 120 tons of the raw material and many different mechanical operations to obtain 1 ton of 60 per cent concentrate.

(3) After the artificial stimulus created by war prices, the production of tungsten concentrates in this country came to an end. The tariff of 45 cents per pound of metallic tungsten (equal to about $7.14 per unit of tungstic acid) which was imposed in 1922, because of the extraordinarily low prices at which Chinese alluvial wolfram and tungsten-bearing steel scrap have been imported, has only raised the average domestic price to about $10.50 per unit, and this price has not justified the large capital expenditures necessary to enable the great known resources of contact-metamorphic ores to be worked. The differential-magmatic type was and is less generally known, but I doubt whether production of scheelite concentrate from it, at lower cost than from the contact-metamorphic type of deposit, is possible.

In any such case as this, where the raw material exists in almost unlimited quantity, assuming a stabilized price for the product over a period of years, it is

probable—perhaps certain—that the inventive genius and technical aptitude of engineers would eventually enable economics and improvements to be brought into the methods of mining and treatment, so as to reduce the cost and cheapen the product. But it can not be too clearly stated that engineers are not wizards; they can not evolve improved processes, perfected technique, and low-operating costs, out of thin air. The engineer has to start with imperfect methods, and improve them gradually, under the limitations imposed by commercially minded employers who demand assurance of profit at every stage; he must work from the known to the unknown. There is no scope here for his inventive genius unless his finished product (60 per cent concentrate) is protected against the influx of erratic supplies of similar material from other countries, suddenly discovered and soon exhausted.

(4) What justification exists for such an extraordinarily high tariff, stated in percentage of value?

The answer is to secure a regular, dependable supply of tungsten concentrate (the raw material for the next step, the manufacture of high-speed steel, metallic tungsten, or special alloys), which will afford a permanent foundation, on which these industries can build.

When new tungsten fields are first discovered, there are usually found rich surface bunches, and concentrations of ore in the surface soil, where it has slowly accumulated for centuries; the rock that originally inclosed it having been worn away, dissolved away, or removed by secular alterations of heat and frost. These surface accumulations never last long, and from the conditions of their occurrence can not last long. They have been found in most districts, and in every district heretofore they have soon been exhausted. They are easy to find, and it is hardly possible to speak of them in connection with any definite cost of production. One might almost as well try to figure out the cost of production of gold, from the data afforded by finding a miser's hoard, when digging a cellar. In my opinion, it is unwise to base any industry on such erractic sources of supply, the duration of which is short, but incalculable. I personally have been surprised that the importations of cheap ore from China have lasted as long as they have; I can only explain it because I understand that in southern China tungsten occurs over a large area, and is produced largely by farmers in the season when agricultural work is at a standstill.

I testified that long before the war—more than 20 years ago—I myself produced and sold tungsten concentrates in Colorado at a price of $3.50 per unit from properties which at that time I owned or operated. But it would not have been correct, then or at any time, to speak of $3.50 per unit as being the cost of production, in any true sense. Neither I nor anybody else could have continued producing at that price for a period of years, and in fact nobody did. Such surface pockets and surface accumulations will be found in varying quantity in every new district, but tungsten concentrates can not be continuously produced from such deposits at any price. When people get down to serious mining, costs in any part of the world are comparable; that is, there will not be more than 300 or 400 per cent difference in costs. Labor may receive 10 cents per day in one country and $5 per day in another, but the relative efficiency tells in the opposite direction, so that the true cost will not vary to nearly the same degree as does the daily wage.

SUPPLEMENTARY BRIEF ON TUNGSTEN

(5) Can such a tariff rate as $10 per unit of WO^3 (say 70 per cent of the selling price of the material in the United States) be justified?

I think it can be, for the sake of a dependable and uniform supply.

$900 per ton for 60 per cent tungsten concentrates or $2,700 per ton for metallic tungsten sounds a high price, but so does $36,000 per ton for metallic molybdenum or $600,000 per ton for gold or $2,176,000 per ton for platinum. The real point is that the true unit of consumption of these metals is not the ton, but the pound or ounce. Tungsten is used in such small quantities and in such high-priced products that a difference of $300 per ton in the price of 60 per cent concentrates makes little difference in the price of the articles actually used by the ultimate consumer, and to the manufacturers the existence of a dependable soucre of supply should be the main consideration. To secure this dependable source of supply from domestic sources the existing tariff rate seems to have been inadequate. To maintain it, once the industry is established on the basis of the enormous known low-grade deposits, even a lower rate might suffice.

For such deposits as have been the source of our domestic supply between 1922 and the present the present rate of tariff may be nearly sufficient, but these deposits are merely the cream of our natural resources. They do not furnish enough to supply the whole of our requirements, and in the course of a few years will be exhausted, while our low-grade ores, systematically worked and made the basis of a large industry, might supply us indefinitely with all the tungsten that we need.

Respectfully submitted.

GEORGE E. COLLINS
(For the State of Colorado and the Colorado Mining Association).

STATE OF COLORADO,
City and County of Denver, ss:

Before me, the undersigned, a notary public in and for the city and county of Denver and State aforesaid, this day appeared George E. Collins, who is personally known to me to be the person whose mane is subscribed to the foregoing brief, who, after being duly sworn, acknowledged his signature thereto, and declared that the statements contained in said brief and all of them are true to the best of his knowledge and belief.

Given under my hand and notarial seal this 2d day of July, A. D., 1929.

[SEAL.] JOHN T. WEISZ, *Notary Public.*

My commission expires August 17, 1931.

BRIEF OF THE CLEAR CREEK COUNTY METAL MINING ASSOCIATION

[Including silver, par. 1638]

Following an intensive statistical study it appears to the tariff committee of the Clear Creek County Metal Mining Association that the present existing tariff schedules on lead and zinc, both in ores and as metals, requires a substantial raise to place the American producer of these metals in a position to successfully compete with the low-cost producers of Mexico where labor is paid about 50 cents per day. Following is a classified, detailed statement of the facts and conclusions that are relied upon by this committee as demonstrative of the need for the proposed upward revision. A careful study has been made of the situation in regard to silver, which will be found a separate subhead herein, and which, in the opinion of the committee, is entitled to careful consideration with the view to place a substantial tariff upon silver in ore, concentrates, base bullion, and metals.

LEAD

A slight observation in the way of history is thought to be beneficial at this point. The first tariff schedule on lead was put into effect in 1897 under the so-called McKinley tariff. Under the provisions of this act lead, metallic, was dutiable at 2½ cents per pound; lead in ores at 1½ cents per pound. This schedule remained unchanged until 1913 under Wilson at which time the "Underwood" tariff was passed, which lowered these schedules to 25 per cent ad valorem on metallic lead. The next step which occurred at the end of the year 1922 was the present tariff enactment, which reenacted the provisions of the old "McKinley" tariff of 1897, and placed metals in ores treated in this brief at the same rate as in 1897. With these facts in mind it is best to review the history of prices of these metals under the tariff.

During the war period there was naturally a great scarcity of lead, as wartime use tremendously increased the demand for this metal. Prices varied between 8 and 12 cents per pound according to available supply. Following the war and as one direct result of the lowered schedule under the Underwood tariff, prices steadily dropped until the price for the first three months of 1922 was 4.7 cents per pound; by early June of that year the tariff increase began to have effect and the price rose to 5.8 cents. The increase continued until at the end of 1922 the price was 7.25 cents. During the year 1922 the difference in price between the American market and the London market gradually widened until the difference remained practically at 2 cents per pound, where it has steadily continued until at this date lead is being bought and paid for in the United States at between 1½ and 2 cents higher in price per pound than in London, showing

conclusively that this tariff schedule is operating, to a limited extent, in protecting American labor and American capital invested in the United States.

During the period 1922 to 1926 lead prices have varied from slightly over 7 cents to 10 cents depending upon the supply and demand, but always has the American market been from 1½ to 2 cents higher than the world market at London as a result of the slight tariff protection we now enjoy.

In tariff study the figures of production and consumption in the United States are of interest and of value. In the years 1917 to 1922, inclusive, from 15 to 20 per cent of the American consumption of lead was supplied from foreign ores and base bullion, and the difference of import over export of this metal averaged almost $3,000,000 in value per year. Taking the difference in the production costs of Mexico and the United States into consideration about $5,000,000 per year was lost to American labor in this industry during the period, solely because of an inadequate tariff protection. From 1922 to 1926 the consumption of lead in the United States has steadily increased until the figures of the Department of Commerce show that during the five years enumerated consumption of lead increased 50 per cent in the United States. During the same period domestic production of lead was increased but the increase was very slight, and does not equal 20 per cent of the amount produced in the first year of the period stated. From the year 1926 to date although consumption of lead showed tremendous increase, production from domestic sources considerably decreased until the figure of output from domestic ores in 1928 was 624,000 tons, as compared to 695,000 tons in 1926. This condition rendered the tariff wall, as set up by the present schedule, inadequate and forced an import of base bullion in the first 11 months of 1928 of over 115,000 tons, almost wholly from Mexico. This import was for domestic need, as during this same period there was a tremendous increase in output of the factories which use lead as a raw material and the exports during this period were less than 11,000 tons.

Prior to the beginning of the present year the supply of metallic lead, including the imports over the tariff wall, was adequate for domestic purposes; but for the first three months of the year 1929 there was a scarcity of metallic lead which sent the price to 7.75 at the peak; the highest figure for over a year and a half. A flood of Mexican lead then appeared on the market which sent the price toppling to a figure as of the date of this brief, of 6.85. Imports and exports should be taken into consideration in preparing a proposed schedule of tariff and for this purpose this committee has made a careful analysis of all available figures, as published by the Department of Commerce, Bureau of Mines; as a result, it appears conclusively that during the period of 1917 to 1929, especially in the war-time period and in the past three years, from 12 to 20 per cent of our domestic consumption of lead has been supplied by production outside the borders of the United States and that imports from Mexico have constituted from 75 to 90 per cent of these imports.

SILVER

Historically speaking, the silver question has been tossed about politically since the first campaign of William J. Bryan. The tariff committee realizes that the policy of "16 to 1" is an economic fallacy and that no country can prosper under such a plan. Governmental subsidies such as the purchase of silver by the Government at a price in excess of the market price under the Pittman Act have been tried and have been very successful. These measures, however, have been entirely temporary, and have not placed stable prices on silver under which American mines could generally operate at a profit. For many years there has been an overproduction of silver in the United States and a tariff schedule under this state of facts would have made no difference in the low price paid to American producers. The silver market has been located at London and British interests have made an excessive profit by manipulation there, taking advantage of the fact that a large part of the world which has silver as a coinage basis is politically controlled by England.

Since 1923 there has been a steady decline in the silver production of the United States; in 1923 the figure was 73,000,000 ounces plus, which has declined until the figure for 1928 production was 56,000,000 ounces. After the war, consumption of silver in the United States steadily increased until in 1928 over 50,000,000 ounces of silver was actually consumed by the American market. The difference between import and export of silver as shown by the publications of the Department of Commerce has during all these years been an excess of export over import. However, the figures show this startling trend which is of

vital interest in the consideration of a tariff, in 1918 the excess of export over import in dollars amounted to practically 182,000,000 which figure had diminished until in 1928 the figure was less than $12,000,000. The facts above quoted show a definite trend which during the current year will mean that there will have to be a substantial amount of silver imported into the United States for consumption by the local market.

Few realize the amount of silver actually consumed by the motion-picture industry and other photography. There have been many experiments attempting to use reclaimed silver from films, but so far no practical process has as yet been utilized and from its very nature most scientists have agree that no practical process will be developed. This use is constantly increasing.

The important factor in the question of silver has never been thoroughly discussed in any publication to which the committee has access. Most Government booklets report silver by smelter production, which certainly includes the vast amount of base bullion, concentrates, and ores which are treated in the United States but which are mined in Mexico and Canada. The silver content of these metals is entered into this country free of charge, and the State where it is smelted gets credit for its production. According to the smelter reports, therefore, Texas, Arizona, New Mexico, Michigan, and various other border States apparently produce large quantities of silver, in fact practically one-third of the so-called domestic production is credited to these States. Since the dawn of history the State of Texas has boasted of one, and only one producing silver mine. This mine has had long periods of inactivity and the mine reports of the State of Texas for the past few years shows no production from this property. It would, therefore, seem obvious that the so-called domestic production of silver which comes from the State of Texas is mined within the city limits of El Paso where the large smelters of the American Smelting & Refining Co. are now flourishing. This and similar plants are to be found in a fringe along the Mexican borders, supplied largely, and in some cases entirely, by ores mined in Mexico. Every one of the 200,000 tons of base bullion imported in the United States during the first 11 months of the year 1928 contained large quantities of silver which was admitted free of duty and which made up practically one-third of the so-called domestic production of this metal.

Until this situation is remedied by a protective tariff on silver in base bullion, ore, and concentrates, no American mine can successfully compete as a silver producer with the property of the large smelting companies which apparently have joined together in a plan to flood the American market with the product of their cheap labor, produced in a country where no citizen of the United States, except the employees of this trust, ever receives one penny profit of the enterprise.

ZINC

On the question of an increased tariff on zinc, it will be perhaps well to consider the facts and arguments set out on behalf of lead, as the supply and demand, import and export of zinc follows rather closely the statistics as set out in the paragraphs on lead.

GENERAL STATEMENT

Practically the entire western part of the United States is the territory in which these metals are to be found. This region has been prospected and vast bodies of mineral-bearing rock have been actually located, assayed, and vastly developed. The ores of this region are what is known as low grade complex ores. They contain, and actually can be made to pay in, four or five different metals. Any help therefore that is given by raising the market value of two or three of these metals will materially benefit the metal mining industry. Colorado alone contains the largest amount of low grade lead-zinc ores of any similar region in the world, according to eminent mining engineers.

The tariff is the only means devised by economists that will permanently increase the price of metals, such as are under consideration. The varying rules of supply and demand may mean prosperity one day and ruin the next; as has been the case in many industries to which the Government has not extended a helping hand in the form of protection.

Many millions of dollars are now invested in the metal mines of the Rocky Mountain region and hundreds of thousands of families obtain their living from the industry here sought to be assisted. Government officials should realize, in considering this question, that it vitally affects a large percentage of our people and a huge amount of our capital, and that the policy of protection if given in these

cases will mean a source of permanent income to a vast number of families and a source of permanent profit to large capital investments.

The basic theory of protection as applied to these metals means that American labor and capital can supply the American market with needed materials, and will be allowed to compete upon an equal basis with cheap foreign labor—that the American metal miner with his high standard of living can engage in this essential occupation and successfully compete with the Mexican peon. Prof. F. W. Taussig, professor of economics at Harvard, has stated that "protection seems, to most people, a 'national' policy, and in fact is so, in the sense of causing exchange to be made within a country, rather than between countries."

In this connection it is well to bear in mind that the policy of American business is protection. That the metal miner is forced to supply himself with machinery and explosives, which comprise a large part of his expense, in a highly protected market, and to pay wages to his empolyees on a scale that is ten times higher than the Mexican. The example of Mexico is used here because the larger portion of our imports of these metals comes from Mexico.

During the past few years it has been a recognized policy of the larger metal mining companies in the United States to purchase large holdings abroad where they can carry on their mining operations at a low expense, and then these very American companies have been supplying our American market to the exclusion of the American producer, who pays his taxes in this country, supports our Government, and affords his employees with the reasonably high standard of living that the American laborer enjoys.

During the last general election the issue was sharply drawn on the tariff question; the prevailing party promised protective tariff to those industries which were in need of them. President Herbert Hoover, previous to the election, stated in his speech at Pueblo, Colo., that the tariff rates on lead and zinc should be increased; a large number of the present Members of the United States Congress were elected on a platform that promised protection to American labor and industry. Where, in the long list of American enterprises, can there be found a more deserving industry than that of metal mining?

Taking the present depreciated value of the dollar as a basis, the metal mining industry is paying double for expense and receiving half for its products as compared with values previous to the Great War. This is true of no other American industry.

The only one unexplained factor of this tariff question is the question that is still unanswered, "Why has not our Government seen fit without a movement such as this one to give the relief that is being asked for by this brief?" It seems strange that so few people have realized the importance of mining in American industry. As Mr. Scott Turner, Director of the Bureau of Mines, Department of Commerce of the United States, recently stated, "from the slate on which we write our first letters to the headstone which marks our last resting place the people of the United States depend entirely upon mining for their very existence."

If this essential industry is allowed to lag within the borders of the United States, and to be developed by American capital in foreign countries, the day will come when Americans will pay many times the cost of this tariff for their supply of metals. Any policy which delays relief at this time, in our opinion, could only be based upon lack of knowledge of the facts.

It must be realized, in consideration of this brief, that the mining industry of the United States is second only in importance to agriculture; and that the value of the products of the mines of this country rate into the billions of dollars annually.

The plea before the present Congress is for relief for agriculture, and in this connection we desire to have the readers of this brief consider that, in our opinion, one of the strongest benefits to agriculture to-day would be to increase the market for products of the farm. Our mining regions produce nothing in the line of agricultural products and an increase in the employment of miners and in the general prosperity of the mining regions in the West would double the market for agricultural products of the adjoining farming regions. Dr. Charles A. Lory, president of the Colorado Agricultural College, recently stated in a public address: "The farming region of Colorado can double its product but there is no market for such an increase, we should develop our mines, for prosperity in the mining regions will result in prosperity in our farms due to the market thus produced for our products."

By granting the relief asked for in this brief the employment problem in the United States would also be almost wholly solved, as many thousands of unem-

ployed labor will be given employment in the metal mines of the West when the tariff rates are applied as recommended in this brief.

After careful consideration of the statistics at hand, including those concerning other commodities, the committee has decided that the rates as given in the following paragaph will be most likely to bring about the desired result in the metal mining industry, and should do no harm to any other industry or class of people in the United States.

Recommended duties are lead in ores, mattes, or unrefined bullion, 3½ cents per pound; and metallic, 4 cents per pound; silver in ores, mattes, or unrefined bullion. or metallic, 30 cents per ounce; zinc in ore sliding scale up to 3 cents per pound.

For information of all those interested in the question and as a plea for relief from an industry which is greatly in need of help, this brief has been prepared by the tariff committee of the Clear Creek County Metal Mining Association, with the valuable assistance of Mr. Millard Milburn Rice, economist and author; all facts and figures used herein have been obtained from the United States Departments of Commerce and Interior.

B. A. NAPLAY, Jr.,
Tariff Committee, The Clear Creek Metal Mining Association.

STATEMENT OF STEPHEN S. TUTHILL, NEW YORK CITY, SECRETARY OF THE AMERICAN ZINC INSTITUTE (INC.)

[Zinc ore and metallic zinc, pars. 394 and 395]

(The witness was duly sworn by the chairman of the subcommittee.)

Senator REED. You represent the American Zinc Institute, do you, Mr. Tuthill?

Mr. TUTHILL. Yes, sir.

Senator REED. Did you testify before the Ways and Means Committee of the House of Representatives?

Mr. TUTHILL. Yes, sir.

Senator REED. Did you file a brief there also?

Mr. TUTHILL. Yes, sir.

Senator REED. All right. You may proceed.

Mr. TUTHILL. I represent the American Zinc Institute. The membership of the institute is individual, and practically 100 per cent representative of the United States zinc industry.

At the time the zinc ore rates were fixed in the 1922 tariff act the free admission of zinc ores containing less than 10 per cent zinc was deemed of no significance, for the reason that the value of such ores at that time did not justify their importation.

Since the recent hearings before the Ways and Means Committee, however, there has arisen a menace to the United States zinc industry so serious that the American Zinc Institute, through its executive committee, has directed me to bring the following matter to the attention of your committee:

A mining company, known as the Pend Oreille Mines & Metals Co., has recently been organized to take over the Pend Oreille Lead & Zinc Co. and the Reeves-McDonald property. They have announced their intention of erecting a concentrating mill and an electrolytic zinc plant.

Senator KING. There is one group of mines up in Canada, is there not?

Mr. TUTHILL. Yes, sir.

The properties of the Pend Oreille Lead & Zinc Co. are in the northeastern part of the State of Washington, the main property being at

Metaline, Wash. The Reeves-McDonald properties are in the British Columbia, just over the international boundary.

We understand that this company plans to build its concentrating mill and electrolytic zinc plant in the United States and transport the Reeves-McDonald ore across the boundary, a distance of about 8 miles, for milling and reduction in the United States.

Senator KING. There are practically the same mining conditions there as in the United States, are there not?

Mr. TUTHILL. Yes, sir.

Senator REED (chairman of the subcommittee). You may proceed with your statement.

Mr. TUTHILL. This procedure would enable them to import Canadian zinc ore free of duty and to sell the finished product in the United States market in competition with domestic zinc.

Senator KING. Do they charge a tariff on zinc that we ship to Canada?

Mr. TUTHILL. I think not.

The success of the foregoing enterprise, which would doubtless point the way to similarly located properties on our international boundaries, is said to be largely dependent upon the importation into the United States of the Canadian ore through taking advantage of our present tariff provision which admits free of duty ores containing less than 10 per cent of zinc.

Senator REED. How high does this ore run, in zinc?

Mr. TUTHILL. The average is 7 per cent.

Senator REED. And they concentrate it after they get it in here?

Mr. TUTHILL. Yes, sir.

Senator REED. All right.

Mr. TUTHILL. As some members of this committee may know, there have been, since the enactment of the 1922 tariff act, improvements in zinc metallurgical practice which have changed the picture of the industry and which, therefore, present problems which the 1922 tariff act could neither foresee nor guard against.

In making the following request, the American Zinc Institute is not endeavoring to increase the protection already afforded the industry, but to align such protection with the new and serious situation with which it is now confronted. And to explain to you gentlemen of the subcommittee the reasons for that exception, may I quote from a letter addressed to me by the National Fertilizer Association?

> Your request is so broad that, if adopted, it would make dutiable the small percentage of zinc contained in pyrites. Last year the United States imported over 450,000 tons of pyrites from Spain, which contained an average of less than 1½ per cent of zinc, much of which is not recovered. The proposed duty of 1½ cents per pound on the zinc contained in pyrites imported into the United States, if it had been applicable on the 1928 importation of pyrites, would have amounted to $200,000.
>
> Ordinary grades of pyrites, or sulphuret of iron, contain from 43 to 48 per cent of sulphur, the chief use of which is for the manufacture of sulphuric acid, which in turn is essential in the manufacture of superphosphate.

We found that by making that all inclusive we were attacking one of our best customers, the American farmer. I continue quoting from this letter from the National Fertilizer Association:

> Superphosphate is the most widely used fertilizer in the United States, about 4,000,000 tons a year being used by the farmers. It is used almost without exception over the entire eastern, southern, and middle western sections of the

United States, to and including the States of North and South Dakota, Kansas, Oklahoma, and Texas, and its use is growing in the far West, particularly in the irrigated regions of the Great Plains and Mountain States. In the corn, wheat, and cotton producing regions, phosphoric acid represents about 60 to 80 per cent of the content of plant food in complete fertilizer, which contains nitrogen and potash in addition to phosphoric acid. In dairy sections, superphosphate is the principal fertilizer used.

I give you this picture so that you will see the importance of economical manufacture of superphosphate to American agriculture.

Thus you may readily see that pyrites is an important raw material to the fertilizer industry and to agriculture. A duty on its zinc content would discourage and perhaps eliminate its use as a source of sulphur.

That is the reason for the exception in the requested amendment: We request, therefore, that paragraph 394 of the tariff act of 1922 should be amended, down to the first "*Provided,*" as follows:

Zinc-bearing ores of all kinds (except pyrites containing not more than 3 per cent zinc), 1½ cents per pound on the zinc contained therein.

May I add that the remainder of paragraph 394 and all of paragraph 395, both as recently amended by the Ways and Means Committee and passed by the House of Representatives, are entirely satisfactory.

In view of the fact that the executive committee of the institute was unable to take action upon this matter until the latter part of June, I am instructed to say to this committee that all supporting data which it may require will be furnished, under oath, as quickly as possible.

However, I should like to present at this time a statement on this subject, prepared and sworn to by A. B. Young, a mining and metallurgical engineer, of Salt Lake City, Utah. It is duly sworn to, Mr. Chairman.

Senator REED. It does not need be sworn to, as your statement made here that it is true is sufficient.

Mr. TUTHILL. All right.

(The statement referred to is as follows:)

STATEMENT OF A. B. YOUNG, SALT LAKE CITY, UTAH

SUBCOMMITTEE ON METALS AND MANUFACTURES OF
COMMITTEE ON FINANCE,
United States Senate.

Subject: Zinc development in district tributary to Salt Lake City, and its bearing on the zinc tariff situation, especially with reference to ores containing less than 10 per cent zinc.

Following is the production of slab zinc by the State of Utah for the past 10 years (unless noted otherwise, the figures are from the reports of the United States Bureau of Mines, as republished by the Chamber of Commerce of Salt Lake City in 1928):

Slab zinc	Pounds
1919	4, 431, 024
1920	8, 157, 739
1921	69, 390
1922	5, 119, 140
1923	11, 330, 913
1924	18, 562, 172
1925	52, 611, 732
1926	95, 179, 380
1927	[1] 95, 800, 000
1928 (about)	[2] 95, 000, 000

[1] Preliminary estimate, Bureau of Mines.
[2] My own assumption is there has been no radical change in amount produced.

The enormous jump in 1925 was due to the beginning of operations of the Tooele lead zinc concentrator of the International Smelting Co. in November, 1924, and the bringing into operation of a similar mill by the United States Smelting, Refining & Mining Co. a year or 18 months later. These mills adopted the principle of selective flotation on a large scale for the treatment of ores not only from mines controlled by the respective companies, but also of ores purchased from other producers.

Hitherto, the production of zinc has been desultory, consisting mainly of what could be scalped off from ores high in zinc by either gravity or electrostatic concentration processes. Selective flotation offered a means of securing from lead-zinc sulphide ores a zinc concentrate ranging from 50 to 60 per cent zinc and containing from 75 to 90 per cent of the zinc in the original ore. Lead ores that contained zinc were thus treated, a lead concentrate freed of most of its zinc and a zinc concentrate with low lead being the products. The lead smelter was relieved of the trouble and cost of eliminating such great amounts of zinc through the slag and the lead miner afforded a means whereby he could be paid, rather than penalized, for his zinc in a great many cases.

Below is given the production of zinc concentrates from Utah concentrators during the years 1925 to 1928 inclusive:

Zinc concentrate

Producer	Tons
A. Tooele plant	185, 980
B. Combined Metals	42, 876
C. United States Smelting	126, 027
D. Utah Apex	28, 339
E. Chief Consolidated	5, 534
F. Park-Utah	2, 657

The producer of which I have no record of tonnage is the Silver-King Coalition Mines Co. It has produced in this period probably about 30,000 tons of zinc concentrates.

The question is, "Of the above production what proportion came from mines producing under 10 per cent zinc ore, and what proportion from ores over 10 per cent?"

Answering each in order:

A. Records of the Tooele plant during the period show that 88.6 per cent of the zinc entering the lead-zinc concentrator came from ore of less than 10 per cent zinc and 11.4 per cent from ore containing more than 10 per cent zinc.

B. Combined Metals Reduction Co. About one-third of the ore treated by this company has been under 10 per cent zinc; the two-thirds coming from the Combined Metals Mine near Pioche, Nev., being over 10 per cent, according to E. H. Snyder, general manager.

C. A table prepared for me by M. W. Wooley, ore buyer, shows that all company ore and all purchased ore treated by the United States Smelting Co. contained less than 10 per cent zinc.

D. I have no complete records of the Utah-Apex ore. However, during the years 1927 and 1928 this lead-zinc ore averaged between 5 and 6 per cent zinc.

E. Chief Consolidated Mining Co. This is small, and I have no record.

F. Park-Utah Consolidated Mines Co. Most of the lead-zinc ore of this company is shipped to the Tooele plant. The company's production will average less than 10 per cent zinc. W. Mont Ferry, vice president and managing director of the Silver-King Coalition Mines Co., told me that the ore of this company would average 8.2 per cent zinc.

From the above, it is seen that the great preponderance of Utah zinc is produced from less than 10 per cent ore.

The great impetus to cheap zinc production in the intermountain region during the past few years was, as has been shown, due to selective flotation. However, back of it was the cheap treatment of zinc concentrates brought about by the development of electrolytic zinc in Montana, which had occurred a few years earlier. Before this time, here and there zinc was cobbed, sorted, and concentrated out of lead ores in the district and thrown away, and that remaining was smelted through the lead blast furnaces to be disposed of in the slag.

During the years prior to the new metallurgical treatment outlined, there were probably 30,000 to 40,000 tons of zinc annually going out in lead furnace slags in the Salt Lake district.

More recent developments have proven that where zinc can not be segregated ahead of the lead smelter by selective flotation, it can be removed from lead

furnace slags and recovered by the admixture of carbonaceous material with the slag in a molten condition and caught as a fume in a bag house.

The above memorandum is written to show not only the feasibility, but the actual large scale production of zinc from ores low in zinc content—practically all lower than 10 per cent zinc.

Across the northern boundary of the United States, in British Columbia, is the Sullivan Mine of the Consolidated Mining & Smelting Co. of Canada. This mine is reputed to have ore reserves of 50,000,000 tons, assaying 10 percent lead, 3 ounces silver, and 7 per cent zinc. This ore is now being treated by selective flotation and the zinc recovered by electrolytic methods at Trail, British Columbia. One does not have to stretch the imagination to see that by building a concentrator and zinc plant a few miles from the mine on this side of the border any amount of this zinc can come into this country duty free.

Wherever cheap freight, either due to proximity to our boundaries with Canada or Mexico, or to cheap water transportation to our ports, will permit it, we are now, with the recent developments of metallurgy, open to an influx of duty free zinc, where the ores contain less than 10 per cent.

To sum up in a sentence, Utah's experience has proven that a few years ago zinc in ores containing the smaller quantities of the metal was not recoverable commercially, but was a detriment, and a duty on it was an unwarranted extra hardship. To-day, in the majority of instances, the opposite is the case.

While the above statement deals primarily with ores containing less than 10 per cent zinc, this memorandum should not be closed without a brief reference to that small proportion of lead-zinc ore produced in the district under consideration containing over 10 per cent zinc. Most of these ores were not commercial prior to the universal adoption of selective flotation since 1922 for two reasons:

1. They did not contain enough zinc to warrant shipment to zinc smelters.
2. They contained so much zinc on the other hand that the zinc penalty exacted by lead smelters was so great in conjunction with other treatment and impurity charges that it outweighed the payments for the other metals contained.

It might be added that with the introduction and development of selective flotation, within 10 per cent as much of the zinc content is to-day being recovered from low grade ores as is recovered from ores of 25 per cent zinc or over. In other words, the recovery of zinc from low grade ores is to-day approximately 90 per cent as efficient as in the case of higher grade ore.

Selective flotation knows no international boundaries. What has been done in Utah and surrounding territory is being done at Trail, British Columbia, and other localities in Canada as well as Mexico. We know that one or two of the properties in Canada are so close to the border that freight charges on ore to plants erected this side of the boundary would be merely nominal and the possibility of the opening up of similar deposits close to both borders is very great. At the present time the only protection the American producer has against the importation of zinc in less than 10 per cent zinc ores is the nominal freight rate; in ores 10 to 20 per cent this freight plus a half cent per pound duty; and in ores 20 to 25 per cent the freight plus 1 cent per pound duty.

In view of the foregoing, therefore, it would seem that the same degree of protection should now be applied to zinc in all ores, those under 25 per cent as well as those over this figure.

A. B. YOUNG,
Salt Lake City, Utah.

STATE OF NEW YORK,
County of New York, ss:

I, A. B. Young, mining and metallurgical engineer, of Salt Lake City, Utah, being duly sworn, do depose and say:

That I have been intimately conversant with the mining and smelting of ores in the western portion of the North American Continent, and especially in the State of Utah, for the past 18 years; and

That in view of the threatened importation, free of duty, of zinc in Canadian ores containing less than 10 per cent, I have been requested by the American Zinc Institute (Inc.), the national organization of the zinc industry, to inquire into and report upon the situation; and

That to the best of my knowledge and belief the foregoing report is a true statement based upon an extended study and examination of the subject.

A. B. YOUNG.

Sworn to before me this 28th day of June, 1929.

MADELEINE ROTH,
Notary Public.

Commission expires March 30, 1931.

Senator KING. Mr. Tuthill, you are not satisfied with the bill as it comes from the House of Representatives?

Mr. TUTHILL. Not with respect to the various grades of concentrates.

Senator REED. You want a uniform duty of 1½ cents per pound for all ores except pyrites?

Mr. TUTHILL. The exception would apply to pyrites.

Senator KING. If you could reduce it to an ad valorem rate, I mean the increase which you have asked for, what would that increase be?

Mr. TUTHILL. That I can not answer.

Senator BARKLEY. It is 1½ cents per pound instead of 1 cent per pound, which is a 50 per cent increase, Senator King.

Mr. TUTHILL. I thank you.

EMBOSSING AND PRINT ROLLERS

[Par. 396]

STATEMENT OF THOMAS A. GLENDON, JR., REPRESENTING THE DORNBUSH AGENCY (INC.), NEW YORK CITY

(The witness was duly sworn by the chairman of the subcommittee.)

Mr. GLENDON. I come to protest against the rate of duty appearing in paragraph 396 of the House bill, and to request a continuation of the present rate of tariff upon embossing rollers. I further request an amendment to paragraph 396 in the language as outlined in my brief, which I will present to you.

I should like to make a brief explanation as to the method of manufacture of embossing rollers, and to show you the difference between embossing rollers and print rollers. An embossing roller is made entirely of steel. They run from 14 inches in width to about 100 inches. They are made as follows: A mill, so called, is made which consists of a very hard steel cylinder from 1 inch to 9 or 10 inches in width, upon which is etched by hand or engraved a section of a design which is to cover the embossing roller when completed. The width of the mills is determined by the size of the design which is to be placed upon the embossing roller. The cost of these mills can not be allocated to any particular roller as the mills can be used over and over again in the production of the embossing roller and the mills themselves are, except in a very limited number of instances, not imported.

The embossing steel roller with a plain, polished surface is then placed in a machine and the mill, so called, is adjusted, so that when the mill and the embossing roller are rotated together, the design on the mill is impressed on the embossing roller. The position of the mill is continuously adjusted after the portion of the design covered by the circumference thereof has been impressed upon the embossing roller until the entire surface of the embossing roller to be covered has the design impressed thereon.

Senator REED. What are embossing rollers used for?

Mr. GLENDON. Embossing rollers are used for stamping designs on imitation leather and the heaviest types of wall paper and cover paper.

Senator KING. Would that come within either of the classifications here on this page of the House hearings?

Mr. GLENDON. No; nothing that is contained there. They are entirely different from print rollers.

Senator KING. So far as is shown here the print rollers were only imported in 1928 to the extent of $65. Are there any imports of this particular article that you speak of?

Mr. GLENDON. Our imports this year total about $25,000. I mean that covers the embossing rollers. To the best of my knowledge there is no statistical information available, but I should say that that represents about 75 per cent of the total imports.

Senator KING. What is the domestic production?

Mr. GLENDON. There are no statistics available of domestic production.

Senator KING. What would you say the domestic production amounts to, based on your inquiries and the best information you have been able to obtain?

Mr. GLENDON. From the statements made to us by our customers, we estimate that we furnish about 5 per cent of the total volume of American rollers.

Senator KING. Are you sure that it would not exceed 10 per cent?

Mr. GLENDON. It is merely an estimate from them. It may be 10 per cent and it may be only 5 per cent. That is only an estimate, but is the best that I can give you.

Senator KING. Is your business such as to constitute any particular competition? It would seem to me that you would be bound to get some idea of the matter, if you were in competition.

Mr. GLENDON. We really do not compete with the American-made roller, being confined to a class or design which either they are unwilling to go to the trouble here to make or for some reason do not make as satisfactorily as our rollers.

Senator REED. You may go on with your statement.

Mr. GLENDON. In many instances embossing rollers are used for stamping designs on imitation leather and heavier types of wall paper and cover paper. The design to be impressed by the mill is comparatively deep, sometimes ranging from one-eighth of an inch to one-half inch. In the manufacture of embossing rollers of this type the surface of the embossing roller is coated with a lacquer. The mill is rotated against the roller just as in the case of the simple and flat designs. The mill cuts through the lacquer and the roller is then immersed in an acid bath and the places on the roller in which the lacquer has been cut through by the mill are etched out by the acid. The roller is then coated with the lacquer and the mill rotated against this surface and the roller immersed in the acid bath until the entire design has been etched in the embossing roller. Each section covered by the mill is similarly treated until the roller is comdletely finished.

As I have already stated to you, the simple designs are sold here and we practically never import them, because we are compelled to charge from 10 to 25 per cent more than the American prices for the identical article of that kind. We limit ourselves to the sale of intricate engravings which the American manufacturer either can not or will not produce in a satisfactory manner. The prices at which these intricate engravings are sold are always higher than the similar item of American manufacture.

I might say that in the sale of these embossing rollers, they are ordinarily sold together with a paper roller and the accompanying gears, and in all cases the prices at which the imported roller is sold is higher than comparable rollers of American manufacture. All the customers with whom we deal purchase both imported and domestic embossing rollers.

Going to a comparison between the print roller and the steel embossing roller, I refer to the report of the Tariff Commission by which the President of the United States increased the rate on print rollers to 72 per cent. On page 2 thereof appears a description of the print rollers, and I do not know that I can accurately quote it from memory but I will say that it says: Print rollers referred to in this report are wooden cylinders with raised designs, employed in machine for printing wall paper. The cylinder is usually made of maple wood. The raised designs are built up of many small brass pegs and other brass shapes driven into the wood according to a prepared pattern The larger figures of the design are filled in with hard wool felt. The finished rollers are from 12 to 24 inches in circumference, and commonly 21 inches in length, this being the width of most wall papers. The rollers usually come in sets of from 1 to 12, as a separate roller is necessary for each color which appears in the finished design.

It is apparent from this description, as well as from the cost of production figures of print rollers appearing on page 7 of the report, that a very high percentage of the cost of these rollers is labor.

Senator KING. You mean print rollers?

Mr. GLENDON. Yes, sir. I am now giving you a comparison. Now, in this report of the Tariff Commission there is not one word pertaining to embossing rollers, on which we request a reduction of duty from 60 to 30 per cent. Further, no increase in duty has been requested before the Tariff Commission, or considered.

Senator KING. Was there any request made before the Ways and Means Committee of the House of Representatives?

Mr. GLENDON. No, sir. In the brief filed before the Ways and Means Committee and the entire testimony there, was confined to print rollers.

Senator KING. Is there any controversy as to the fact that embossing rollers are justly and easily distinguishable from print rollers?

Mr. GLENDON. There should not be any.

Senator KING. In the trade and among domestic manufacturers do they consider that embossing rollers are comprehended in the general term of print rollers?

Mr. GLENDON. No. They are entirely unlike, and are never referred to as the same in any way.

Senator REED. You may go on with your statement.

Mr. GLENDON. Now, as regards a tariff on print rollers, I have no complaint to make. I believe that is just and necessary.

Senator REED. The tariff on print rollers?

Mr. GLENDON. Yes, sir.

Senator REED. Then the President was right in raising it, do you think?

Mr. GLENDON. In my opinion the increase in duty was necessary. On that I have no complaint to make.

Senator KING. Are you inclined to that view because of the fact that you are not included within it?

Mr. GLENDON. No; only in the element of hand labor required.

Senator KING. Are you familiar with the print roller?

Mr. GLENDON. Well, I would not claim to be qualified as an expert on the print roller. I am only familiar with it and that is about all I know—as to the process of preparing a design on the roller, and putting the pegs in, and hammering in the shapes.

Senator KING. Where are the print rollers made?

Mr. GLENDON. Print rollers are made in wall paper shops and contract shops.

Senator KING. But what about the imports?

Mr. GLENDON. There is one factory that I know of in Germany making print rollers, but further than that I do not know just the source of supply.

Senator KING. Where are the embossing rollers made?

Mr. GLENDON. They are imported, do you mean?

Senator KING. Yes.

Mr. GLENDON. The Dornbusch & Co., at Crefeld, Germany. The most of them are coming from Germany.

Senator KING. The extent of the imports was how much last year?

Mr. GLENDON. Well, we imported about $25,000 worth of embossing rollers last year.

Senator KING. And that was 75 per cent of the entire importation?

Mr. GLENDON. Yes, sir. On that we have no figures to give you the exact amount, however.

Senator KING. It is a small amount. It would not exceed $35,000 or $40,000 anyway.

Mr. GLENDON. I do not think it would. I think that would be the total figure. The only application for an increase of duty on rollers is made by representatives of the United Wall Paper Crafts. I want to state to you that there are no embossing rollers made in wall paper shops. All embossing rollers are made in engraving shops, and there has been no application for an increase in tariff made before this or the Ways and Means Committee by representatives of the engraving trade.

Imported rollers do not actually compete with American-made rollers. All of our customers using simple designs buy them from American manufacturers, and buy from us the intricate and elaborate designs.

Senator REED. I can not find any evidence at all in the House hearings on embossing rollers.

Senator KING. What do you suggest as an amendment to deal with this matter?

Mr. GLENDON. I feel that everyone in protected by the 30 per cent tariff on embossing rollers.

Senator KING. Do you suggest that embossing rollers be eliminated from paragraph 396, or if not eliminated that you go to the end and then give a special rate?

Mr. GLENDON. We request an amendment to paragraph 396 in the following language: Page 101, line 18, after the words "embossing rollers" strike out the word "and" and insert "of steel, 30 per centum ad valorem."

Senator KING. Embossing rollers are made of steel.

Mr. GLENDON. Yes, sir.

Senator KING. And you ask for a rate of 30 per cent ad valorem?

Mr. GLENDON. Yes, sir.

Senator KING. And then print rollers not specially provided for would take the rate of 60 per cent?

Mr. GLENDON. Yes, sir. Now further showing that we do not actually compete with American manufacturers of embossing rollers, after an embossing roller has been used, the design can be turned off and a new design milled on. Due to the time necessary to send the roller back to Germany, to shave off the design, and put on a new design, and come here, due to the excessive costs, we do not obtain practically any of this business.

Some of our customers use exclusively our type of roller. An increase in duty over the 30 per cent placed upon the rollers by the act of 1922 would make the price practically prohibitive and would force these American manufacturers either to pay this additional price or lower the commercial standard of their output.

Senator KING. The present rate is 30 per cent?

Mr. GLENDON. Yes, sir. I now submit my brief.

Senator REED. That may be made a part of your statement.

Mr. GLENDON. I thank you.

(The brief submitted by Mr. Glendon is as follows:)

BRIEF OF THE DORNBUSCH AGENCY (INC.)

The Dornbusch Agency (Inc.) is an importer of print rollers, embossing machines, embossing rollers, paper rollers, and embossing plates, all of the importations thereof coming from Germany.

Under paragraph 396 as it appears in the House bill the rate of duty placed upon embossing rollers is 60 per cent ad valorem. Under the act of 1922 these embossing rollers were assessed for duty as parts of machines under paragraph 372 at 30 per cent ad valorem.

An amendment to paragraph 396 is requested in the following language, page 101, line 18, after the words "embossing rollers" strike out the word "and" and insert "of steel, 30 per centum ad valorem."

There appears to be considerable misapprehension as to the status of the various rollers provided for in paragraph 396 under the tariff act of 1922 which, it is believed, can be easily explained.

Under the act of 1922 the only rollers which were dutiable under paragraph 396 were such rollers as were "composed wholly or in chief value of iron, steel, copper, brass, or any other metal."

Print rollers in chief value of wood were held by the United States Board of General Appraisers to be without the terms of paragraph 396, as the same was limited to metal rollers.

The United States Tariff Commission on May 21, 1926, had increased the duty upon the rollers in chief value of metal provided for in paragraph 396, to 72 per cent ad valorem. It is incorrectly stated in the brief of Rudolph Heinl, page 2563, etc., of the hearings before the Ways and Means Committee, that the decision of the Board of General Appraisers above quoted disregarded the finding of the Tariff Commission and the proclamation of the President issued thereunder. This is entirely inaccurate as only such rollers made in chief value of metal could be classified under paragraph 396.

The Board of General Appraisers further, on November 9, 1925, classified embossing rollers of steel as parts of machines at 30 per cent ad valorem under paragraph 372, for the reason that such embossing rollers were not print rollers at all, as, in fact, they are not.

Embossing rollers are entirely different from print rollers. Embossing rollers are constructed entirely of steel. They run from 14 inches in width to about 100 inches. They are made as follows: A mill, so called, is made which consists of a very hard steel cylinder from 1 inch to 9 or 10 inches in width, upon which is etched or hand engraved a section of a design which is to cover the embossing roller when completed. The width of the mills is determined by the size of the design which is to be placed upon the embossing roller. The cost of these mills

can not be allocated to any particular roller as the mills can be used over and over again in the production of the embossing roller and the mills themselves are, except in a very limited number of instances, not imported.

The embossing steel roller with a plain polished surface is then placed in a machine and the mill, so called, is adjusted so that when the mill and the embossing roller are rotated together, the design on the mill is impressed on the embossing roller. The position of the mill is continuously adjusted after the portion of the design covered by the circumference thereof has been impressed upon the embossing roller until the entire surface of the embossing roller to be covered has the design impressed thereon.

There is practically no hand work on rollers of this type where the design to be impressed is comparatively flat and simple. The only labor consists of the one man attending the milling machine.

In many instances embossing rollers are used for stamping designs on imitation leather and heavier types of wall paper and cover paper. The design to be impressed by the mill is comparatively deep, sometimes ranging from one-eighth to one-half inch. In the manufacture of embossing rollers of this type the surface of the embossing roller is coated with a lacquer. The mill is rotated against the roller just as in the case of the simple and flat designs. The mill cuts through the lacquer and the roller is then immersed in an acid bath and the places on the roller in which the lacquer has been cut through by the mill are etched out by the acid. The roller is then coated with the lacquer and the mill rotated against this surface and the roller again placed in the acid bath until the entire design has been etched in the embossing roller. Each section covered by the mill is similarly treated until the roller is completely finished.

There is no hand work used in the manufacture of this roller except a comparatively negligible amount in eliminating so-called mill marks, that is, the joints between the repeats of the mill.

Rollers bearing the simple designs, such as is represented by the exhibit presented to the committee, are practically never imported because of the fact that the price at which the importers are compelled to offer the same in the markets of the United States is from 10 to 25 per cent higher than the prices offered by the domestic producers for identical articles.

The importers therefore are entirely limited to ornate and difficult designs which the American producers either can not or will not produce in this country in a satisfactory manner. The selling price of the imported rollers compared with the nearest type embossing roller manufactured in the United States is from 10 to 25 per cent higher.

These embossing rollers are ordinarily sold together with a paper roller and the accompanying gears and in all cases the prices at which the imported roller is sold is higher than comparable rollers of American manufacture. All the customers with whom we deal purchase both imported and domestic embossing rollers. From the statements made to us by our customers, we estimate that the volume of the business of imported embossing rollers is approximately 5 per cent of the volume of American-made rollers.

We desire to point out the complete difference between these embossing rollers and print rollers. We refer to the report of the United States Tariff Commission upon which the President of the United States advanced the duty on print rollers to 72 per cent. On page 2 thereof appears the following description of the print rollers:

"The print rollers that form the subject of this report are wooden cylinders with raised designs, employed in machines for printing wall paper. The cylinder is usually made of maple wood. The raised designs are built up of many small brass pegs and other brass shapes driven into the wood according to a prepared pattern. The larger figures of the design are filled in with hard wool felt.

"Finished rollers are from 12 to 24 inches in circumference and commonly 21 inches in length, this being the width of most wall papers. The rollers usually come in sets of from 1 to 12, as a separate roller is necessary for each color which appears in the finished design."

It is apparent from this description as well as from the cost of production figures of print rollers appearing on page 7 of that report that a very high percentage of the cost of these rollers is labor. The figures appearing on page 7 show labor to constitute $13.86 of a total prime cost of $17.03. There is not one word in the report of the tariff commission which deals with the embossing rollers of steel upon which the reduction of duty from 60 to 30 per cent is asked for in this brief. No investigation has ever been made of embossing rollers and

no increase of duty has ever been requested before the Tariff Commission or considered.

It is equally noteworthy that in the brief filed by the domestic interests on pages 2563, etc., of the hearings before the Ways and Means Committee, that no single word is said in reference to steel embossing rollers. The entire testimony of Mr. Clark, page 2569, etc., is in relation to print rollers, as to which no application for a reduction is made here.

It is desired to be stated frankly that upon the facts stated in the Tariff Commission report the advance from 60 to 7[illegible]. per cent on print rollers which has been carried into the House bill is entirely justified and no complaint is made thereof.

It is further to be noted that the only application for increase of duty on rollers is made by representatives of the united wall-paper crafts. It is desired to be stated without fear of contradiction that there are no embossing rollers made in wall-paper shops. They are entirely made in engraving shops and no application has been made either before this or the Ways and Means Committee on behalf of the engraving trade or the shops in which engraving is done.

It is noteworthy in the testimony before the Ways and Means Committee that there is not one scintilla of evidence as to the difference in cost of production or selling price of steel embossing rollers of foreign and domestic manufacture. The American producers have somewhat disingenuously placed all rollers in the one class as if they were all made by approximately the same processes and had the same amount of labor entering into the same.

THE IMPORTED EMBOSSING ROLLER DOES NOT COMPETE WITH THE AMERICAN EMBOSSING ROLLER

For the cheaper and simpler class of rollers, our customers use American rollers almost entirely. It is only the more ornate designs for which we have a market and always at a higher price. Our customers inform us that they are quite willing to pay the present price which is so much higher than the price of similar rollers of American manufacture because of the fact that the designs for such rollers are furnished to the customers by ourselves and the designs on the rollers are designs which they can not obtain in America.

There is another reason why the rollers imported by us do not really compete with the American rollers. These steel embossing rollers, after the design which has been imprinted upon them has been used, can be turned off and a new design impressed thereon at a very much lower cost than the manufacture of the original roller. We have practically none of this business for the reason that the time required to send the same abroad, have the roller shaved off and a new design impressed thereon, is so great as compared with the time that the same work could be done in America and the freight and handling charges are so high that we get none of this business.

As a matter of fact, our imported rollers are often sent by our customers to American manufacturers who turn them down and impress the type of simple design which is made in America upon the roller. This type of business we do not do at all.

It will be seen from the description of the manufacture of these embossing rollers that hand labor constitutes a negligible portion of the cost thereof. Practically the entire cost is machine work.

Of course, the mill from which the design is taken is the product of hand labor, but as this mill is used for a practically unlimited number of rollers it can not be considered as part of the cost of any individual roller and when spread over the number of rollers which can be made from the design imprinted upon one mill, is practically negligible.

Some of our customers use exclusively our type of roller. An increase in duty over the 30 per cent placed upon these rollers by the act of 1922 would make the price practically prohibitive and would force these American manufacturers either to pay this additional price or lower the commercial standard of their output.

Neither of these results would in any way tend to help the American manufacturer of embossing rollers.

Embossing rollers are used in this country very extensively in several industries, for instance, the tin foil or aluminum foil industry, box cover papers, envelope linings, and book-cloth industries.

There are no imported rollers used in the tin foil or aluminum-foil trade.

The only imported rollers used in the box-cover envelope and book-cloth trade are for highly fancy designs not produced here.

From 90 to 95 per cent of the embossing rollers used in this country consist of staple embossing effects like pebble, linen, skytogen, persian lamb, herring bone, and star patterns, samples of which designs on paper are annexed to this brief, marked "A." Samples of designs from imported rollers are marked "B."

None of this business is done with imported rollers but only with domestic rollers and any manufacturer or box cover or envelope paper or book cloth will verify this statement.

Our importations of embossing rollers during the last year amount to about $25,000. As far as the undersigned knows, there is no statistical information as to the total amount of steel embossing rollers imported or of the production thereof in the United States, but we feel safe in saying that our importations constitute at least 75 per cent of all such embossing rollers imported.

Appended hereto are letters which have been received from American firms, not importers to whom embossing rollers of the type imported have been sold. It is believed that these letters speak for themselves.

Respectfully submitted.

THE DORNBUSCH AGENCY (INC.),
By THOS. G. GLENDON, Jr., *Vice President.*

(The letters and exhibits referred to are filed with the committee.)

WOODWORKING CHISELS, GOUGES, AND DRAW-KNIVES

[Par. 397]

STATEMENT OF J. A. NORTON, WINSTED, CONN., REPRESENTING THE WOODWORKING CHISEL INDUSTRY

(The witness was duly sworn by the chairman of the subcommittee.)

Mr. NORTON. Mr. Chairman and members of the Finance Committee, what I desire to submit is a brief which is in a way similar to that submitted before the Ways and Means Committee of the House, with the exception of the introduction and the exhibits, which are substitutes in a measure for some of the exhibits offered before the Ways and Means Committee, which unfortunately were mislaid, and I can not reproduce them in their entirety. I merely desire to submit the brief and call attention to one or two corrections which I wish could be brought about.

Senator REED. All right, sir. Now just put us on the right track.

Mr. NORTON. We appeared before the Ways and Means Committee.

Senator REED. Are you satisfied with paragraph 397?

Mr. NORTON. In a measure.

Senator KING. You wanted more tariff, did you?

Mr. NORTON. I might say in beginning that I represent 90 per cent of the production of the chisel manufacturers of the country, and 7 of the 11 manufacturers in this country.

Senator REED. You have been working along under a tariff of 40 per cent, I believe?

Mr. NORTON. We have been working under a tariff of 40 per cent.

Senator REED. And the House has given you 50 per cent?

Mr. NORTON. The House has given us 50 per cent.

Senator BARKLEY. I thought they operated under a 30 per cent tariff.

Mr. NORTON. No; 40 per cent.

In the hearings before the Ways and Means Committee, on page 1754, preference was made by Endlein & Schmidt, importers, to a navy yard contract, and particularly to our own concern, and to a

bid which would average $4.48 a dozen on those tools. As a matter of fact, if you take the 12 sizes into consideration, the price would be $5.17; and we wish to call attention to the fact that the recognized average American price to the jobbing trade on six sizes is $6, and it is not out of the way on Government contracts to make a special concession and a special price. It allows us to dispose of volume, and is a volume-production proposition, and we can dispose of our surplus in a large measure, which is beneficial to the Government and ourselves as well.

Senator KING. I should like to learn a little more about these products.

Sentor REED. Let us see some of them. Are they cold chisels?

Mr. NORTON. No; they are woodworking chisels. [Producing samples.]

Senator KING. What is the domestic production of all of the articles that are comprised in this section?

Mr. NORTON. About a million dollars.

Senator KING. You are speaking only of chisels?

Mr. NORTON. Chisels and gouges and drawknives.

Senator KING. Would that include drills?

Mr. NORTON. No.

Senator KING. Would it include bits or gimlets?

Mr. NORTON. No; we have reference in that paragraph just to to chisels and gouges. Drawknives are taken care of in paragraph 355, and are a minor item.

Senator REED. Wood chisels particularly?

Mr. NORTON. This has no reference to machinists' chisels or cold chisels or anything of that kind; just to wood chisels alone.

Senator REED. That is all that you are interested in?

Mr. NORTON. That is all that we are interested in.

Senator KING. What does it mean when it says "and other cutting tools"?

Mr. NORTON. That has no reference to us.

Senator REED. This paragraph includes a great variety of things this gentleman is not interested in.

Mr. NORTON. We were taken out of paragraph 399, the basket clause, and put in paragraph 397.

Senator REED. You say the domestic production is about a million dollars' worth?

Mr. NORTON. Yes.

Senator REED. Has it been increasing or diminishing?

Mr. NORTON. Diminishing.

Senator REED. What are the imports?

Mr. NORTON. The imports can not be segregated to any great extent.

I might say that there are incorporated in my brief all the declines, all the shrinkages in pay rolls, the shrinkages in sales in dozens, the shrinkages in sales in dollars, as compiled from 90 per cent of the production of this country. That is all incorporated in the brief. I can answer that, if you wish, from these figures here.

Senator KING. Do you attribute the decline in sales of the domestic product to importations, or to change in business?

Mr. NORTON. Not entirely, but very materially.

Senator KING. What are the imports, if you know?

Mr. NORTON. They can not be segregated. I do not think the Tariff Commission can give them. All I can say in reference to that is that the German imports cleared through the Los Angeles customhouse in 1923 were $587, which includes mechanics' tools. In 1927 the amount was $3,600. From Sweden in 1923 it was $4,000, and in 1927 it was $13,000.

Senator KING. That is mechanics' tools?

Mr. NORTON. Yes; and from Sweden presumably it is mostly chisels, so we are informed.

Senator KING. What was it from Sweden in 1928, if you know?

Mr. NORTON. I have not the figures for 1928.

Senator REED. Have you the German and British figures there?

Mr. NORTON. I have the German and Swedish figures.

Senator REED. Give us the German figures.

Mr. NORTON. Five hundred and eighty-seven dollars in 1923, and $3,600 in 1927. It is not particularly active; but this is more or less of an apprehension from the German standpoint.

Senator REED. Is this a copy of your brief [indicating brief on committee table]?

Mr. NORTON. Yes.

Senator KING. Then the imports would be less than $5,000?

Mr. NORTON. At the present time, presumably; but they have been even heavier than that in 1928, and they are growing.

Senator KING. What are the imports in 1928?

Mr. NOTRON. I can not tell you. The figures are not available.

Senator KING. And the domestic production is $1,000,000?

Mr. NORTON. Yes.

Senator KING. Are your figures accurate on that?

Mr. NORTON. Yes, sir.

Senator KING. Who is the principal manufacturer?

Mr. NORTON. Probably Greenlee Bros. I can tell you whom I represent— Greenlee Bros., Jennings & Co., Pexto & Wilcox Co., James Swan Co., Stanley Works, Union Hardware Co., and Winsted Edge Tool Works.

Senator KING. Are they manufacturers of other tools or other articles?

Mr. NORTON. We ourselves are not. James Swan & Co. manufacture bits and chisels. Jennings manufactures bits and chisels.

Senator KING. What company do you represent?

Mr. NORTON. The Winsted Edge Tool Works.

Senator KING. What does that concern manufacture?

Mr. NORTON. Chisels and gouges.

Senator KING. None other?

Mr. NORTON. And drawknives, which are parallel and kindred to chisels and gouges.

Senator KING. What was the value of the domestic production of all of your articles in 1928?

Mr. NORTON. $117,000.

Senator KING. $117,000?

Mr. NORTON. Yes—sales.

Senator KING. How much was it in 1927?

Mr. NORTON. I can not tell you just what it was that year. From 1923 it was $117,000. In 1927 it was $117,000.

Senator KING. All of the imports would not amount to more than a small percentage of that.

Mr. NORTON. The import is not a serious proposition at this time; it is only the fact that it is growing steadily.

Senator KING. It is potential?

Mr. NORTON. And when the original bill was framed in 1922 it was not even given consideration, because there were practically no imports at all.

Senator KING. Are you familiar with any of the importers?

Mr. NORTON. I do not know them personally; no.

There (producing sample) is a tool that was brought into this country and laid down for $1.92. The average cost of that tool to American manufacturers is $5.78. The German tools are sold to the jobbing trade at $2.50 a dozen; so you can see the competition we are facing.

Senator KING. These tools are machine made; are they not?

Mr. NORTON. No; they are hand-forged tools. Machinery of course, is used in the factory, but I mean they are hand forged tools throughout.

Senator KING. But they are all made by machine?

Mr. NORTON. The operations are performed by a man working a machine, but they are not what you would call a machine-made product—not made on a machine. They are made by a man taking a bar of steel under a hammer.

Senator KING. They are made by a man taking a bar of steel and working it out?

Mr. NORTON. Under a hammer.

Senator KING. Yes; and polishing and working it out from the raw steel which comes to the plant until it presents the finished form?

Mr. NORTON. It is all what you would call hand labor. Of course he uses a power hammer. He does not use a hand hammer. It is a power hammer, hand-worked, so termed by the manufacturers. It is not like an automatic screw machine, if that is what you mean, or something like that—automatic machinery.

Senator KING. How many of those would a man make per day?

Mr. NORTON. One man only does one operation on it. The man that would forge chisels would probably forge, maybe, from three to five hundred tools a day, depending on the size of the tool.

Senator KING. And then they are passed from one process to another?

Mr. NORTON. From one to another.

Senator REED. Mr. Norton, I see the statement on page 3 of your brief that your sales in dollars in 1927 were $708,000. That is the aggregate of the sales of all the companies that you represent here?

Mr. NORTON. Yes.

Senator REED. On the next page it is stated that your pay roll in that year was $299,000.

Mr. NORTON. Yes.

Senator REED. About three-sevenths of your gross sales?

Mr. NORTON. Yes.

Senator KING. Then is not the statement on the following page incorrect when you say that the labor is more than 55 per cent of the cost of your American product? If that is correct, then the cost of

your American product was only about $570,000, and you made a good profit that year.

Mr. NORTON. For what year?

Senator REED. 1927.

Mr. NORTON. Not a large profit in 1927. So far as the 55 per cent goes, that has reference to our own figures rather than the compiled figures. These other figures are compiled figures.

Senator REED. In your own establishment, it is 55 per cent?

Mr. NORTON. Yes.

Senator REED. But it can not be in the others.

Mr. NORTON. Probably not.

Senator REED. You can see that that is the conclusion from these figures.

Mr. NORTON. These figures here that are scheduled are compiled figures from all the other manufacturers enumerated. Some of those minor details are our own.

Senator KING. Your figures are embraced within that aggregate?

Mr. NORTON. Yes, sir.

Senator REED. Mr. Norton's brief will appear at the conclusion of his testimony.

Can you get along on 50 per cent?

Mr. NORTON. My point on the situation is this: We appreciate being taken from the basket clause, whereby the tools can be segregated, and we are willing to abide by the 50 per cent; but what we would like, if we could, is this: While we ask for 28 cents specific each, which would give the German price 5 per cent edge under ours, we would ask for a specific duty of any amount and be very appreciative of it.

Senator KING. The present rate is 40 per cent?

Mr. NORTON. Yes. It was 40. The present rate is 40, and it was increased to 50.

Senator BARKLEY. You say the Germans have an edge on you of 5 cents apiece?

Mr. NORTON. Of 5 per cent, if we are granted a specific duty of 28 cents each. If we can have a specific duty, even if it is only 10 cents, or anything, we will appreciate it.

Senator BARKLEY. You are like the boy who said his mother wanted 20 cents a gallon for berries, but that if the purchaser would not give that she would take 15? [Laughter.]

Mr. NORTON. Well, that is the situation.

Senator REED. All right, Mr. Norton. Thank you very much.

(Mr. Norton submitted the following brief:)

BRIEF OF THE WOODWORKING CHISEL INDUSTRY

CHAIRMAN AND MEMBERS OF THE COMMITTEE ON FINANCE,
United States Senate.

HONORABLE SIRS: We wish to present to you, in brief form, testimony relative to woodworking chisel industry, manufacturers of chisels, gouges and drawing knives for woodworkers.

Our status is confirmed with facts, figures, and schedules compiled through the cooperation of manufacturers representing 90 per cent of the production of the industry and being 7 of the 11 in this country. This industry is the major line of several of the manufacturers and the entire line of one.

Under the H. R. 2667, as now proposed, chisels and gouges have been taken from paragraph 399 and incorporated in paragraph 397 and the duty increased

from 40 to 50 per cent ad valorem, which, on percentage basis, is 25 per cent increase, but as a protective measure amounts to nil.

The industry feels that its request, as presented before the Ways and Means Committee, was just and substantiated by facts, and is worthy of a careful review.

We consider a specific duty in addition to an ad valorem duty as the only solution of our difficulties. We asked originally for 60 per cent ad valorem and a specific duty of 28 cents each.

If we can have an ad valorem duty, as now proposed, of 50 per cent, together with a specific duty of some amount, if not as much as we considered fair and warranted in requesting, we would feel that we were receiving some protection due an industry which is in no position to stand severe grief and is an essential to our Government.

Statistics show the decline in pay roll and decline in sales in both dollars and pieces. As a comparison we have shown so far as is possible to show from data available increase in imports, and the only item we can see favorable to the Government is an increase of duty received on increasing imports.

We do not feel American industry should be sacrificed for this revenue.

At the time of the framing of the present tariff bill, which imposes a 40 per cent duty, the importations on these items were very small and we did not consider them a menace to the industry, but now the situation has entirely changed by the large imports of this class of tools.

We will endeavor to show, by the schedules attached, the importance of the industry to the country.

The amount invested in the industry.

The Federal and State taxes paid.

The sales in pieces and dollars and how they have decreased.

The importations and how they have increased.

The labor employed and pay roll.

The comparison of wages in Germany, Sweden, and United States.

The comparison of prices on German, Swedish, and American tools of this class.

We will also show the chisels of foreign manufacture which are endeavoring to drive our American chisels out of the market to-day, and which are being sold at a price as low as the American manufacturer makes on his scrap or second chisels. If this continues, the standard of American manufacturers will be lost

IMPORTANCE OF INDUSTRY

The woodworking chisel industry has been a manufacturing business in this country for over a hundred years and some of the subscribers hereto have been operating that length of time. Seven of these concerns are in Connecticut, two in Massachusetts, one in Illinois, and one in New York State.

The industry manufactures tools, all essential to the woodworking mechanic and householder, and during our recent war thousands of such tools went into most every soldier company kit of tools and the industry was taxed its limit to meet the emergency at that time.

The preservation of the industry is contingent on a protective tariff to place same on somewhere near an equal basis, at least, to meet foreign competition.

Our present labor rates will not permit exporting, consequently we feel and believe you will recognize the fact that we are needful of tariff protection of an adequate nature.

Our schedules show convincingly the inroads made in this country by German and Swedish chisels and gouges at the cost of American industries and American labor.

The American manufacturer has been compelled for some time to meet this competition, sacrificing profits, and American labor has been forced to make similar sacrifices to meet this situation. These sacrifices have been made, assuming that relief would be granted when the next tariff bill would be framed, which is the present time.

LABOR'S PARTICIPATION IN COSTS

In the production of these tools more than 55 per cent of the cost goes direct to labor and balance goes into material made by American labor.

All we ask for is a protective tariff, not a prohibitive tariff, and the manufacturers of chisels, gouges, and drawing knives for woodworking will endeavor to meet trade conditions as we have in the past. Furthermore, under provisions for marking, we will ask the Government to add that the country of origin be

diesunk conspicuously and intelligibly and as large as any other marking on the article.

INVESTMENT

The capital invested in the industry is of sufficient amount, we believe, to warrant due consideration, and the earnings have been seriously affected by the lack of sufficient protective tariff in the last few years, as a close inspection of Federal and State taxes will show, in relation to the investment.

Total amount invested in industry herewith subscribed	$1,053,100.00
Federal and State taxes paid:	
1923	26,022.51
1924	21,277.55
1925	15,400.65
1926	12,551.13
1927	10,026.21

Sales.—The following schedule shows the shrinkage in both pieces and dollars in the sales in the respective years:

Sales in pieces:	
1923	1,720,372
1924	1,679,860
1925	1,532,668
1926	1,463,482
1927	1,285,428
Sales in dollars:	
1923	$984,088
1924	949,497
1925	844,935
1926	799,668
1927	708,807

Imports.—The following schedule will show the increase made in the imports during the respective years noted. The records available for this information are not easy of access and the items are not possible to segregate in all instances, but these figures we believe, are authentic so far as possible to obtain them.

Imports cleared, New York customhouse

Mechanics' tools in basket clause No. 399:	
1922	$35,000
1927	164,000

Increase, 485 per cent.

Figures for 1928 not available, but will undoubtedly show large increase. It is impossible to segregate tools in question in this clause.

Imports cleared through Los Angeles customhouse

	1923	1924	1925	1926	1927
Germany	$587	$1,608	$1,521	$3,413	$3,660
Sweden	4,131	7,446	11,879	11,210	13,566

Above figures contain two or three other items, but our representative is informed that most of importations from Sweden indicated chisels.

Employees and pay roll.—The following schedule will show the pay roll of the American manufacturers in the respective years, and a serious decline will be noted from 1923 to date. It will also show the number employed in the industry.

Employees:	
1923	296
1924	305
1925	261
1926	243
1927	227

Pay roll:

1923	$392, 129. 81
1924	398, 340. 63
1925	341, 852. 60
1926	323, 314. 02
1927	299, 794. 96

Operating 9 hours per day, 270 days per year.

Labor comparisons.—The following schedule will show the comparative wage paid in Germany, Sweden and the United States for similar work in this industry. You will note the extremely low rate paid in other countries and then recall the percentage that labor enters into the cost of our American product, which is more than 55 per cent, and the balance goes into material which is made by American labor.

[Rate per hour]

Class of labor employed in industry	American	German	Swedish
	Cents	*Cents*	*Cents*
Steelworkers	83	20	[1] 47
Heat treaters	80	20	.....
Grinders	88	31	.....
Polishers	84	31	.....
Woodworkers	55	18	.....
Laborers	45	14	[2] 25

[1] Skilled.
[2] Unskilled.

The following schedule shows the comparative prices of German and Swedish tools with similar American tools in this country.

We concede the American manufacturer has had to make prices to meet this competition and accept business without profit, and American labor has been forced to cooperate and make concessions in an endeavor to meet this competition. These endeavors have not been successful, as figures indicate. These concessions have been made until such time as this, when we would have an opportunity to present the exact status of the industry before a tariff framing board.

		Dozen	Each
Average cost to manufacturers of American chisel		$5. 78	$0. 48
Average cost of German chisel cleared in United States		1. 92	. 16
Selling price to jobbers	$2. 50		
Less importer's commission, 30 per cent	. 58		
Average cost of Swedish chisel cleared in United States		6. 28	. 52
Selling price to jobbers	$8. 17		
Less importer's commission, 30 per cent	1. 89		
Average selling price American chisel to jobbers		6. 00	. 50
Average selling price German chisel to jobbers		2. 50	. 21
Average selling price Swedish chisel to jobbers		8. 17	. 68
Average cost to consumer of American chisel		10. 92	. 91
Average cost to consumer of German chisel		3. 00	. 25
Average cost to consumer of Swedish chisel		11. 44	. 96

Why duty suggested is necessary

Present average American costs		$5. 78
Present average German estimated cleared price	$1. 92	
Less 40 per cent, present tariff	. 55	
Average estimated price of entry (no duty)	1. 37	
60 per cent ad valorem (suggested)	. 82	
Specific duty 28 cents each (suggested)	3. 36	
		5. 55

The cost of the Swedish chisels landed in this country is so near our costs that the importations have not been great, but the low cost of the German chisels as noted above has caused an ever increasing importation from Germany, which is a serious detriment to the American manufacturer.

EXHIBITS

A. American chisel 245, tang firmer, bevel edge, plain handle.
B. American chisel 515, socket pocket, bevel edge, leather tip handle.
C. German chisel (Jordan), purchase price 25 cents, S. S. Kresge. Jordan Trading Co., New York. Bevel edge, leather tip.
D. German chisel (Jordan) 1¼ purchase price 25 cents. S. S. Kresge. Jordan Trading Co., New York. Bevel edge, leather tip.
E. German chisel (Jordan), 1½ purchase price 25 cents, with ticket or receipt. Jordan Trading Co., New York. Bevel edge, leather tip. S. S. Kresge.
F. Swedish chisel (Shark), 1026/7, socket firmer, $1.45. Seattle. E. A. Berg Manufacturing Co., Eskilstuna. Bevel edge, plain handle.
G. Swedish chisel (Shark), 1030/1, tang firmer, $1.30. Seattle. E. A. Berg Manufacturing Co., Eskilstuna. Bevel edge, plain handle.
H. (*a*) Invoice, Jordan Trading Co. (importers), New York City, to Samuel Berman, Boston, Mass., $2.50 per dozen.
H. (*b*) German chisel, Jordan, 1½. Bevel edge, leather tip. Purchased on invoice to Samuel Berman, covered by Exhibit H (*a*).
I. Invoice, Spiegel Bros. (importers), New York City, to Samuel Berman, $2.35 per dozen.
J. Invoice, Jordan Trading Co. (importers), $2.40, $2.75, $3.10 per dozen.

The information in this brief has been furnished by and is submitted in behalf of the following manufacturers, and, as aforestated, we know same will have your careful consideration.

Respectfully submitted.

J. A. Norton, president and general manager the Winsted Edge Tool Works, Winsted, Conn.; Greenlee Tool Co., Rockford, Ill.; C. E. Jennings & Co., Tracy, Conn.; Pexto & Wilcox Co., Southington, Conn.; James Swan Co., Seymour, Conn.; Stanley Works, New Britain, Conn.; Union Hardware Co., Torrington, Conn.; The Winsted Edge Tool Works, Winsted, Conn.

BRIEF OF THE SCANDINAVIAN-WESTERN IMPORTING CO. (LTD.), NEW YORK, N. Y.

SENATE FINANCE COMMITTEE,
United States Senate, Washington, D. C.

GENTLEMEN: As importers of Swedish quality merchandise for the past 30 years, in the States of Minnesota and New York, we bring to your attention below certain facts regarding prices, showing why there should not be an increase in duty on our particular class of merchandise, wood chisels.

In reference to the suggestion as made before the House Ways and Means committee by the American manufacturers, requesting increase of duty on wood chisels, which are at present dutiable under the tariff act of 1922 under paragraph 399—"not especially provided as manufacture of steel"—40 per cent ad valorem.

Under this duty, which is extremely high, good protection is given to the American-made wood chisel, as will be shown by the following table of comparative prices, what we for example have to charge the American wholesaler for our wood chisels, those of a high-grade quality, imported from Sweden, and what the American manufacturer is charging the wholesaler for first-grade wood chisels. We are also listing percentage differences:

	Imported Swedish wood chisels	American wood chisels	Percentage difference
	Per dozen	*Per dozen*	
¼-inch short-socket chisel	$6.72	$5.44	23½
1-inch short-socket chisel	8.48	6.92	22¾
1¼-inch short-socket chisel	11.05	9.92	28

This table clearly shows that on the imported wood chisel we are forced to charge a considerable percentage more than the domestic wood chisel. Furthermore, the quantity of wood chisels imported from Sweden into this country is negligible in comparison with the number of wood chisels sold here of American manufacture.

We therefore find that the suggestion that is attributed as coming from the American manufacturers as presented to the House Ways and Means Committee for an increase of duty to call for 28 cents apiece and 60 per cent ad valorem is altogether unwarranted and unreasonable and their claim of competition has no real foundation.

We are, of course, presenting the case of the Swedish quality wood chisel. We are handling only a high-grade quality of wood chisel and as will be noted above, our prices are already of a sufficiently higher range in price to afford the American manufacturer all the protection he wants. The fine superior quality of our wood chisels enables us to sell them at a higher price, but it is a difficult task, nevertheless, and we are of the opinion that should the duty be increased to any extent whatsoever it would be impossible to import any more of these wood chisels. The business would cease entirely. In view of the fact that the American manufacturer already has protection, any advance in duty on a quality line such as ours would be unreasonable.

We offer this for the consideration of the Finance Committee, and we trust our brief will be given due attention in place of a personal hearing.

Yours very truly,

SCANDINAVIAN-WESTERN IMPORTING CO. (LTD.),
J. K. BORCH, *President.*

Sworn to and witnessed, this 12th day of July, 1929.

[SEAL.] GEO. H. DEGE, *Notary Public.*

Commission expires March 30, 1930.

AUTOMOBILE DIRECTIONAL SIGNALS

[Par. 398]

STATEMENT OF W. R. FLAGG, SCRANTON, PA., REPRESENTING THE AUTO SIGNAL CO.

(The witness was duly sworn by the chairman of the subcommittee.)

Mr. FLAGG. I represent the Auto Signal Co., and come before you to ask for a genuinely protective duty on a new device.

Senator KING. What tariff do you get now?

Mr. FLAGG. About 40 per cent.

Senator REED. Under the basket clause?

Mr. FLAGG. I think $3.98.

Senator REED. Yes.

Mr. FLAGG. The imported article of this character is given a duty of 40 per cent ad valorem in the present law and 50 per cent ad valorem in the House bill. The product comes under paragraph 398 as articles "composed wholly or in chief value of iron, steel, lead, copper, brass, nickel, pewter, zinc, aluminum, or other metal."

We ask that a new section be put in this paragraph and that the second part of the paragraph be made to read as follows:

Automobile directional signals made of any of the above materials, $1 per pound and 50 per centum ad valorem.

The material consists of iron, steel, lead, copper, brass, nickel, pewter, zinc, aluminum, or other metal.

Upon the securing of such a duty hangs the decision as to whether the manufacture of this article shall become an American industry or

whether the Germans shall be permitted to take full possession of the field.

We are the manufacturers of an automobile directional signal. Its purpose is to indicate, in advance, and in a definite manner, a change in the direction of moving cars. Its use gives much more certainty to automobile driving than obtains under the customary method of signaling by hand. It aids in preventing accidents to persons and property and adds greatly to the safety of pedestrians and its widespread use will greatly facilitate traffic.

The manufacture of such directional signals is an entirely new industry in the United States and comparatively new in foreign countries. They have been produced on a commercial scale in Europe during the past three or four years. Their use in Germany is becoming quite general and some of the German cities now require, by ordinance, that they be used on all cars operating within the city limits.

Our company has been engaged in the perfection and development of this signal for two years. It is just beginning to market its product and this is meeting with the approval of the buying public.

Senator KING. There is not very much more to this than the light you have, a green light or a red light?

Mr. FLAGG. Yes, sir; there is.

Senator KING. Here you have something, as I see this, with a little adjustment upon the sides showing the lamp?

Mr. FLAGG. The adjustment is in this shape here [illustrating]. This fastens against the windshield. The control is worked from the steering wheel. Now if you turn your wheel you press down here. That turns your signal on the right side. And as you turn your wheel to the left to turn to the left it is on the left [illustrating]. That, in turn, throws this up, causing the bulb to light here, and giving absolute direction which way you want to go, an absolute directional signal. That works on the back. Now the average red light or any other kind of signal is stationary.

Now I show you the German product. I have several samples here that are coming into this country [exhibiting same]. There is the type of that signal.

Senator REED. Is that electrically lighted?

Mr. FLAGG. That is electrically lighted. This is a full electrically operated signal. This type of signal will not be passed by the fire underwriters.

Senator BARKLEY. Do people like to have their automobiles cluttered up with that kind of stuff?

Mr. FLAGG. We find it so. Right now I am in competition with a German signal of this type that runs into $27,000 for one order.

Senator KING. Are you the only manufacturer in the United States?

Mr. FLAGG. We are the only manufacturer of this type of directional signal. We are covered fully by patents.

Senator KING. You have patents on that?

Mr. FLAGG. Yes, sir; we are covered fully by patents.

Senator KING. What do you charge for that?

Mr. FLAGG. This is $22 per set.

Senator REED. That is actuated by a vacuum there?

Mr. FLAGG. Yes.

Senator REED. And where is the vacuum created?

Mr. FLAGG. The vacuum is created in the arrangement just the same as the vacuum that is used for the windshield wiper. You put a storage tank in so that this signal absolutely works at all times. The windshield wiper when an engine is pulling will practically slow up and stop. This here will work at all times, even for five or six times after the engine is stopped.

Senator KING. Mr. Witness, if we increase the tariff on that over the 25 per cent which is given now to automobile parts, it seems to me that with the same propriety a demand could be made that we give it to automobile parts imported.

Mr. FLAGG. This is not an automobile part. This is an accessory. An automobile part can be used to build an automobile. This does not have to be used to build an automobile.

Senator BARKLEY. What is the attitude of the Automobile Association towards these devices?

Mr. FLAGG. This device here has been passed by the underwriters laboratories; it has been passed by the State highways commissions of Pennsylvania and New Jersey.

Senator BARKLEY. What do you mean by being passed?

Mr. FLAGG. Being passed as a device that is acceptable to them for what it is intended for.

Senator BARKLEY. In other words, if any one wants to put one on his car it is all right for him to do it. None of the authorities require it?

Mr. FLAGG. If you were to try to market this device in Pennsylvania or New Jersey without that they would throw it out. They would not allow you to use it.

Senator REED. You mean it meets their safety standards?

Mr. FLAGG. Yes. Now they require that this be operated at least 50,000 times. And our signal was tested by the underwriters laboratories, which means 100,000 operations.

Senator REED. All right, sir, you have prepared your suggestions in a brief, have you?

Mr. FLAGG. Yes.

(Mr. Flagg submitted the following brief:)

BRIEF OF AUTO SIGNAL CO., SCRANTON, PA.

FINANCE COMMITTEE,
United States Senate, Washington, D. C.

GENTLEMEN: The Auto Signal Co. of Scranton, Pa., asks for a direct duty on its product—the automobile directional signal.

I. The product which we manufacture at present comes under paragraph 398, which reads as follows in the bill passed by the House:

"PAR. 398. Articles or wares not specially provided for, if composed wholly or in chief value of platinum, gold, or silver, and articles or wares plated with platinum, gold, or silver, or colored with gold lacquer, whether partly or wholly manufactured, 65 per centum ad valorem; if composed wholly or in chief value of iron, steel, lead, copper, brass, nickel, pewter, zinc, aluminum, or other metal, but not plated with platinum, gold, or silver, or colored with gold lacquer, whether partly or wholly manufactured, 50 per centum ad valorem."

The importations in competition with our product come in under the second part of this paragraph.

II. We ask that a new provision be put in this paragraph, and that it read as follows:

"Automobile directional signals made of any of the above materials, $1 per pound and 50 per centum ad valorem."

III. The manufacture of this directional signal is the beginning of a new industry in the United States. It is an industry that will grow and develop, providing it is given genuine tariff protection; otherwise it can not get a start. Our competition is with Germany and German costs of production are something that we can not meet under the rate of duty written in the House bill.

In the following schedule is set forth the acutal cost of a pair of the "Wichway" signals manufactured in the United States and an approximation of the cost of a pair of the similar article manufactured in Germany.

	United States	Germany
Labor	$3.91	$1.30
Material	.45	.38
Overhead (15 per cent of cost)	.65	.25
Total cost	5.01	1.93
List price to consumer	22.00	8.40
Price to jobber (60 per cent off)	8.80	3.36

Actual purchase by representative of Auto Signal Co. of the German automobile directional signal in the German market was at the retail or full list price of 35 marks which, at present rate of exchange, is $8.40. The selling price in German market was also verified by the Bureau of Foreign and Domestic Commerce of the United States Department of Commerce. The jobber's price of this article in Germany is 60 per cent off the list price of $8.40 or $3.36.

IV. The present United States tariff on automobile signals is 40 per cent, based on jobber's price of the article in the country of its manufacture. In the case in question, this price is $3.36 per pair, and, added to that price is the duty of 40 per cent, $1.34, making the price of the article delivered to jobber in United States $4.70 (freight charges being so small as to be negligible) as against the bare factory cost of the "Wichway" signals in the United States of $5.01. In other words, the German signal can now be landed here duty paid, and including the manufacturer's profit and selling expense, cheaper than the same signal can be produced in an American plant.

German automobile directional signals are being sold in the United States market at $15 list price to the consumer, as against $22 list price to consumer of the "Wichway" signal of American make.

V. The duty that we ask is not at all a prohibitive one. It merely places the German product in the American market upon a practical parity with the same article manufactured in the United States. It is established that the wholesale price of the German article in Germany is $3.36 a pair. These signals weigh about three pounds a pair. The specific duty that we ask of $1 per pound would be $3, and the additional ad valorem rate of 50 per cent would be $1.68, or a total duty of $4.68. These German signals, therefore, could be landed in the United States, duty paid, at $8.04. If we figure 5 per cent for the cost of getting these German articles to this country—including transportation cost, brokerage, insurance, and such factors—this would add 17 cents or make a total landed cost, duty paid, in the United States of $8.21. As against this, would be the American selling price of the American article, with the same discount to jobber, of $8.80.

VI. As the automobile directional signal is a comparatively new device, a short description of it and its uses may not be out of place.

These signals are designed and intended to indicate in advance and in a definite manner a change in the direction of moving automobiles. Their use gives more certainty to automobile driving than obtains under the prevalent and customary method of signaling by hand; aids in preventing accidents to persons and property and adds greatly to the security of pedestrians. Their use would also greatly facilitate traffic.

The usual type of automobile directional signal is a small semaphore arm, attached to each side of the car at or near the upper part of the windshield column, and is operated by pressing a small lever attached to or directly under the steering wheel of the car. Slight pressure on the lever raises by mechanical means the signal arm to a horizontal position on either the left or right side of the car, at the selection of the driver, to indicate a proposed change in the direction of the car. A raising of the signal on the left side indicates a proposed turn

to the left and the elevation of the signal on the right, a proposed turn to the right. A release of the lever returns the signal arm to its original vertical position, in readiness for further repeated operations. An electric light contact illuminates the signal arm for use at night.

VII. The manufacture of automobile directional signals is a new industry in both the United States and in foreign countries. They have been manufactured on a commercial scale in Germany and on a more limited scale in France and England during the past three or four years. Their use in Germany is becoming quite general and some of the German cities now require by ordinance that all automobiles operating within the city limits shall be equipped with these directional signals and a penalty is exacted in cases where they are not used in indicating proposed changes in direction.

The Auto Signal Co. has been engaged in the perfection and development of a directional signal of the semaphore arm type, known as the "Wichway signal," for the past two years and has had its product upon the market for the past year, where it has met with the approval of the buying public. This signal has also been approved by the various testing laboratories and State highway departments, including those of Pennsylvania and New Jersey, to which it has been submitted. A descriptive circular of this signal arm is hereto attached.

VIII. Several different signal arms of German manufacture are being imported into the United States and offered for sale at prices considerably lower than the lowest price at which the Wichway signal, manufactured in the United States, can be offered for sale to the public, such lower price of the foreign article being made possible by lower production costs. The cost of labor on the foreign article is but one-third of the labor cost in the United States, and the cost of materials entering the foreign article is 85 per cent of the cost of same in the United States.

The demand that is certain to arise in this country for such a signal should be met by American manufacture, not by foreign products. This can not be the case without tariff protection. It costs $5.01 to make a pair of these signals in the United States, and it costs but $1.93 to make a pair of the same article in Germany. This is the situation that confronts us, and this is why we are appealing to this committee for this rate of duty.

It is on this account that we ask for the specific rate of duty as well as the ad valorem given to many manufacturers of metals. Such a rate of duty is absolutely necessary to enable our production to continue. It is a rate that is no higher than some that are already in the tariff law. With this duty that we ask, a new American industry can develop; without it, the industry can not develop or survive in the face of German low-cost production.

Respectfully,

AUTO SIGNAL CO.,
By W. R. FLAGG.

Subscribed and sworn to before me, this 11th day of July, 1929.

JESSIE G. LANE,
Notary Public.

BELLS

[Par. 398]

BRIEF OF THE BEVIN BROS. BELL CO., THE GONG BELL CO., H. N. HILL BRASS CO., AND THE STAR BROS. BELL CO., EAST HAMPTON, CONN.

SENATE FINANCE COMMITTEE,
Washington, D. C.:

At the present time all bells manufactured by the above-named concerns come in under paragraph 399 of the 1922 tariff act (basket clause) at 40 per cent ad valorem.

We propose to show in this brief that 40 or 50 per cent as provided in the basket clause 398 of H. R. 2667 is entirely inadequate to meet the competition which these industries are suffering from importations of bells from Germany. We propose to show that the life, not only of these industries but the community in which they are located, is at stake.

INDUSTRY

All of the industries named at the head of this brief are located in East Hampton, Conn., which is known as the "Bell Town," and whose manufacturing establishments produce approximately 90 per cent of the small bells made in the United States. All of these industries have been established for years, the oldest having begun manufacturing bells in 1832. They are employing approximately 1,000 people at the present time. Practically most citizens of the entire community, numbering 3,000, are dependent for livelihood upon the bell industry.

COMPETITION

Because of the skilled craftsmanship methods of manufacture the East Hampton made bell has for years been known throughout the world for its excellency. Prior to the war and during the war competition from Germany was little felt and the tariff rates which the industry enjoyed prior to the 1922 tariff act were sufficient to keep it alive and to cause it to prosper. However, since the end of the war, and with the rebuilding of German industry this competition has been seriously felt and is growing in proportion. Before and during the war the exports of the industries presented in this brief amounted to an average of one-half million dollars per year over a 10-year period, ending with the close of the war. Those exports to-day have dwindled until all of the industries export not more than $10,000 worth per year. It is inevitable that if German production continues along the course which it is following to-day that not only our export business but the domestic business will have been ruined.

IMPORTS

Because of the fact that bells come under the basket clause it has been impossible even after diligent search and investigation to determine how many small bells are being imported into the country. We therefore are compelled to rely entirely upon the information which comes to us from our salesmen, our own efforts to secure new business and retain old business, to arrive at any estimate of the effect which this ruinous competition is having upon East Hampton.

I present as exhibits two bicycle bells: Exhibit (a) is the German bell. It may be identified by the word "Germany" on the handle. The other exhibit (b) may be identified by the words "Made in the U. S. A.," also stamped on the handle. It will be noted that these two bells are practically identical, although the American-made bell is slightly the better bell; but it should be remembered that this slight difference would have no effect upon the purchaser. The sound is the same; the construction is practically the same, and the life of the two bells are equal. The German bell (Exhibit (a)) is being imported, landed duty paid, at New York at 60 cents per dozen, while the American-made bell (Exhibit (b)) can not be produced for less than $1 per dozen. Under the most modern methods of manufacture and the employment of the most skilled workers, this $1 cost does not include selling expenses nor profit. It will, therefore, be seen that there is a differential of 40 cents per dozen, which the American manufacturer, of course, can not meet.

It is not my purpose to go into detail concerning the comparative labor costs here and abroad. You have had presented to your committee these costs in other comparable metal industries in Germany and even though living costs in East Hampton, Conn., are low as compared with larger communities, it should be pointed out that the average weekly wage paid by the bell industry in this community is $22.50 per week, practically four times the average weekly wage in a similar industry in Germany.

Two years ago the writer traveled through England, Belgium, and France, in an effort to recruit some of the lost business formerly enjoyed, but was unsuccessful and was met consistently with the answer that while the American bell was undoubtedly superior, the price was the factor that governed. This same condition is greatly prevailing throughout this country, and while we can not and do not expect to hold our export business, we feel that as American manufacturers of long standing, that we have a right to adequate protection.

RECOMMENDATION

We realize that to ask for any increase in the ad valorem rate of paragraph 398, the basket clause, would be inadvisable solely on the ground of protection of one comparatively small industry; but we believe that your committee should

consider the separation of bells from the basket clause and transferring it to paragraph 1541 under an additional subsection which would read as follows:

"All bells with the exception of church bells 70 per cent ad valorem."

REASONS

From analysis of the supposed cost of the German bell as compared with the known cost of the American bell, a 70 per cent ad valorem duty would not act as an embargo. We believe that it would do nothing more than barely enable the domestic industry to continue to exist. At this point we offer as Exhibit (c), catalogue No. 129 of Bevin Bells, and to those who are at all familiar with the types of products which Germany is sending into this country, it will be seen that this industry is facing extinction unless relief is received. If the levying of a 70 per cent ad valorem rate would result in an increase cost of the foreign or domestic bell to the consumers of this country your petitioners would not ask for it, but it must be considered that the levy of said duty would not increase the price since at the present time the importer and the dealer are charging the same price for the foreign bell as for the American bell, absorbing the profit therefrom, excluding the production of the American manufacturer, and giving none of the benefits of the reduced cost to the consumer.

In conclusion we, therefore, respectfully submit that small bells other than church bells should be taken from the basket clause (398) in H. R. 2667 and placed in a subsection of paragraph 1541, at 70 per cent ad valorem. We appeal to you in behalf of the citizens of an entire community whose livelihood is dependent upon the bell industry and whose citizens are skilled in this one industry only. If they were thrown out of employment, men and women who have been engaged in bell making for their lifetime would have great difficulty in securing other employment.

Presented on behalf of the Bevin Bros. Bell Co., the Gong Bell Co., H. N. Hill Brass Co., Star Bros. Bell Co., all of East Hampton, Conn.

Subscribed and sworn to before me this 27th day of June, 1929, by C. G. Bevin, president Bevin Bros. Manufacturing Co.

[SEAL.]

HENRY M. BARRY,
Notary Public, District of Columbia.

HINGES

[Par. 399]

STATEMENT OF R. E. PRITCHARD, REPRESENTING THE STANLEY WORKS, NEW BRITAIN, CONN.

(The witness was duly sworn by the chairman of the subcommittee.)

Mr. PRITCHARD. Mr. Chairman and gentlemen of the committee, the company I represent, the Stanley Works—although I represented the whole industry in the House hearing——

Senator KING. Which industry?

Mr. PRITCHARD. The butt and hinge industry.

The company that I represent, the Stanley Works, operates hardware plants in Connecticut and Ohio. There are some seventeen other domestic manufacturers with factories located in New York, Pennsylvania, Connecticut, Ohio, Indiana, Illinois, Wisconsin, and Missouri.

Our company also has a hinge factory in the Rhineland, Germany. It is by virtue of this fact that we know exactly the comparative cost of manufacture of similar items in Germany and in this country. Hardware that we make in our American plants can be manufactured at our German plant for very slightly more than one-half the American costs. The exact figure on a group of 56 leading items is 50.3 per cent.

This figure is arrived at by a comparison of costs on identical items manufactured at both plants.

Senator REED. Are you speaking as of the present moment?

Mr. PRITCHARD. Yes.

Senator REED. With the present wage scale in Germany?

Mr. PRITCHARD. That is, within a reasonable period.

Senator REED. Within a month or so?

Mr. PRITCHARD. Yes. They are cost figures secured under a uniform system of accounting and the books of both plants are audited by the same firm of accountants—Haskins & Sells, of New York.

Basically, the essential difference in cost of manufacture arises from the marked discrepancy in wages paid here and in Germany.

Senator REED. What other elements enter into the discrepancy?

Mr. PRITCHARD. During a recent period of ten months at our American plant the average wage was 54.3 cents per hour. During the same period at our German plant wages were 17.9 cents per hour. This makes our German wage rate 33 per cent of the American rate.

Material—i. e., cold rolled steel—embodying as it does less labor—approaches more nearly the American cost, but for a recent quarter the American cost was $4.149 per hundredweight and the German cost $2.406 per hundredweight. That makes the German material 58 per cent of the American costs.

All other elements, of expenses of which there are many, run slightly better at the German plant than at the American plant in relation to the amount spent directly on labor and material; 45.6 per cent at the American plant and 41.3 per cent at the German plant.

All these figures are set forth in detail in the brief submitted to the House Ways and Means Committee. In summary they say that hinges and butthinges can be made in Germany for very slightly more than one-half their American costs, not as a matter of theory on conjecture but as a demonstrated fact, the accuracy of which we state under oath.

In the act of 1922 butts and hinges were in the metal basket clause with 40 per cent ad valorem protection. Before the Ways and Means Committee we asked for a separate paragraph with a specific and ad valorem duty sufficient to equalize the difference in cost of manufacture at home and abroad. The House bill leaves us in the metal basket clause with an increase from 40 per cent to 50 per cent.

Such a change scarcely offsets the increase in our American wage rates, which were 42 cents an hour at the time of the 1922 tariff act and are 54 cents an hour at the present time. It very certainly falls far short of equalizing what we know to be the cost of manufacture at home and abroad.

Now, notwithstanding that the tariff increase granted by the House does not give us the protection to which we believe we are reasonably entitled, we recognize that the treatment accorded us is the same as given other products in the metal basket clause. And we very frankly admit that there are others in that paragraph whose claim to added protection is as real as our own. The difference being that in our case our German plant permits us to prove it.

Our position then is this:

First. We believe we are entitled to more protection than the basket clause provides in the present House bill.

Second. If the Senate confirms the present House rate, we will in good faith try to live with it.

Third. If the Senate reduces the House rate on the metal basket clause, we respectfully request that hinges and butt hinges be given a separate paragraph with rates intended to equalize German and American costs of manufacture, as set forth in our brief before the Ways and Means Committee.

I should like to elaborate a little on what I mean by trying to live with the proposed House rate. It must be perfectly clear that with a German plant against which protection is not adequate, we are at all times in a position to import goods more profitably than we can manufacture them in this country. Such has been the case during the past several years. Yet, up to the present time, we have never imported a dollar's worth of hinges from our German plant.

Only the day before coming to Washington I saw quotations from a German manufacturer, located in the same city as our own German plant, offering our products to a New York importer, delivered at his door, all expenses and duties paid, at prices well below our American costs.

Senator REED. What city?

Mr. PRITCHARD. Velbert, Rhineland, Germany.

It must be clear to the committee that in following that policy which we have that we have shown more consideration for our employees and the community to which we pay taxes than we have for the stockholders of the company. But by following such a course we feel that we come before your committee with clean hands and a clear case for added protection.

Goods sold by us in this country and made of American materials by American wages. They are honestly made and fairly priced in competition with 16 or more other American manufacturers operating under similar conditions. We have no wish to alter this situation, and with an even break on tariff protection will not do so.

We have seen what it meant to transfer most of our export business from our American to our German plant when economic conditions prevented us from selling neutral markets from America. It meant the changing of a losing business into a profitable one, but at the same time it involved the loss of employment to 400 American workmen and the employment of a like number in Germany.

Senator REED. Mr. Pritchard, I have heard a good many hundred witnesses in connection with various parts of this tariff bill, but that is the best statement I have ever heard. I want to compliment you on it.

Mr. PRITCHARD. Thank you.

Senator KING. Do you export from the United States?

Mr. PRITCHARD. Yes.

Senator KING. To what countries do you export?

Mr. PRITCHARD. We export to practically all countries, Senator.

Senator KING. What were your exports last year, 1928?

Mr. PRITCHARD. About $600,000.

Senator KING. And the year before?

Mr. PRITCHARD. You have me there.

Senator KING. Substantially the same?

Mr. PRITCHARD. Larger. As you go back they were larger, because over the past few years our business has gradually been transferred to Germany.

Senator KING. That is, your export business.

Mr. PRITCHARD. Our export business. It has worked like this. So far as possible we have used the German plant to sell what might be called the bread and butter items in neutral markets of the world, and along with those bread and butter items have gone some of the higher grade products manufactured at our American plant, and in that way we have managed to keep a substantial part of our export business, but not half.

Senator KING. Where are your plants?

Mr. PRITCHARD. In New Britain, Conn., and Niles, Ohio. These other plants, as I mentioned, in the first place, are pretty well scattered over the country.

Senator KING. What is the name of your company?

Mr. PRITCHARD. The Stanley Works.

Senator KING. What is your capital?

Mr. PRITCHARD. $10,400,000 common stock and $3,000,000 or $3,500,000 preferred stock.

Senator KING. What is the aggregate amount of your domestic production per annum?

Mr. PRITCHARD. Just to keep perfectly straight on it, you should understand, to begin with, that our business involves rather more than hardware, which I speak of here. That is only a division of our business. Our total business is a hand tool business, a steel business, and a hardware business, and certain miscellaneous subsidiary companies, so that this business I speak to you about here constitutes perhaps a quarter of the total. The grand total of our business is a volume in the neighborhood of $25,000,000.

Senator KING. What dividends did you pay last year?

Mr. PRITCHARD. We paid 10 per cent on $10,400,000 common and 6 per cent on the preferred.

Senator KING. What did you put to your reserve or surplus account?

Mr. PRITCHARD. About a like amount.

Senator KING. When did you declare, if at all, a stock dividend?

Mr. PRITCHARD. We had a stock dividend in 1920.

Senator KING. How much was that?

Mr. PRITCHARD. That was 100 per cent stock dividend. At the same time that there was a 100 per cent stock dividend there was a request on the stockholders to put into the business in cash $1,500,000. There was, at the same time, an issue put out of $6,500,000 of preferred stock. That was necessary in connection with the acquisition of the Stanley Rule & Level Co.

Senator KING. Buying more property?

Mr. PRITCHARD. Yes.

Senator REED. Do you operate your own steel works?

Mr. PRITCHARD. Yes.

Senator Reed. At Niles?

Mr. PRITCHARD. No; our steel works are at Bridgeport, Conn.; open hearth furnace—no blast furnace. We begin with the open hearth process, and go through from that.

Senator REED. You buy pig?

Mr. PRITCHARD. Yes.
Senator REED. Where do you get the pig?
Mr. PRITCHARD. Here in this country.
Senator REED. Have you imported any?
Mr. PRITCHARD. Not a bit.
Senator REED. What is your position in the company?
Mr. PRITCHARD. I am vice president of the company.
Senator KING. Is your general production increasing, in all your products?
Mr. PRITCHARD. In all of them it has increased by virtue of additions to the size of our business, but in the hardware division of the business it is off partly through some loss in the export, and partly through slightly decreased building activities.

LUGGAGE HARDWARE

[Par. 398]

STATEMENT OF C. E. MIX, REPRESENTING THE EAGLE LOCK CO., NEW YORK CITY, AND EXCELSIOR HARDWARE CO., STAMFORD, CONN.

(The witness was duly sworn by the chairman of the subcommittee.)
Mr. MIX. I represent the Excelsior Hardware Company at Stamford, Conn., manufacturing a similar line to the Eagle Lock Co. Our own product, however, is practically 95 per cent luggage hardware, of which I am speaking at the present time.
Senator KING. What do you mean by luggage hardware?
Mr. MIX. Suitcase locks, trunk locks, automobile trunk locks, catches, and so forth, for luggage of various kinds.
Senator KING. What part of the domestic production does you company produce?
Mr. MIX. I would say, roughly, that the total is about $6,000,000 per year. We produce about $325,000,000.
Senator KING. Where is your company located?
Mr. MIX. In Stamford, Conn.
I have been impressed by one of the statements made by the last witness, with regard to the possibility of his own company manufacturing in Germany at costs much less than in this country.
That statement is borne out by one of the other signers of the original brief, who said that such could be the case with them. They have not declared themselves, of course, to us, to the effect that they are intending to manufacture any luggage hardware in their German plant, but, of course, we being competitors, that would not be information that we should have. Nevertheless, it might be true.
Senator KING. Were there any imports of luggage hardware last year?
Mr. MIX. Oh, yes.
Senator KING. What percentage of the domestic production?
Mr. MIX. I do not know exactly the volume. I have understood that it has been estimated at about $100,000 to $125,000.

Senator KING. As against $6,000,000 production?

Mr. MIX. Yes. However, that has greatly increased this year, and there is no doubt, I think, from the information we can gather, that with the new material that they have produced, they are going to be able to increase it considerably this year.

I was impressed by the number of new samples that have appeared since the first of the year. Many of these are entirely new samples that we have never seen before, until within the past two or three days.

Senator BARKLEY. Are they importations?

Mr. MIX. These are all importations.

Senator KING. The present rate is 40 per cent?

Mr. MIX. The present rate is 40 per cent. I have been told by one of our pattern makers that if we ourselves were to attempt to produce tools and dies for the new styles that they have produced, we would be doing nothing else but manufacturing new tools for the next two or three years. We would be unable to produce new styles at the rate that they are being put on the market.

Another thing that is rather pathetic is the fact that some of the manufacturers have been attempting in the last two or three years to combat the foreign competition by producing entirely new styles which would interest the local manufacturers, and immediately after producing these new styles foreign duplicates have appeared, at very much lower prices, and they have been put on the market long before the tools and dies of the local manufacturers could ever be paid for.

Here is one of them [producing sample] manufactured by a local concern, and it is exactly duplicated, so that it can hardly be distinguished.

Senator KING. I suppose American manufacturers of various commodities duplicate the articles made in other countries.

Mr. MIX. I suppose they do. We have not done that in our own particular factory. We have not reproduced the articles made by the foreign manufacturers. The point is that we feel that the House provision of 50 per cent is not going to be adequate. It is the opinion of all the manufacturers with whom I have spoken that with a tariff of 50 per cent, they would be just exactly as well able to handle the situation as they are to-day at 40 per cent. I think in our original brief we determined that at least 94 per cent would be necessary to equal the difference in the cost of labor in the United States and Germany.

Senator REED. You filed a brief in the House?

Mr. MIX. Yes. A brief was filed.

I have just a few brief remarks, and I have another brief here to file before I leave.

One of my principal objects in appearing is to show you how this competition on luggage hardware has affected us during this last year. This information is not contained in the original brief.

Last year our sales dropped to about 70 per cent of our average for the last five years, and showed us a loss for the first time since 1921. It was at the beginning of last year that we discontinued manufacturing some of these very styles of locks. This is one of them [indicating]

that we discontinued manufacturing. They have been brought in from abroad.

On many of our other numbers we had to reduce our selling price very materially, in some cases below our cost to-day. Yesterday one of the manufacturers told me that his volume in this type of hardware had been reduced from 50 per cent of his total volume to 5 per cent of his total volume last year.

A short time ago I discovered that one of my own agents was selling goods of a German manufacturer which were exactly similar to styles which we used to make. The number we discontinued. I asked him his reason for selling a product of the German manufacturer and he said that he was unable to sell our own goods, and he did not wish to lose this business, and so that will probably result in leaving us without representation in one very large field. Of course naturally we could not continue with a manufacturer who unknown to us should take on products of a German manufacturer.

Those are briefly my reasons for appearing and stressing the fact that we feel that the 50 per cent is not adequate.

Senator REED. You want it put in a special paragraph, do you?

Mr. MIX. We asked for a special paragraph; that the provisons were on three different sizes. We cited three different classes. On one class, small size locks, 50 cents per dozen specific, and 40 per cent ad valorem. And the larger sizes 75 cents per dozen specific, and 40 per cent ad valorem. And then on all other luggage, trunk and suit-case hardware, 5 cents per pound, and 50 per cent ad valorem.

With the filing of this other brief I will finish my statement.

Senator REED. We are glad to have that, and will put it in the record at this point.

(Mr. Mix submitted the following brief:)

BRIEF OF C. E. MIX

We were signers of the brief submitted by H. B. Plumb to the Ways and Means Committee on behalf of the makers of luggage hardware. Since filing that brief conditions in the industry have become worse. The quantity and variety of items imported has steadily increased but definite figures regarding the quantities imported can not be obtained.

What we do know is that several hundred people formerly employed in the industry have either had part-time employment or no work at all in the manufacture of these goods, and the styles of this hardware imported have been practically abandoned by the American manufacturers. The fabrication of those lines has been transferred from the United States to continental Europe.

Three of the signers of the brief have entirely discontinued the manufacture of medium-priced luggage hardware. Others have developed a few novelties in the line to continue temporarily the factory organization in this department.

One reports his business at less than one-half of 1928, which in turn was 30 per cent less than in 1927.

As each type and design is copied or paralleled by the foreign manufacturer, the American producer is forced from the field on that type. We can not with our labor and material costs meet the prices at which the product is offered.

The agent of one manufacturer, unable with his domestic goods to compete with the imported goods, recently has been forced to take on the lines of the principal German competitor leaving the American manufacturer without representation in a wide territory.

Unless additional protection is afforded, the business must eventually be discontinued by the American makers.

MOLDERS' PATTERNS OF METAL

[Par. 398]

STATEMENT OF G. E. LOWN, REPRESENTING MASSEY HARRIS CO., BATAVIA, N. Y.

(The witness was duly sworn by the chairman of the subcommittee.)

Mr. LOWN. I am interested in the importation of molders' metal patterns in bond. In the old tariff it was section 308. In the new bill it has been eliminated. We are opposed to its elimination.

Senator KING. Those would be the same articles referred to by the preceding witness?

Mr. LOWN. The conditions are considerably different. I have in mind metal patterns only.

Senator REED. There is nothing in the old law in section 308 that deals with metal patterns.

Mr. LOWN. As I remember it, it allows the importation of metal patterns in bond for a period of six months.

Senator REED. Section 308?

Mr. LOWN. Yes, sir.

Senator KING. What paragraph would that be?

Senator REED. Page 336:

Molders' patterns for use in the manufacture of castings, temporarily imported under bond for exportation.

You would like to have that put back?

Mr. LOWN. We would like to have the law as it is at the present time, in that respect.

Senator REED. Why would you like to have it put back?

Mr. LOWN. We manufacture and sell in Canada malleable castings and gray iron castings, principally malleable.

Senator REED. Do you make them in Canada?

Mr. LOWN. No, sir. We make them in the United States. They are made for our parent company, Massey Harris Co. (Ltd.), in Canada. We sell them at the present time about $250,000 worth annually. They send the patterns over here; we make the castings, and send the castings to them, and send the patterns back. If this is eliminated in the new law it will tend to throw all that business to Canadian foundries. We will suffer, and the wage earners in the United States will suffer accordingly.

Senator REED. Why could you not have your patterns made over here?

Mr. LOWN. It is not at all practicable.

Senator REED. We have plenty of pattern makers in Pittsburgh that would like to do the work for you.

Mr. LOWN. We have plenty of them in Batavia that would like to do it, right in our own plant; but it is not practicable.

Senator REED. Why not?

Mr. LOWN. Our experimental and designing department is located in Toronto. These patterns are not made from blueprints. It is a cut-and-try process. Of course, the design of our machines is constantly changing.

Senator REED. What kind of machines does the Massey Harris Co. make?

Mr. LOWN. Agricultural implements. These are all for agricultural implements. As I say, these metal patterns, of course, are made originally from a master pattern, which is a wood pattern. We do not attempt to import that. We import the finished pattern, which is entirely different from anything shown here.

Senator REED. No. Let me see that hand-hold casting.

Mr. HUSHING. This [indicating] is the master pattern, and this [indicating] is the metal one.

Senator REED. Is not the metal pattern similar to the type you import?

Mr. LOWN. We import the metal pattern. Ours are comparatively small. Some are smaller than that [indicating] and some are larger but they are imported in the form of a gate of patterns. If we made that casting for that pattern there would probably be half a dozen on a gate.

Senator REED. Half a dozen?

Mr. LOWN. Half a dozen like that [indicating].

Senator REED. So that you could make half a dozen castings in each flask. Is that the idea?

Mr. LOWN. Yes. We import the pattern gated, ready for use—in other words, several patterns on a gate. We call that a pattern.

Senator KING. What is a gate? Is it a flask?

Mr. LOWN. No. It is several patterns connected so that when the hot metal is poured in they all fill up.

Senator KING. As I understand, in the United States you manufacture, after the pattern is imported, products which are then sent back to Canada.

Mr. LOWN. We make castings from the imported pattern and sell the castings in Canada to our parent company.

Senator KING. Are there any others who sell in Canada?

Mr. LOWN. We have been able to find but one; and that one in a very, very small way.

Senator KING. So that, if you were denied the privilege which has prevailed in the past, you say you might lose the entire business in the United States?

Mr. LOWN. We probably would. We could not afford to import the patterns and pay the duty.

Senator REED. That would depend somewhat on what the duty was, would it not?

Mr. LOWN. The duty in the present law is 40 per cent. The House bill raises it to 50. Either one would be prohibitive.

Senator KING. You are not dealing with wooden patterns?

Mr. LOWN. No, sir; just metal patterns. This is what it means to us, as I started to say. We sell in Canada, at the present time, annually about $250,000 worth. A large per cent of that is labor in our own plant. The balance of it, or a large part of the balance, is pig iron, coal, coke, firebrick, sand, and so forth, all of which we purchase in the United States, and a large part of which is labor. So, it would tend to take away from the United States that labor.

Senator KING. How many patterns are brought into the United States under bond in that way?

Mr. LOWN. During the past 12 months, approximately 800. I mean 800 gated patterns. Of course, each pattern might have a gate of from four to forty, depending upon its size.

Senator KING. What do you do with those patterns after you have made your castings?

Mr. LOWN. They go back.

Senator KING. Under your bond?

Mr. LOWN. Yes, sir.

Senator REED. All right, sir. I think we have your point.

Mr. LOWN. They go back for various purposes.

Senator REED. Is there anything else you want to take up?

Mr. LOWN. If you will give me just a moment, there is one other thing. This privilege, so far as we know, has been in effect for a long time. Several years ago we increased our plant capacity just to take care of this business and you can see what it would mean if this privilege were taken away from us.

Senator REED. How many patterns do you bring in in the course of a year?

Mr. LOWN. Approximately 800; for the past 12 months it has been approximately 800. Of course, these patterns are not as valuable as the wood patterns you have heard of.

Senator REED. I do not see why not.

Mr. LOWN. I mean, it does not cost as much to make them.

Senator REED. You have to make a wood pattern first, before you can make the metal pattern.

Mr. LOWN. That is true.

Senator REED. When that is done, the pattern has served its usefulness, and its value has been carried over into the metal pattern.

Mr. LOWN. It could be reasoned out that way.

Senator REED. That follows necessarily, does it not? All the labor on the wooden pattern is transposed or transferred into the metal pattern, which remains and is used.

Mr. LOWN. I am thinking only of the exact cost of the metal pattern.

Senator REED. Oh, yes. I quite understand that.

Mr. LOWN. If you include the cost of the wood pattern, of course, it would make the case very much worse for us if the law is enacted as proposed.

Senator KING. Have you observed the change which has been made in section 308 in the House bill?

Mr. LOWN. I do not know what you have in mind, Senator.

Senator KING (reading):

importations, which period may, in the discretion of the Secretary of the Treasury, whether such articles are imported before or after the section becomes effective, be extended upon application for a further period not to exceed six months.

Mr. LOWN. We would like to have that continue.

Senator KING. As I understand, that was an amendment added to the House bill.

Mr. LOWN. But molders' metal patterns are taken out of there, so it does not apply to them. We would like to have molders' metal patterns left in, as in the present law. If they are not, I believe we are going to suffer, and our labor is going to suffer. United States labor is going to suffer.

Senator REED. Of course, we would like to see these patterns made in the United States, if possible.

Mr. LOWN. There is no practicable way to do it, Senator.

Senator REED. In your case you say that would not result?

Mr. LOWN. It would not. If I can enlighten you on that point, Senator, I would be very glad to explain why it is not practicable to make them in the United States.

Senator REED. I wish you would enlighten me. I still do not understand. You say your designing group is in Toronto.

Mr. LOWN. We sell these castings to our parent company.

Senator REED. I understand that.

Mr. LOWN. The designing department and the experimental department are located there.

Senator REED. Yes.

Mr. LOWN. They make the patterns. They have to, because it is a case of cut-and-try, until they get the pattern right. They are not made from a blue print. For instance, we have a machine, and the design is slightly changed. The old pattern is taken, and the new pattern made, with slight changes—an eighth of an inch added here, a little taken off there, and so forth. It is a case of cut-and-try. It is much simpler than a blue-print process. That has to be done in close relationship with the experimental and designing department. They could not make it over there and send it over to us to try. They try it there. You understand, they make these implements in Canada. When it is ready for castings to be made from it, then it is sent to us and the castings are produced here.

Senator KING. At the factory they know what they want, and here you would not know just exactly the particular style, or change of style, in any particular agricultural implement.

Mr. LOWN. No.

Senator KING. I see. Have you filed a brief?

Mr. LOWN. I have not.

Senator KING. Did you have any?

Senator REED. I think you have made your point plain.

Mr. LOWN. I have written a letter to Senator Smoot protesting——

Senator REED. While that is your situation, I am thinking about some of these other very large companies that have foundries.

Mr. LOWN. We do not know of anyone. We can not find anyone who is purchasing patterns made in Canada. It would seem to me not very practicable.

Senator REED. Not in Canada, perhaps, but it would be very easy to have the patterns made in Europe, and bring them in, either in the wood or in the metal form.

Mr. LOWN. I doubt very much its practicability. I do not think it is practicable to make patterns in a foreign country and have the castings made in another country, as we are doing in this instance. I can not quite see the reason for it.

Senator KING. In order that I may understand you, can you conceive of the Baldwin Locomotive Works, which is making engines, and changing the design of the engines, because engine development is progressing, or the Otis Elevator Co., or any of these large companies that make varied forms of production, having their patterns made abroad?

Mr. LOWN. You mean the wood patterns, for instance?

Senator KING. Any sort of pattern—because patterns change.

Mr. LOWN. I doubt if any of those companies you mention would do it.

Senator REED. Take the pattern for that shield, which Mr. Hushing showed us, with about $500 worth of labor in it. If you could get that made for $75 by sending your design abroad, or your blue print, or artist's drawing, you would be willing to wait a couple of weeks in order to get that saving.

Mr. LOWN. In the first place, none of our patterns are as intricate as that.

Senator REED. Not yours; but I am thinking of other people.

Very well, Mr. Lown. We will think it over.

STATEMENT OF W. C. HUSHING, WASHINGTON, D. C., REPRESENTING THE PATTERN MAKERS' LEAGUE

(The witness was duly sworn by the chairman of the subcommittee.)

Mr. HUSHING. Mr. Chairman and gentlemen of the committee, I am one of the legislative representatives of the American Federation of Labor; but at this hearing I am especially delegated to represent Mr. Wilson, one of the vice presidents of the federation, and general president of Pattern Makers' League.

I appeared before the House committee on the free list (p. 9960), and I submitted a brief (p. 2639), and they increased the duty. I asked that the duty on patterns be increased to 100 per cent, but they——

Senator KING. One hundred per cent on what?

Mr. HUSHING. On patterns for molders' castings.

Senator REED. You asked that it be increased to what?

Mr. HUSHING. To 100 per cent; but they have got the tariff, as far as the 1922 act is concerned, in such a muddle in regard to patterns that you can not get head or tail out of it.

Senator REED. I do not remember seeing any specific reference to patterns in the steel schedules.

Mr. HUSHING. It comes under paragraph 399 of the present act and 398 of the bill as it passed the House.

Senator REED. Is it especially mentioned in the wood section?

Mr. HUSHING. It is as it passed the House, but it is left out on the metal end of it, so that would indicate to anyone that patterns were only made of wood, whereas, as a matter of fact, it does not make a bit of difference what the pattern is made out of. We make them out of wood, metal, wax, plaster, or even papier-mâché, just so we can get an impression in the sand into which to pour the molten metal. If they are made of wood, they come under the same heading as clothespins, not mentioned by name.

Senator REED. Do you mean that a metal pattern of wood comes under the same paragraph as clothespins?

Mr. HUSHING. The wood does: but I am just showing you——

Senator REED. Of course there is no comparison at all between the two articles. One means labor, and the other does not.

Mr. HUSHING. The material in this job here [producing sample] cost $1.50. It took 333 hours to make it, at $1.04 an hour.

This job here [indicating another sample] is a propeller for a torpedo. It must be very accurate. They formerly forged them and

machined them all over. Now they cast them, and they make these wood patterns very accurate. They must be accurate in order to balance, or it will throw the torpedo off its course more or less.

Now, you can see that this wood pattern is shrinking; that is, pulling out of shape; so, for that reason, they must have a metal pattern.

As soon as they make that wood pattern they make a casting from it before it has a chance to become distorted, and that is finished all over.

Senator REED. You use that for a pattern.

Mr. HUSHING. That is used for a pattern.

Senator KING. Each company has its own design, has it not, for its own products?

Mr. HUSHING. Yes.

Senator KING. I do not see how somebody in Germany or England could make a pattern, or some design I might want for my business.

Mr. HUSHING. All right. I will get to that right now. A good many of our large companies in the United States are now putting plants in other countries. There is nothing in the world to prevent them from making that pattern in Germany and making as many metal patterns from it as they desire and sending them to their plants in this country.

The difficulty we find in this not being mentioned by name in the metal schedule is this: The customs appraiser looks at that thing and he thinks it is an ordinary casting. He does not know the difference.

Senator REED. As a matter of fact, there is no difference.

Mr. HUSHING. It is a casting, but it is finished. It must be tapered properly so that it will draw out of the sand properly. In order to get that metal pattern they must make this wooden one first, which is called a master pattern. This [indicating] is a handhold for a torpedo. It took a man 30 hours to make that of wood. He got $1.04 an hour. The material in it is worth about 75 cents. After this wooden one is made they must make a casting and finish it up. It has all got to be finished up again, so that this becomes of greater value than the wood pattern because it carries the cost of the wood one with it. When the ordinary customs appraiser sees that he thinks it is a casting. That is our difficulty.

Senator REED. You will have that difficulty whatever we put in the law.

Mr. HUSHING. I do not believe you would. In the first place, the only time they are mentioned is in the wood schedule now, as the bill comes from the House. If you mention molders' patterns in your metal schedule, they will know immediately that there has been a change made, and if they do not know what a metal pattern is they will find out, I believe.

Senator REED. What duty do you suggest?

Mr. HUSHING. I ask 100 per cent on all patterns. I will tell you why.

Senator REED. They are nearly all labor, as we know.

Mr. HUSHING. Certainly. This propeller required 144 hours, and the material is worth $2.50. The highest European labor, so far as the pattern makers are concerned, is 41 cents an hour, in London. They get the highest wage of all. In Canada the average rate of pay

of all pattern makers, the weighted average, is 87 cents. In the United States the weighted average is $1.04.

Senator KING. Let me ask a question. What patterns are imported now? Are any of those propeller patterns imported?

Mr. HUSHING. Not for the use of the Navy; no.

Senator KING. I mean for private use.

Mr. HUSHING. A private concern may import any patterns they wish, of course.

Senator KING. I know; but do they?

Mr. HUSHING. They do; and I endeavored to get the information as to just how many. I spent a couple of days trying to get it. I first went to the Tariff Commission. They had absolutely no information. I went to the Bureau of Customs, and they had no information. They informed me that they did not compile any information as to the amount of imports.

Senator KING. Does Mr. Ford import any patterns?

Mr. HUSHING. I do not know that he does.

Senator KING. Does the Steel Co. import any patterns?

Mr. HUSHING. I do not know that they do.

Senator KING. Or the crucible-steel companies?

Mr. HUSHING. I know that Hoe & Co., the printing press people, of Boston and New York, have imported patterns.

Senator REED. They have their own foundry, of course.

Mr. HUSHING. Yes; but they have imported patterns, and we carried it through the courts, clear through the Supreme Court, as well as the customs courts, and lost on it. They claimed they were models. They were using them for patterns.

I was explaining about the average wages. If a manufacturer, for instance, has a master pattern made in Canada for an automobile cylinder, he will save one-fifth of it. The cost of it will run from $4,000 to $6,000.

Senator REED. And yet a 100 per cent duty would act as a complete embargo against any Canadian patterns.

Mr. HUSHING. That is exactly what we want. So long as any patternmakers in this country are unemployed we do not think any patterns should be brought into this country. It does not affect the consumer a particle, because when we get through with this metal pattern they can make innumerable castings from it, and the cost is so distributed over a large number that the cost of a pattern does not amount to a cent.

Senator BARKLEY. Is that your position on the tariff generally?

Mr. HUSHING. No, sir. The American Federation of Labor, as you know, does not take any stand on the tariff.

Senator BARKLEY. I mean your own individual position.

Mr. HUSHING. No, sir. I believe in considering each case on its merits, just as the federation does, and either approve or disapprove of it. That is the way we handle it in the federation.

Senator REED. Castings generally carry 20 per cent.

Mr. HUSHING. That paragraph under which these come was raised 10 per cent, and it is now 50 per cent. On the wood ones they raised paragraph 410 from 33⅓ per cent to 40 per cent.

Senator REED. They have not raised it to 30 per cent on castings generally.

Mr. HUSHING. I am not interested in castings generally.

Senator REED. How is the appraiser going to tell that from a casting?

Mr. HUSHING. By the finish of it. You come from Pennsylvania, where there are many castings made. As a rule you do not see castings finished like that [indicating].

Senator REED. No. That has been very nicely machined.

Mr. HUSHING. It is handwork. You can not machine it, for the most part. It is all in places where you could not get at it with a machine.

Senator REED. If your appraiser knew his business, perhaps he could tell.

Mr. HUSHING. Positively. In one instance in Buffalo or Detroit, it happened that one of the laborers there noticed the metal patterns and they were appraising them as castings. He said "Those are metal patterns." It was called to our attention in that instance.

Senator REED. The place to take care of this, if we are going to do it at all, would seem to me to be in paragraph 327, which deals with all kinds of castings of other sorts.

Mr. HUSHING. If you could put it in——

Senator REED. If you put it in at its own rate.

Mr. HUSHING. The way to take care of this pattern business is to put a paragraph in along this line, if you know where to put it—may I quote it to you as I have it written down?

Senator REED. Yes.

Mr. HUSHING (reading):

Molders' patterns and core boxes, for the manufacture of castings, regardless of the material from which manufactured, 100 per centum ad valorem.

That would take it out of the wood schedule and take it out of the metal schedule. Suppose a plaster, or wax, or papier-mâché pattern came in. I do not know where they would spot it in the tariff.

Senator REED. Under general manufactures, I presume; but I think it is important to remember that it is practically all labor. The value of these things is practically all labor.

Mr. HUSHING. Positively. There is that job [indicating], which has $350 in wages in it and $1.50 in material.

Senator BARKLEY. Each one of those that is used in the ordinary processes does not cost that much. They simply have this expense for the pattern.

Mr. HUSHING. That is all. You can make innumerable castings from it. For instance, on a little job like that [indicating] they would probably make half a dozen of them, and make them all at one time, and use it indefinitely.

Thank you, gentlemen.

Senator REED. Do you want to leave a brief with us?

Mr. HUSHING. No, sir. I filed a brief before the Ways and Means Committee.

NICKEL-PLATED STRIP STEEL

[Par. 398]

BRIEF OF THE SUPERIOR METAL CO., LA SALLE, ILL.

The Superior Metal Co., incorporated under the laws of the State of Pennsylvania, and located at Bethlehem, Pa., sincerely requests the Senate Finance Committee to approve of the proposed tariff act as has been passed by the House of Representatives.

NAME OF COMMODITY

Nickel-plated strip steel, now dutiable under paragraph 399 of the act of 1922 and 398 of H. R. 2667.

DESCRIPTION OF COMMODITY

Nickel-plated strip steel is made from highly finished strip steel with nickel deposited on the surface by means of electricity.

It is difficult to obtain the raw material, cold-rolled strip steel necessary for this industry, in the United States. The German producers have found it necessary to establish their own steel mills in order to obtain a uniform and satisfactory material at a low cost.

IMPORTANCE OF THE INDUSTRY

This industry is important in so far as a great many industries will develop using this material for making many different metal products, now being manufactured in Europe. This is the case now in Germany where a very considerable volume of business has been developed.

At the present time the industry is just being started in the United States and so far the Superior Metal Co. is the only American concern offering this product to the trade.

The location in the United States and the development of this industry will thus foster many additional lines of industry dependent on this and similar metals as a raw material.

FOREIGN AND DOMESTIC PRODUCTION

Owing to the tremendous development of small finished metal articles in Germany and other adjacent European countries, the product of nickel-plated steel has been reported as 20,000,000 pounds per year according to information given us by a reliable New York importer.

The American production has so far not exceeded 500,000 pounds per year or one-fortieth of the German production.

COMPETITIVE SITUATION

Owing to the tremendous difference in productive capacity as well as the availability of special cold strip steel from their own rolling mills, and lower priced labor the German producers are willing to sell nickel-plated steel at almost any price, which is necessary to take the business away from the American producers. This competitive situation has developed very recently and no brief on this subject was submitted to the House.

Owing to the situation the additional investment in equipment and factory buildings necessary to produce this item in the United States is not warranted on basis of the present duty. With, however, the 50 per cent duty in the present House resolution, the policy of our company would change and we would risk capital necessary for equipment and beside the necessary sales expense to develop uses in this country, similar to those in Europe. The Superior Metal Co. therefore petitions you to concur in the 50 per cent ad valorem duty into the tariff act as it was passed by the House.

SUPERIOR METAL CO.
H. O. SCHUESSLER, *President.*

TYPEWRITER SPOOLS

[Par. 398]

STATEMENT OF L. R. MASON, NEW YORK CITY, REPRESENTING MANUFACTURERS OF TYPEWRITER SPOOLS AND RIBBONS

[Including typewriter ribbons, par. 912]

(The witness was duly sworn by the chairman of the subcommittee.)

Senator KING. What paragraph are you interested in?

Mr. MASON. I am talking about the same paragraph, Senator; paragraph 398 in the House bill, and 399 of the old law.

Senator REED. Typewriter spools and ribbons.

Mr. MASON. Yes.

Senator REED. Is their chief value of metal?

Mr. MASON. The spools are of metal.

Senator REED. The ribbons are not.

Mr. MASON. The ribbons are of cotton, but the two are bound together, as I will undertake to explain to you in a moment.

I appear here to renew an application made to the House committee, which was granted, to endeavor to correct a decision or ruling of the Treasury Department and of the Court of Customs Appeals, misconstruing, as we apprehend, paragraph 1542 of the free list, in the act of 1922.

The House committee granted our application to strike out the word "typewriters" from paragraph 1542, and to put it in a separate paragraph by itself in the new law.

Senator REED. Where did they put it?

Mr. MASON. They put it in alphabetical order, at the end of the free list, by itself.

Senator KING. Are you dealing now solely with typewriters?

Mr. MASON. No, sir. I am dealing with spools and ribbons.

Senator KING. Spools and ribbons for typewriters?

Mr. MASON. For typewriters; yes, sir.

Senator REED. What good did it do you to take typewriters out of one place in the free list and put them in another place?

Mr. MASON. I can explain that, I think, in a moment.

The problem is this. You will notice that 1542 is very brief. I do not think I shall take more than five minutes altogether. I will read it:

> Linotype and all typesetting machines, typewriters, shoe machinery, sand-blast machines, sludge machines, and tar and oil spreading machines used in the construction and maintenance of roads and in improving them by the use of road preservatives; all the foregoing whether in whole or in parts, including repair parts.

There is where the trouble came. This change is essential in order to give to American manufacturers of spools—and, if you please, of ribbons—the same protection which is accorded to other American manufacturers of metal and of cotton under these two paragraphs, the one dealing with manufactures of metal, 399 of the old law, and 398 of the new; and 921 of the old law, and 922 of the new, for the cotton.

Senator REED. The effect of this, then, was to take the repair parts and incidental parts out of the free list.

Mr. MASON. That is exactly so. Our position was, in the first place, that Congress never intended, in the enactment of 1542, to include on the free list foreign-made parts for use on American-made machines. It is perfectly apparent, if you will read the statute, that they intended only to admit free foreign-made typewriters and parts; or, rather, those typewriters whether in whole or in parts, and repair parts for foreign-made typewriters.

The reason, I apprehend, that this misconstruction by the Treasury Department—and, as I see it, by the customs court of appeals—arose, was practically one of administration. They simply said "We are unable to say, when a part comes in, whether it is for use on a home-made machine or a foreign-made machine; and, as a practical matter, the administration of that provision is so difficult and so impossible that we will just construe this to include all parts."

Senator REED. I see.

Mr. MASON. Of course, the result is a very grave injustice to these people who manufacture these spools and ribbons.

Senator REED. But this will cure it?

Mr. MASON. Yes.

Senator REED. What the House has done will correct it?

Mr. Mason. Yes.

Senator REED. It will throw your typewriter spools in the basket clause of the metal schedule.

Mr. MASON. Precisely. And it will do the same thing for the ribbons, in the cotton schedule.

Senator REED. So, you are satisfied with things as they are, and all you want is to have them stay as they are.

Mr. MASON. That is all.

Senator KING. If the typewriters are free, why should not parts be free, whether used upon imported or domestic typewriters, if they answer the needs?

Mr. MASON. The American typewriter industry is one thing; and the industry of making spools and ribbons is quite another. The American typewriter industry supplies the world.

Senator REED. It can take care of itself.

Mr. MASON. Absolutely. Foreign importations do not amount to anything, and they are of no consequence, whereas this entirely separate business of the manufacture of spools and ribbons can be very quickly put out of business.

Senator KING. What tariff do you get now on spools and ribbons?

Mr. MASON. At the moment, by virtue of this misconstruction of the law, we get none; but if we are included, as we wish to be, under 398 of the new law, as to the metal, and 922 of the new law, as to the cotton, in the case of the former, the House provision is 50 per cent——

Senator BARKLEY. Do they really make any quantity of these spools abroad that are suitable for American typewriters?

Mr. MASON. Oh, yes. You see, the spool is a commodity which is used on the machine, and is removable when the ribbon is worn out.

Senator BARKLEY. But the spool has a particular device which fits into the mechanism of the typewriter, so that it will reverse itself automatically when the end of the ribbon is reached.

Mr. MASON. All they have to do is to make a spool with a hole in it to fit the lug on the machine, and the rest works all right. There is no difficulty about that.

Senator BARKLEY. Is it being done?

Mr. MASON. Yes.

Senator REED. It is very easy to imitate the spool of any standard typewriter.

Mr. MASON. Yes.

Senator REED. And it is a very simple manufacturing operation.

Mr. MASON. Very.

Senator KING. Is not 50 per cent ad valorem rather high?

Mr. MASON. We are satisfied with 50 per cent ad valorem. I do not believe I am prepared, on what information I have, to justify that figure or to deny it. The experience is that these spools and ribbons coming in from Germany can sell at a ruinous rate to this business. I know that much about it.

Senator KING. Assuming that to be true; in our desire to afford reasonable protection we do not want to give you a prohibition or an embargo.

Mr. MASON. No.

Senator KING. I was wondering what the facts are.

Senator REED. We have given about that much on similar articles.

Mr. MASON. That is all; and we are satisfied with the rate that Congress determines on manufactures of the same general kind.

Senator KING. Is there any competition in the domestic market? Are there many manufacturers of these spools and ribbons?

Mr. MASON. The ribbon industry is quite a large one. I mean to say, on this brief, there are some——

Senator KING. Are they controlled by the Remington Co., and those corporations that have made such enormous profits?

Mr. MASON. No. They are entirely independent.

Senator KING. They are not combined, or anything of that nature?

Mr. MASON. Not so far as I know.

I have reduced the brief we filed before the House to a page or two, and if I may leave that, I will do so.

Senator REED. We will be glad to have it. It will be put into the record at this point. Thank you.

(Mr. Mason submitted the following brief:)

BRIEF OF MANUFACTURERS OF TYPEWRITER SPOOLS AND RIBBONS

The Ways and Means Committee upon our application eliminated typewriters from paragraph 1643 of the free list and replaced typewriters in a separate paragraph No. 1786.

The result is to leave typewriters on the free list and to impose a duty on typewriter parts, as manufactures of metal, and on typewriter supplies, i. e., ribbons and spools, as manufactures of cotton and manufactures of metal, respectively.

Ribbons and spools under paragraph 1643 of the act of 1922 had been allowed free entry by the Treasury Department and the Customs Court of Appeals as "parts of typewriters." American manufacturers of typewriter supplies, i. e., ribbons and spools, who are not in any sense manufacturers of typewriters or typewriter parts, were thus subjected to competition with European manufactuers of those supplies without the protective tariff afforded all other American manufacturers of metal and cotton.

Under the amendment adopted by the House, the American manufacturers of typewriter spools and ribbons will be given like protection to that given other American manufacturers of metal and cotton—and typewriters will remain on the free list.

At present the American manufacturer of spools and ribbons pays duty on all the raw material which he imports and has no protection whatever against imports of the finished product.

The ribbon business alone in this country sold over $8,000,000 worth of ribbons in 1928, the average price to the consumer being $7.22 a dozen. European competition has increased to the point where some American manufacturers of ribbons have been obliged to build plants abroad.

The companies appearing herein are about 90 per cent of the spool and ribbon business of this country:

Decorated Metal Manufacturing Co., Brooklyn, N. Y.
American Ribbon & Carbon Co., Rochester, N. Y.
Ault & Wiborg Co., Cincinnati, Ohio.
The Carter's Ink Co., Boston, Mass.
Columbia Ribbon & Carbon Manufacturing Co., New York, N. Y.
Crown Ribbon & Carbon Manufacturing Co., Rochester, N. Y.
Manifold Supplies Co., Brooklyn, N. Y.
Mittag & Volger (Inc.), Park Ridge, N. J.
Neidich Process Co., Burlington, N. J.
F. S. Webster Co., Boston, Mass.
Kee Lox Manufacturing Co., Rochester, N. Y.
Remington Rand Business Service Corporation, New York, N. Y.
Buck Eye Ribbon & Carbon Co., Cleveland, Ohio.
Underwood, John Co., New York, N. Y.
Pacific Carbon & Ribbon Manufacturing Co., San Francisco, Calif.

These are the same companies whose names appeared in the brief filed with the Ways and Means Committee of the House.

WOVEN-WIRE NETTING

[Par. 398]

STATEMENT OF R. J. SOUTHWELL, NEW YORK CITY, REPRESENTING THE WICKWIRE SPENCER CO.

(The witness was duly sworn by the chairman of the subcommittee.)

Mr. SOUTHWELL. Mr. David H. Miller had to leave town on account of his health. I am appearing also on wire netting, and I will cover his subject as well.

Senator REED. Very well.

Senator KING. Under what paragraph does your product come?

Mr. SOUTHWELL. It is now in paragraph 399.

Senator BARKLEY. 398, is it not?

Mr. SOUTHWELL. Paragraph 398 of the House bill. It is in the basket clause, Senator; so it is not specially provided for.

Senator REED. Did you testify before the House committee?

Mr. SOUTHWELL. Mr. Miller did, submitting a brief for the industry which I also represent. I represent the entire wire-netting industry of the United States, of which there are 13 plants.

Senator REED. Does that include poultry netting?

Mr. SOUTHWELL. Yes—wire netting, poultry netting, auto-top netting, and all sorts of netting.

Senator REED. Woven-wire fence?

Mr. SOUTHWELL. Not the heavy grades of fencing; just the fine grades of netting. The heavy grades of field and farm fencing are not included in our application.

Senator KING. This netting is used largely for stucco buildings?

Mr. SOUTHWELL. It is used for stucco, automobile tops, poultry runs—that is, the small, little poultry run; not the type of fence that a farmer would use to keep stock out and keep cattle inclosed,

with a fine mesh at the bottom and graduated up to the big meshes. We are not referring to those in this application at all.

Senator REED. That is all classed as woven-wire fence?

Mr. SOUTHWELL. That is woven-wire fence.

Senator REED. All right.

Mr. SOUTHWELL. These plants are located at Georgetown, Conn.; Blue Island, Ill.; Worcester, Mass.; Clinton, Mass.; Trenton, N. J.; Cortland, N. Y.; Muncie, Ind.; Peoria, Ill.; Joliet, Ill.; De Kalb, Ill.; Pueblo, Colo.; Oakland, Calif.; and Pittsburg, Calif.

Senator REED. Pittsburg, Calif.?

Mr. SOUTHWELL. Pittsburg, Calif. It is right near San Francisco.

This is an American industry, starting in this country in 1865. No netting was imported into the United States until 1925, when a quality of netting was imported on the Pacific Coast for use as a base for stucco.

Senator REED. From Germany?

Mr. SOUTHWELL. From Germany. That material did not meet with the requiremnts of the building code of Los Angeles, and was afterwards dumped on the market at a sacrifice price. It did not meet the specifications as far as weight and gage of wire were concerned, so it was a material not suited for that particular purpose in that port.

In 1926 there were 100,000 bales imported; in 1927, 200,000 bales; in 1928, 367,000 bales.

Senator KING. How many pounds are there in a bale?

Mr. SOUTHWELL. Approximately 60 pounds.

Senator REED. All of that paid 40 per cent duty?

Mr. SOUTHWELL. Forty per cent duty under the old tariff act of 1922.

Senator REED. What is the domestic production in bales?

Mr. SOUTHWELL. The domestic consumption is 2,000,000 bales. The capacity of production is around 3,000,000 bales.

Senator KING. But 2,000,000 bales is the consumption now?

Mr. SOUTHWELL. Two million bales was the consumption in 1928.

Senator KING. And it is increasing; is it?

Mr. SOUTHWELL. No, sir; it is decreasing.

Senator KING. What is the cause of that?

Mr. SOUTHWELL. It is decreasing, due in a large measure to the absolute loss of our export business to foreign competition.

A comparison of costs of 15 bales of netting which takes in the entire range of sizes of netting shows that the foreign cost is $35.78, and our domestic cost is $74.23. That is the composite cost of all of the various manufacturers of the industry.

Senator REED. Tell me that again, please.

Mr. SOUTHWELL. The foreign cost of 15 bales of netting, taking a range of sizes that covers the entire field——

Senator REED. Do you mean the invoice price or the manufacturers' cost.

Mr. SOUTHWELL. I am talking about their cost—the manufacturers' cost.

Senator REED. How did you get that?

Mr. SOUTHWELL. We got it by taking their foreign labor, which we are familiar with, taking the cost of raw material, which we know,

and we have checked with their prices delivered here, duty paid, deducting the duty and the freight expense, and checked our figures.

Senator KING. What did you allow them for overhead?

Mr. SOUTHWELL. We allowed them identically the same overhead that we took ourselves.

Senator KING. How do you know what they paid to their employees?

Mr. SOUTHWELL. We know what the wages are in some of the plants, because of American manufacturers—not in our line—having plants over there. As I say, they are not in our particluar line, but they use the same type of mechanics.

Senator KING. Did you assume that there would be the same production per man in Germany as in the United States?

Mr. SOUTHWELL. In our business, yes, for the reason that we use a similar type of machine to the foreign machine. They are speeded up to so many strokes per minute or per hour, and one man operates the machine; so that I would say the productivity of a man in Germany or Belgium would be identical with the productivity of a man here. They, however, have a further advantage in this respect—that apprentices are used in plants in Germany and Belgium and other foreign countries to a great extent at extremely low wages. That is something that we have not taken into consideration in these estimates of cost at all.

Senator REED. All right. Now give us the cost figures abroad and here.

Mr. SOUTHWELL. Foreign cost, $35.78. Domestic cost, $74.23. Now, if you add to that the 50 per cent ad valorem duty proposed in the new House bill, in this basket clause, the landed cost, including duty and freight, would be $53.66.

Senator REED. But the duty is based on the invoice price abroad, and not on the manufacturing cost.

Mr. SOUTHWELL. We are giving them the benefit of that, and just taking it at their cost, not adding any profit to it.

Senator REED. That is not giving them the benefit. That is keeping down the foreign landed price. It is giving yourselves the benefit.

Mr. SOUTHWELL. I cannot see how, Senator.

Senator REED. Because the disparity between their landed cost and your production cost will be less if you base the duty on the invoice price and not on the manufacturing cost abroad.

Mr. SOUTHWELL. If you added the duty to the invoice price, would not the duty be more than if you added it to their cost?

Senator REED. Yes. Therefore, the disparity would be less.

Senator BARKLEY. You have based it on their cost, but of course the duty would be in addition; and, having a larger basis, the duty would be larger.

Senator REED. Anyway, go ahead; we are getting your point.

Mr. SOUTHWELL. The duty would be larger, and the landed cost would be higher. I see what you mean. The difference there is $20.57. In other words, that is approximately 24 per cent below our cost. We know that this material is being sold in the United States—sold as recently as last week to one of the large jobbers of this material—at a price that is exactly 24 per cent below our cost.

Senator REED. And last year the imports constituted about 20 per cent of the domestic consumption?

Mr. SOUTHWELL. Twenty-two per cent of the domestic consumption. In other words, in three years' time they have taken away 22 per cent of our business; and at that ratio of increase in five years more you can appreciate what we will have left; and this has all developed since 1925.

Senator REED. The Wickwire Spencer Co. is not very prosperous; is it?

Mr. SOUTHWELL. No, sir; we are not.

Senator KING. Do you represent that company?

Mr. SOUTHWELL. Wickwire-Spencer; yes, sir.

Senator KING. Where is you plant?

Mr. SOUTHWELL. Our plant in which this netting is manufactured is at Clinton, Mass.

Senator KING. What else do you produce there?

Mr. SOUTHWELL. At Clinton we produce wire cloth, screen cloth for windows, and this netting. Those are the two principal products of that plant.

Senator KING. What portion of your plant is devoted to the production of this wire netting?

Mr. SOUTHWELL. I could give you that in money perhaps better than in tonnage, Senator. It represents approximately 5 per cent of our total volume of business.

Senator KING. Five per cent is in wire netting?

Mr. SOUTHWELL. Five per cent of our total is in wire netting. However, I am representing the entire industry.

Senator KING. But I am speaking of your particular plant.

Mr. SOUTHWELL. In the case of some of the manufacturers of netting, this particular commodity represents 50 per cent. In fact, in three plants it represents over 50 per cent of their total production.

Senator KING. I was wondering how you got the cost in your plant where you produce this if only 5 per cent of the output, measured in dollars, is the result of the sale of this particular product.

Mr. SOUTHWELL. While it is only 5 per cent of our total, it represents over a million and a quarter dollars in sales; and we have an accurate cost on our production of netting and any commodity that would represent that amount of money.

Senator REED. All right, sir. What do you want us to do—make a special paragraph to take care of wire netting?

Mr. SOUTHWELL. No; we do not want you to make a special paragraph to take care of wire netting, but we would like to have it in paragraph 317, which is the wire and wire-fencing paragraph; and we assume that that is where it naturally belongs.

Senator KING. The House increased the rate 5 per cent; did they not?

Mr. SOUTHWELL. They increased it from 40 to 50 per cent in the basket clause; but that 50 per cent duty, Senator, would not give us any protection at all.

Senator REED. I do not think you mean paragraph 317; do you?

Mr. SOUTHWELL. Paragraph 317.

Senator REED. Is this all galvanized?

Mr. SOUTHWELL. It is principally galvanized; yes.

Senator KING. This wire is galvanized, is it?

Mr. SOUTHWELL. It is galvanized either before or after.

Senator REED. Paragraph 318 includes woven-wire cloth.

Mr. SOUTHWELL. That is screen cloth, and it refers to the fine meshes like your window-screen cloth. Fourdrinier cloth is covered in that, principally; but paragraph 317 covers fencing and wire cloth.

Senator REED. Only galvanized-wire fencing?

Mr. SOUTHWELL. This is only sold as galvanized. It is galvanized either before it is woven or after it is woven. It is imported the same way.

Senator REED. Would you be satisfied with the tariff given in this paragraph of one-half of one cent a pound?

Mr. SOUTHWELL. Absolutely, no. It does not cover the finer gages of wire which we now want included in that paragraph. They take the decimal sizes. In our brief we have made an application for a tariff on the basis of gauge of wire; and we start where they leave off, in the coarse sizes, which include all of your field fencing, and go down into this finer grade.

(Mr. Southwell submitted the following brief:)

AMENDED BRIEF OF MANUFACTURERS OF STEEL-WIRE NETTING

This brief is presented by the manufacturers of steel-wire netting in the United States. This netting is manufactured of wires not smaller than three one-hundredths of an inch or larger than eight one-hundredths of an inch in diameter. Its chief uses are poultry fencing, yard fencing, as a base for stucco, automobile top reinforcing, and many other purposes.

Wire netting is made from drawn steel wire of which the greater part is galvanized before or galvanized after weaving in the following classification:

Hex netting, which is a double twist, forming a mesh of hexagonal shape.

Straight-line netting with the longitudinal wires running straight, the filling wires twisted with them forming a half hexagonal mesh.

Rectangular or square-mesh netting in which the transverse wires are locked or twisted over the longitudinal wires.

At present this item is under paragraph 399 at 40 per cent ad valorem. We recommend that the product be specially provided for and that the duties be specific on the graduated basis as set out later in this brief.

The reasons for our recommendation are as follows:

(*a*) Increased importance of foreign competition which has become very severe since 1925.

(*b*) Lower producing costs in the principal competing countries.

(*c*) To avoid difficulties that have arisen in connection with appraisement of value for the ad valorem duty.

THE WIRE-NETTING INDUSTRY

There are 11 manufacturers of wire netting who represent the entire industry, with plants located at Georgetown, Conn.; Blue Island, Ill.; Worcester, Mass.; Clinton, Mass.; Trenton, N. J.; Cortland, N. Y.; Muncie, Ind.; Peoria, Ill., Joliet, Ill.; De Kalb, Ill.; Pueblo, Colo.; Oakland, Calif.; and Pittsburg, Calif.

The industry as a whole represents in equipment, an invested capital for the manufacture of this commodity of $10,500,000. It employs over 2,000 men and has a total productive capacity of approximately 3,500,000 bales. This productive capacity has been built up to take care of the home market and a large export trade which we formerly enjoyed. The export business has been entirely lost through foreign competition, and the domestic business is now seriously threatened.

The annual consumption in the United States in the year ending December 31, 1928, was approximately 2,000,000 bales of which the domestic industry produced approximately 1,660,000 bales. Against this there was an import of approximately 367,000 bales.

INCREASE OF FOREIGN COMPETITION

The first importation of foreign wire netting was made at San Francisco in 1925. This netting was intended to be sold for stucco work, but as it did not comply with the building laws of the State of California, it could not be sold for that purpose, and after considerable delay was finally disposed of at a loss. Subsequent importations, however, were manufactured so as to comply with the building regulations, with the result that the importations are increasing at a very rapid rate, and in the short space of three years amounts to practically 22 per cent of the total American production. The distribution of the foreign product is particularly heavy on the Pacific coast, and is spreading rapidly over the entire country.

Imported of wire netting are not specially reported as such, for statistical purposes, but are reported under the provisions of that section of paragraph 399, providing for "articles and wares wholly or in chief value of iron and steel, not specially provided for, 40 per centum ad valorem."

Imports under the above provision, for the years 1923 to 1928, are as follows:

	Invoice value		Invoice value
1923	$1,209,482	1926	$1,308,657
1924	1,079,686	1927	2,019,956
1925	1,163,721	1928	2,811,701

As shown above, the imports under this caption increased $144,936 in 1926 over 1925, $711,299 in 1927 over 1926, and $791,745 in 1928 over 1927.

The principal sources of importation are Germany, Belgium, and France. The following quotation is from Iron Age of Septem' - 6, 1928, showing imports from Germany alone.

"HAMBURG, GERMANY, August 18.—The United States has become Germany's second largest customer for wire netting, having taken 1,971 tons in the first half of this year, compared with 1,356 tons in the first half of 1927 and 907 tons in the first half of 1926."

Owing to the fact that wire netting is not specifically provided for in the tariff act, but is grouped in the basket clause (par. 399) with other articles of iron and steel, no separate statistics from governmental sources as to the quantity imported are available. Our agents at the various ports of entry, however, keep closely informed as to importations of wire netting into their districts, and from these sources we have received the following figures showing importations of wire netting for the year 1928, which we believe are reliable:

Port of entry:	Bales
New Orleans	6,300
Galveston	900
Chicago and eastern ports	100,000
Pacific coast	260,000
Total	367,200

The increase of importations shown above has materially decreased the manufacture of wire netting in this country. It has necessitated the shutting down of one plant in St. Louis, the partial shutting down of one plant in California, and a vast curtailment of production in all of the other plants. This decrease in volume of production necessarily causes a corresponding increase in our cost of manufacture, which in turn makes it still harder to meet this foreign competition.

The selling price of foreign netting in the United States is 24 per cent below the actual cost of production in this country. The ability to land this material in the United States at such figures is explained in the following paragraphs.

DOMESTIC PRODUCTION COST AND COMPARATIVE COST IN FOREIGN COUNTRIES

The principal items entering into the cost of manufacture of wire netting are those for steel rods, spelter, and labor. The proportion of labor cost is high. It varies from 46 per cent of the total cost to 63 per cent of the total cost, depending upon the mesh and size of wire.

We are submitting herewith a comparative table showing the cost in Germany, Belgium, and the United States of the principal items:

	United States	Belgium	Germany
Rods	$42.00	$26.50	$26.50
Spelter	6.35	6.35	6.35
Skilled labor, per hour	.63	.128	.192
Unskilled labor, do	.46	.103	.154

It will be observed from this table that foreign labor earns less than one-third of the wages paid in the United States for labor and that the cost of rods is less than two-thirds the domestic price.

A careful calculation of foreign costs of production on the basis of the comparative figures quoted indicates that they range from 42 to 52 per cent of the domestic cost.

In making this calculation no allowance has been made for the difference in factory practice in foreign countries and in the United States in the manufacture of this product. In foreign countries the ratio between skilled and unskilled labor is two unskilled laborers to each skilled laborer, while in this country two skilled laborers are employed for each unskilled laborer, thereby increasing considerably the difference in cost, to the disadvantage of the American manufacturers.

In addition to these differences in direct cost there are certain advantages to the foreign producer in low cost of freight to American ports.

For example: Our cheapest rail-and-water rate from eastern mills to the Pacific coast is 66 cents per 100 pounds. It is possible for Germany or Belgium to ship from their ports to Pacific coast ports at approximately 45 cents per 100 pounds and in some cases as low as 22.6 cents per 100 pounds. This not only penalizes the eastern manufacturers but the Pacific coast manufacturers as well, for it is necessary for the Pacific coast plants to pay rail rate of freight from the nearest source of supply of raw material which equals the water rate on the finished material from Atlantic coast ports. On the Atlantic coast it is possible for foreign manufacturers to ship from either German or Belgium ports to eastern or Gulf ports at a freight rate considerably less on the average than the freight rate from American factories to these ports.

Giving careful consideration to the advantages which the foreign manufacturers of wire netting possess over the American manufacturers, such as lower costs for raw material, cheaper freight, and very much cheaper labor, it is clear that the protection which the wire-netting industry receives, or will receive if the present House tariff bill be enacted, will not be sufficient to prevent the domestic manufacturers from being driven out of business. If this should occur, it will not be long before the American consumer will be paying more than ever before for wire netting, while all of the manufacturing will be performed in a foreign country.

PROPOSED PARAGRAPH ON WIRE NETTING

[Note: New matter is in italics]

We therefore suggest, for the purpose of giving necessary protection to this industry, that paragraph 317 be amended so as to read as follows:

"PAR. 317. All galvanized wire not specially provided for, not larger than twenty one-hundredths and not smaller than eight one-hundredths of one inch in diameter, of the kind commonly used for fencing purposes, galvanized wire fencing composed of wires not larger than twenty one-hundredths and *larger* than eight one-hundredths of one inch in diameter, one-half of 1 cent per pound; *all wire fencing and all wire netting, whether galvanized or not, composed of wires not larger than eight one-hundredths and not smaller than three one-hundredths of one inch in diameter, nine-sixteenths of 1 cent per square foot: Provided, That all wire fencing and all wire netting whether galvanized or not, of a mesh one and one-half inch or greater, composed of wire of a diameter not greater than four and one-half one-hundredths of one inch or less than three one-hundredths of one inch, shall pay a duty of five-sixteenths of 1 cent per square foot;* and all wire commonly used for baling hay or other commodities one-half of 1 cent per pound."

The specific duties proposed above on wire fencing and wire netting are divided into two classifications on the basis of our comparison of foreign and domestic cost of production. The principal difference is due to the fact already pointed out that the labor cost varies considerably depending on the mesh and size of wire used and the further fact that it is in terms of labor cost that the foreign manufacturer has the greatest advantage.

It is our belief that the division suggested here is only sufficient to equalize the most important difference in cost of production between this country and the principal competing countries and that it in no way imposes a burden on the foreign manufacturer of such a nature as to make the American market inaccessible. Neither will it impose any unfair burden on the consumer.

We are asking for a classification by name under paragraph 317 for an additional reason, which we consider very important. It seems that an importer of wire netting, located at San Francisco, brought a suit in the Customs Court, claiming that wire netting should be classified under paragraph 318 as a "fabric made of steel not specially provided for, at the rate of 25 per cent ad valorem," instead of being classified under paragraph 399 as "articles and wares wholly or in chief value of steel or iron at the rate of 40 per cent," as returned by the collector of customs. The case has been tried and submitted and is now awaiting decision. If wire netting be given a classification by name as requested in our proposed paragraph 317, herein, we would be protected from the disastrous effect of an unfavorable decision, in the case referred to above; at least so far as the new law would be concerned. On the other hand, if wire netting is left in the basket clause provision of paragraph 399 (House bill, paragraph 398) "as not specially provided for," an unfavorable decision in the above case would take it from that paragraph and place it in paragraph 318, at the rate of 25 per cent ad valorem, which would be ruinous to the domestic industry.

Respectfully submitted.

GILBERT & BENNETT MANUFACTURING CO.
G. F. WRIGHT STEEL & WIRE CO.
WICKWIRE SPENCER STEEL CO.
NEW JERSEY WIRE CLOTH CO.
WICKWIRE BROS.
KEYSTONE STEEL & WIRE CO.
AMERICAN STEEL & WIRE CO.
COLORADO FUEL & IRON CO.
CALIFORNIA WIRE CLOTH CO.
COLUMBIA STEEL CO.
INDIANA STEEL & WIRE CO.

SUPPLEMENT

MANGANESE ORE

[Par. 302 (a)]

SUPPLEMENTAL BRIEF OF THE AMERICAN IRON AND STEEL INSTITUTE

SUBCOMMITTEE No. 1,
COMMITTEE ON FINANCE,
United States Senate.

GENTLEMEN: We submit herewith two affidavits in refutation of two statements repeatedly made during the course of the hearings on manganese ore by certain witnesses favoring an increase in the present duty on that ore. One statement was to the effect that the Bethlehem Steel Co., or its officers, are interested financially in foreign manganese mines. The other statement was to the effect that the production of domestic manganiferous iron ores has been "enormously stimulated" by the present tariff on manganese ore.

The first statement is refuted by the attached affidavit from the Bethlehem Steel Co.

The second statement is refuted by the attached affidavit from Pickands, Mather & Co., Cleveland, Ohio, producers of 70.3 per cent and reflecting the views of the producers of 99.3 per cent of the manganiferous iron ores produced in this country.

Respectfully submitted.

TARIFF COMMITTEE,
AMERICAN IRON AND STEEL INSTITUTE.

JULY 17, 1929.

BETHLEHEM STEEL CO. (INC.),
Bethlehem, Pa., July 18, 1929.

COMMITTEE ON FINANCE,
U. S. Senate.

GENTLEMEN: In the course of the testimony of Mr. J. Carson Adkerson of Washington, D. C., before Subcommittee No. 1 during the hearings on the tariff on manganese ore on June 27, 1929, it was repeatedly asserted that "Bethlehem Steel Co., or officials of the Bethlehem Steel Co., were financially interested in the manganese mines in Russia."

For the information of the committee we wish to state that neither Bethlehem Steel Co. nor any of its associated companies now have, or ever have had, any financial interest, direct or indirect, in any manganese ore mining company or property in Russia or in any other foreign country and none of its officers have any such interest. Any statement to the contrary is utterly baseless.

Mr. Adkerson also stated in his testimony that "he understands" that Russian loans are being paid back through manganese ore sales. We wish to state that we have always paid in cash for all of the manganese ore from Russian mines which we have at any time purchased.

We take this opportunity of informing the committee that we are large users of manganese ore; that we purchase all the manganese ore that we use; and that it has always been necessary for us as well as the other steel companies to purchase imported ores because of the lack of a suitable supply of manganese ore in this country. We join with all the other steel companies and the American Iron and Steel Institute in opposing the tariff policy of a duty on manganese ore. The tariff since 1922 has imposed a burdensome and unnecessary additional cost in the production of steel products and, in the interests of sound economic legislation and the welfare of the steel industry and steel consumers of the United States we recommend that the tariff on manganese ore be repealed.

Our experience with manganese in this country has covered a period of many years. Our own geologists and metallurgists are constantly investigating

so-called domestic manganese deposits and if any substantial deposits suitable for our use existed we would gladly acquire them. There is every inducement for the American steel industry to obtain its manganese near the point of consumption if possible, and efforts in this direction will be continued regardless of tariff.

Respectfully submitted.

BETHLEHEM STEEL COMPANY,
R. E. MCMATH,
Vice President.

COMMONWEALTH OF PENNSYLVANIA,
County of Northampton, ss:

R. E. McMath being duly sworn deposes and says that the statements made in the foregoing letter are true.

R. E. MCMATH.

Subscribed and sworn to before me this 12th day of July, 1929.

[SEAL.] H. M. WITEMEYER,
Notary Public.

Commission expires April 1, 1931.

PICKANDS MATHER & CO.,
Cleveland, Ohio, July 15, 1929.

COMMITTEE ON FINANCE,
United States Senate.

GENTLEMEN: We are informed that Mr. J. Carson Adkerson, of Washington, D. C., as president of the American Manganese Producers Association, appeared before Subcommittee No. 1 of the Finance Committee on June 27, 1929, and urged an increase in the present tariff on manganese ore and the application of a new tariff on manganiferous iron ores. He made the statement that "it is to-day recognized that due largely to the 1-cent tariff on manganese ore the Cuyuna district of Minnesota is producing approximately 1,000,000 tons of manganiferous iron ore annually with the value at the mines of approximately $4,000,000."

Mr. Adkerson also stated "that it is interesting to know that in 1922 the total production of manganiferous iron ore of the United States was approximately 300,000 tons. Under the protection of the 1-cent tariff it is now increased to approximately 1,300,000 tons a year, or equivalent to $4,000,000 at the mines."

The Bureau of Mines reports the domestic production of manganiferous iron ore from 5 to 10 per cent manganese for 1928 as 1,085,401 tons, of which 1,025,014 tons is credited to the State of Minnesota. The value of this Minnesota production is given by the Bureau of Mines as $2,471,582 at the mines. The domestic production in 1928 of 10 to 35 per cent manganiferous ore is reported by the bureau as 90,711 tons, having a value of $406,889 at the mines.

We wish to call your attention to the fact that the principal producers of this manganiferous iron ore are opposed to the tariff on manganese ore. They are not members of the American Manganese Producers Association, nor do they share the views of Mr. Adkerson, of Washington, D. C. Our company had charge of the production of approximately 800,000 tons of the manganiferous iron ore produced on the Cuyuna Range in Minnesota during the year 1928, all but 1 per cent of the balance being produced by two shippers, one using the ore in its own furnaces, and the other for sale on the market. We wish to state that this production has not been due in any respect to the 1-cent tariff on manganese ore, nor will any increase or decrease in this production be effected by the repeal of the tariff on manganese ore, and we are confident that this statement represents the opinion and belief of the two other principal producers, referred to above, as well.

Manganiferous iron ore is used in the production of pig iron and can not be used in the production of ferromanganese for which the imported manganese ore is now used by the steel industry. We wish to state as the principal producers of manganiferous iron ores that this attempt to use the figures of the production of manganiferous iron ore in this country for the basis of tariff discussion on manganese ores is entirely misleading.

We believe that the duty placed upon manganese ore in 1922 was excessive and unjustified; that it is an economic absurdity and that it is an unnecessary penalty on all the consumers of steel products in the country. We join in the recommendations of the American Iron and Steel Institute for a repeal of the tariff on manganese ore as well as in the resolutions of the Lake Superior Iron Ore Association condemning this tariff, which resolutions are attached hereto.

We are also informed that efforts are being made to impose a tariff on manganiferous ores from 10 to 30 per cent manganese. We wish to state as producers of low-grade ores that we are opposed to such tariff legislation. Such a tariff is unnecessary, unsound, and uncalled for. We also join in the condemnation of this tariff proposal.

Respectfully submitted.

PICKANDS, MATHER & Co.,
By H. G. DALTON,
One of the Partners.

STATE OF OHIO,
County of Cuyahoga, ss:

Sworn and subscribed to before me a notary public in the county and State aforesaid this 15th day of July, 1929.

[SEAL.] HERBERT C. JACKSON,
Notary Public.

RESOLUTION ADOPTED BY EXECUTIVE COMMITTEE OF LAKE SUPERIOR IRON ORE ASSOCIATION, APRIL 13, 1929

Whereas, this association is reliably informed and believes that there do not exist in this country reserves of manganese ore which, even under high protection, could be commercially developed to supply more than a very small fraction of this country's requirements for such ore; and

Whereas, the consumers of Lake Superior district iron and manganiferous ores are being tremendously burdened by the present high tariff on manganese ore which they must secure from abroad and their ability to develop their foreign markets is affected thereby, and

Whereas, this association believes it to be economically and politically unsound and unjustifiable to continue the present tariff: Now, therefore, be it

Resolved, That the proper officers of this association be, and they hereby are, authorized and directed to request the Congress of the United States to remove the tariff on manganese ore and place the same on the free list, and that copies of this resolution be transmitted to the appropriate committees of the Congress who have this matter in charge and to each of the individual members of such committees.

ROPE WIRE

[Par. 316]

EF OF THE WIRE ROPE MANUFACTURING & EQUIPMENT CO., SEATTLE, WASH.

The item on which we are addressing your committee is covered by paragraph 316 tariff act of 1922 round iron or steel wire used in the manufacture of wire rope.

Our request for lower duty is limited to wire for use in the manufacture of wire rope as we are not interested in wire for other purposes.

When the present tariff bill was before the Ways and Means Committee of the House, we filed a brief recommending certain reductions on rope wire used in the manufacture of wire rope, but no change was made in the duty on rope wire.

In this brief we urge your committee to adopt the reductions which we recommended to the Ways and Means Committee of the House as follows:

Paragraph 316 as it appears in the present law is as follows:

"Round iron or steel wire, not smaller than ninety-five one-thousandths of 1 inch in diameter, three-fourths of 1 cent per pound; smaller than ninety-five one-thousandths, and not smaller than sixty-five one-thousandths of 1 inch in diameter, 1¼ cents per pound; smaller than sixty-five one-thousandths of 1 inch in diameter, 1½ cents per pound: *Provided*, That all of the foregoing valued above 6 cents per pound shall pay a duty of 25 per cent ad valorem; all wire composed of iron, steel, or other metal, not specially provided for (except gold, silver, or platinum); all flat wires and all steel in strips not thicker than one-quarter of 1 inch and not exceeding 16 inches in width, whether in long or short lengths, in coils or otherwise, and whether rolled or drawn through dies or rolls, or otherwise produced, 25 per cent ad valorem: *Provided*, That all wire of iron, steel or other metal, coated by dipping, galvanizing, sherardizing, electrolytic, or any other process with zinc, tin, or other metal, shall pay a duty of two-tenths of 1 cent per

pound in addition to the rate imposed on the wire of which it is made; telegraph, telephone, and other wires and cables composed of iron, steel, or other metal (except gold, silver, or platinum), covered with or composed in part of cotton, jute, silk, enamel, lacquer, rubber, paper, compound, or other material, with or without metal covering, 35 per cent ad valorem; wire rope and wire strand, 35 per cent ad valorem; spinning and twisting ring travelers, 35 per cent ad valorem; wire heddles and healds, 25 cents per thousand and 30 per cent ad valorem.

CHANGE IN DUTY RECOMMENDED

We are setting forth below paragraph 316 covering round iron or steel wire and have indicated the lower rates of duty we recommend. We are not asking for any change in the grouping or wording but do ask the elimination of 25 per cent ad valorem duty on round wire and substitute thereof of a flat rate of three-fourths of 1 cent per pound on wire not smaller than ninety-five one-thousandths of 1 inch in diameter and 1 cent per pound on wire smaller than ninety-five one-thousandths of 1 inch in diameter.

PAR. 316. Round iron or steel wire, not smaller than ninety-five one-thousandths of 1 inch in diameter, three-fourths of 1 cent per pound; smaller than ninety-five one-thousandths of 1 inch in diameter, 1 cent per pound; all flat wires and all steel in strips not thicker than one-quarter of 1 inch and not exceeding 16 inches in width, whether in long or short lengths, in coils or otherwise, and whether rolled or drawn through dies or rolls, or otherwise produced, 25 per cent ad valorem: *Provided*, That all wire of iron, steel, or other metal coated by dipping, galvanizing, sherardizing, electrolytic, or any other process with zinc, tin, or other metal, shall pay a duty of two-tenths of 1 cent per pound in addition to the rate imposed on the wire of which it is made; telegraph, telephone, and other wires and cables composed of iron, steel, or other metal (except gold, silver, or platinum) covered with or composed in part of cotton, jute, silk, enamel, lacquer, rubber, paper, compound, or other material, with or without metal covering, 35 per cent ad valorem; wire rope and wire strand, 35 per cent ad valorem; spinning and twisting ring travelers, 35 per cent ad valorem; wire heddles and healds, 25 cents per thousand and 30 per cent ad valorem.

REASONS FOR RECOMMENDING LOWER DUTY ON ROPE WIRE

According to records of the Bureau of Foreign and Domestic Commerce, the total tonnage of wire of all grades under Schedule A classifications 60800, 60820, 60803, and 60804, in 1922 amounted to 5,337,944 pounds, total value $526,937. The total wire of the same classifications imported in 1927 amounted to 8,334,989 pounds, total value $660,616, an increase in tonnage of only approximately 55 per cent and increase in value of 25 per cent, which is not an extraordinary increase for the entire United States over a period of five years for all grades of wire imported into this country.

There is insufficient spread at the present time between duty on rope wire for the manufacture of wire rope and the duty on wire rope. The duty on rope wire at the present time is 25 per cent ad valorem and on wire rope 35 per cent. To manufacture wire rope requires a large investment in special machinery and plant and the labor cost is high, when the engineering expense is taken into consideration necessary to arrive at size and proper construction of wire rope lines for the unusually severe service in this territory.

We are importing a high-grade acid open-hearth carbon steel wire having an extremely high tensile strength which is superior to basic wire manufactured in this country, in that the raw materials from which it is made have been as free as possible from impurities and this wire is of a special quality for heavy duty service.

This wire which we are using is not only of a high tensile strength but absolutely uniform in diameter, and tests for bends and elongation which are important qualities in high tensile strength wire run considerably higher than in domestic wire of the same tensile strength.

A very large percentage of wire rope used in this territory is for logging purposes where human life is at stake. The chances of accidents are greater in the logging industry than in many other places where wire rope is used, such as elevators where automatic safety appliances are in use, mines where ropes are continually inspected and renewed before unusual wear develops.

In this Pacific coast territory where the logs are extremely large in diameter (see picture Exhibit "A" inclosed) it is almost always necessary to use extremely

heavy logging equipment requiring large diameter ropes for sky lines varying from 1¾ inches and 1⅞ inches up to 2 inches in diameter and in some cases 3,500 feet long. (See circular of sky-line operation attached Exhibit "B"). Incline ropes in use vary from 1⅛ inches and 1¼ inches up to 1½ inches in diameter and even larger and over 3,000 feet long. (See photograph inclosed of incline Exhibit "C"). With this in mind, we have spared no engineering expense in trying to determine the best construction and proper diameter line for use under such severe conditions and dangerous operations nor labor nor material in our factory in the manufacture of rope for logging companies operating on the Pacific coast.

We understand an advance in duty on wire has been recommended by a large producer of rope wire in this country but the company recommending the increase in duty on rope wire also manufactures wire rope. We are manufacturing wire rope but do not manufacture rope wire. We use imported wire rather than domestic wire, paying a higher foreign value for same, solely by reason of the superior quality of the imported wire, in order to produce a high-grade wire rope, suitable for the logging trade on the Pacific coast. To be forced to use domestic manufactured wire would work a great hardship to us, notwithstanding the unjustified claim made by domestic manufacturers that wire rope made of domestic wire is equal in quality to domestic manufactured wire rope made of imported wire. The tonnage of high-grade wire imported is not very large, the increase in five years has been small, and if our request for lower duty is granted, we do not feel that it will have any effect on the manufacturers of rope wire in this country. If the present rate of duty on round iron or steel wire is increased, the landed cost would necessitate a corresponding increase in the selling price of our domestic manufactured rope, made from imported wire, to such an extent that it would be most harmful to our manufacturing plant and pay roll.

We are giving below comparison of prices on a few sizes of wire.

Price per 100 pounds

	Domestic price	Foreign price on acid material, including duty
Plow steel wire, 0.033	$9.47	$10.26
Extra strong plow steel wire, 0.055	8.45	9.68
Extra strong plow steel wire, 0.122	6.60	8.72

We have only made a few comparisons but our laid-down cost on all sizes of wire we are importing for heavy-duty logging rope, is very much higher than wire we can purchase in this country.

It has been stated that British manufacturers have combined and organized a company known as British Ropes (Ltd.), and so far as rope wire is concerned, from all information we have been able to obtain, the effect will be to raise the price of wire rather than quote lower prices.

Respectfully submitted.

WIRE ROPE MANUFACTURING & EQUIPMENT CO.,
By GEO. B. GEMMILL, *Vice President.*

STATE OF WASHINGTON,
City of Seattle:

Personally appeared before me, a notary public in and for the State of Washington, George B. Gemmill, who being by me first duly sworn, deposes and says that the statements set forth in the foregoing brief are true to the best of his knowledge and belief.

GEO. B. GEMMILL.

Sworn to and subscribed before me this 25th day of July, 1929.

[SEAL.] J. E. MCCORMICK,
Notary Public in and for the State of Washington.

PINS AND SAFETY PINS

[Par. 350]

SUPPLEMENTAL BRIEF OF C. C. SHEE, WATERBURY, CONN., REPRESENTING THE MANUFACTURERS OF COMMON AND SAFETY PINS

This brief is a supplement to the briefs submitted to the Ways and Means Committee of the House of Representatives (Report of Hearings, pp. 2151–2156, inclusive) and to supplemental brief submitted to the Finance Committee of the Senate, and embodies additional information just received from the Department of Commerce.

Imports of toilet and other pins, not including safety or hair pins, through the port of New York for the month of May, 1929, amount to $46,293, foreign valuation, very much the largest of any month of which we have record.

This is at the rate of $555,516 per annum. Adding 50 per cent to this foreign valuation figure to obtain the sale price in the United States (35 per cent duty and 15 per cent for freight, insurance and importers' expenses, and profit) brings the selling price to $833,274. This is 58 per cent of the total value of all common pins produced in the United States, figured from census of 1927. Imports are largely steel pins, and the above figure is 2.27 times the value of all steel pins of American manufacture for the last year that the Bureau of the Census reported steel pins separately in 1925.

It seems evident from these figures that the American pin industry is in great and imminent danger of being destroyed by the importation of foreign pins.

Respectfully submitted.

Oakville-American Pin Division: Scovill Manufacturing Co., Oakville, Conn.; Risdon Manufacturing Co., Naugatuck, Conn.; De Long Hook & Eye Co., Philadelphia, Pa.; Crescent Brass & Pin Co., Detroit, Mich., Consolidated Safety Pin Co., Bloomfield, N. J.; Vulcanite Manufacturing Co., Lindenhurst, Long Island; Plume & Atwood Manufacturing Co., Waterbury, Conn.; Star Pin Co., Derby, Conn.; Union Pin Co., Winsted, Conn.; F. Kelly Co., Derby, Conn.

STEEL PENS

[Par. 351]

SUPPLEMENTAL BRIEF OF EDWARD S. WOOD, CAMDEN, N. J., REPRESENTING THE UNITED STATES STEEL-PEN INDUSTRY

The additional facts that I want to bring out are:

First. The imports this year to July 1 are 37.8 per cent greater than 1928, and 53.9 per cent greater than 1927 for the same period.

Second. That there are 16 manufacturers of pens in England, Germany, and France who are shipping pens into the United States, Canada, South and Central America, and that their prices range from 11 to 33 cents per gross, the bulk of the sales being made at 16 to 17 cents per gross.

Third. That much new business is being taken at the present time by the foreign manufacturers.

Fourth. That conservatively 40 per cent of the steel pens used in the United States are now being imported.

Fifth. That employment has fallen off at least 15 per cent over 1927.

Respectfully submitted by—

EDWARD S. WOOD.

(On behalf of Eagle Pencil Co.; Esterbrook Steel Pen Manufacturing Co.; C. H. Hunt Pen Co.; Miller Bros. Pen Co.; Turner & Harrison Pen Co.)

Imports of pens,[1] metallic, except gold, into the United States

	1927	1928	1929		1927	1928	1929
	Gross	*Gross*	*Gross*		*Gross*	*Gross*	*Gross*
January	54,235	59,411	69,115	July	71,913	84,331	
February	53,406	68,479	71,936	August	80,331	78,826	
March	74,058	46,878	73,221	September	40,195	71,730	
	181,699	174,768	214,272		192,439	234,887	
April	40,387	58,337	62,661	October	50,947	49,773	
May	64,782	76,429	81,801	November	36,845	57,426	
June	74,139	65,729	131,400	December	56,578	68,248	
	179,308	200,495	275,862		144,370	175,447	
				Total	697,816	785,597	

[1] Includes pens with nib and barrel in 1 piece.

WATCH MOVEMENTS

[Par. 367]

BRIEF OF ROYAL T. M'KENNA, WASHINGTON, D. C., REPRESENTING IMPORTERS OF CHEAPER GRADE WATCH MOVEMENTS

COMMITTEE ON FINANCE,
United States Senate, Washington, D. C.

GENTLEMEN: The rates of duty in paragraph 367 of the House bill on the cheaper grade watch movements (having seven or less jewels), which constitute the great bulk of movements imported by the undersigned (being used to make the "poor man's watch"), represent increases over the 1922 rates of from 86 per cent to 253 per cent, as appears in the attached tabulation. (In addition to the undersigned there are about as many more importers of these cheaper grade movements located throughout the United States, whose interests are identical with ours, but whom we have not been able to reach on such short notice.)

The undersigned have been advised that 10 importers of the higher grade watch movements (having more than seven jewels) have made a written agreement with the representatives of the domestic watch manufacturers (which is now in the record) for still higher rates than those prescribed in the House bill on these cheaper grade movements (by adding a jewel rate of 35 cents to the base rates) which will make increases over the 1922 rates of from 113 per cent to 286 per cent as also appears from the attached tabulation. In other words, still further increasing the House bill rates from 27 per cent to 40 per cent over the 1922 rates.

On the other hand, they have obtained for themselves a decrease from the House bill rates on the higher grade movements (having over seven jewels) which they import by providing a reduction in the additional jewel rate applicable to them.

The proposed compromise bill rates would mean an increase in the price of these cheaper grade watches of about $15,000,000 out of the pockets of the wage earners of the United States, if they could indeed pay the higher prices for them. These figures are based upon the fact (reported by the Tariff Commission to the Ways and Means Committee) that about 65 per cent of the total importations of watch movements have seven jewels or less. Thus, about 2,500,000 of these cheaper grade movements are imported yearly, and these, at an average increase of $6 in the price of the watch to the consumer, will make up the amount above named. And, as above stated, these watches are noncompetitive.

We believe that the proposed rates, if enacted, will mean a complete embargo on these cheap grade movements, thus depriving the working men and women of this country of their reasonably priced watches.

We represent about 90 per cent of the importers of these cheap grade movements, while the 10 importers who agreed to the compromise bill represent only a small percentage of the total importations, and those almost entirely of the higher grade movements.

We are satisfied with the classifications established in the proposed compromise bill, paragraph 367, (with one exception, hereafter mentioned) because they are plainer to understand and will eliminate administrative difficulties; but we are opposed to the rates prescribed for the cheaper grade movements because they are highly excessive and amount practically to an embargo on these movements.

We wish your committee to understand that these 10 importers of higher grade movements had no right to speak before you for the watch importing trade which we represent; the trade which supplies the American working men and women with the best watch that can be supplied at the price which they are able to pay, viz., from $7.50 to $15; and which they will not get at all, if the proposed prohibitive rates are put into effect, because that kind of a watch is not made by the domestic interests, who have stated to your committee that they will not make them.

In the Summary of Tariff Information, 1929, Schedule 3 (metals), at page 785 we find:

"*Imports.*—The average annual imports, equivalent to about 20 per cent in value of the domestic production, come mostly from Switzerland."

We pause to ask whether, in any event, the domestic watch interests, having foreign competition to the extent of only 20 per cent (consisting mostly of the cheaper grade watches which they do not manufacture), can honestly ask for increases over the 1922 rates of from 113 per cent to 286 per cent on these cheaper grade movements.

On the same page of the Summary of Tariff Information is a table of importations showing that 3,842,844 watch movements were imported in 1928. Of this total number the combined importations of the undersigned amounted to over 2,000,000 movements; hence, not only the bulk of these movements were imported by us, but almost all of them consisted of the cheaper grade movements.

We therefore respectfully ask for a reduction on these cheaper grade movements (having 7 jewels or less) of about 25 per cent from the proposed compromise bill base rates, and the elimination of the 35 cents additional jewel rate in subparagraph 3, which, as shown by the attached tabulation, would still make the rates from 33 per cent to 133 per cent higher than the 1922 rates, on movements having less than 7 jewels.

As we also import movements having over 7 jewels, we ask for a similar 25 per cent reduction in the additional jewel rate applicable to movements having over 7 jewels, and that therefore in said subparagraph 3 the jewel rates be reduced from 9 cents to 7 cents each, and from 18 cents to 13 cents each.

To that end we suggest that the following provisions of paragraph 367 be rewritten as follows:

(a) * * *

(1) If more than 1½ inches wide, $1 each; if more than 1$^{7}/_{10}$ inches but not more than 1½ inches wide, $1.05 each; if more than 1 inch but not more than 1$^{7}/_{10}$ inches wide, $1.15 each; if more than nine-tenths of 1 inch but not more than 1 inch wide, $1.30 each; if more than eight-tenths of 1 inch but not more than nine-tenths of 1 inch wide, $1.50 each; if more than six-tenths of 1 inch but not more than eight-tenths of 1 inch wide, $1.60 each; if six-tenths of 1 inch or less wide, $1.75 each.

(3) Any of the foregoing shall be subject to an additional duty as follows: If having more than 7 jewels and not more than 15 jewels to an additional duty of 7 cents for each jewel contained therein; if having more than 15 jewels to an additional duty of 13 cents for each jewel contained therein.

RE PARTS OF WATCH MOVEMENTS

We also import parts of watch movements for repair purposes; hence we are interested in the parts and the subassembly provisions of the proposed paragraph 367.

We fear that the provision in the subassembly paragraph of the compromise bill that "each subassembly consisting of two or more pieces of metal or other material joined or fastened together in any manner shall be subject to the same amount of duty as the complete movement for which intended or suitable," will be construed as covering some of the standard parts of watch movements which are in fact made up of two or more separate pieces of metal staked or fastened together in their making, and that they would therefore not come under the parts provision.

This surely can not be the intent of the committee, for if so construed (as it doubtless would be) the parts provision would be almost nugatory.

We therefore respectfully suggest that the subassembly provision be revised to read as follows:

(4) Any two or more standard parts of watch movements joined or fastened together with screws, or studs and nuts, or any substitute for such method of joining or fastening them, shall be a subassembly subject to the same amount of duty as the complete movement, mechanism, device, or instrument for which intended or suitable.

We understand that a similar recommendation has been made to this committee in respect to the subassembly provision in the clock paragraph (368) by the Jaeger Watch Co. (Inc.), accompanied by a brief in support of such a change in the provision, which is in the record.

Respectfully submitted.

Weinstrum Watch Co., 93 Nassau Street, New York; Henry Freund & Bro., 20 West Forty-seventh Street, New York; Louis Adels, 64 West Forty-eighth Street, New York; Max Greenwald, 48 West Forty-eighth Street, New York; Mimo Watch Co., 21 Maiden Lane, New York; R. Gsell & Co., 15 West Thirty-seventh Street, New York; J. Gottlieb, 66 Nassau Street, New York; United Jewelers, 16 East Fortieth Street, New York; Savoy Watch Co., 62 West Forty-seventh Street, New York; Roxy Watch Co., 9 Maiden Lane, New York; Roamer Watch Co., 48 West Forty-eighth Street, New York; Shein & Engel, 37 Maiden Lane, New York; Evkob Watch Co., 49 Maiden Lane, New York; Freedman & Parkowitz, 49 Maiden Lane New York; I. Tannebaum, 121 Canal Street, New York; Elsmere Watch Co., 347 Fifth Avenue, New York; O'Maire & Co., 16 John Street, New York; Leon Hirsh (Inc.), 37 Maiden Lane, New York; Bedford Watch Co., 116 Nassau Street, New York; Weissbro Watch Co., 20 West Forty-seventh Street, New York; Bernstein & Chatelain, 87 Nassau Street, New York; Royal T. McKenna, Smith Building, Washington, D. C.

HOUSE BILL

	Over 1.5 inches	1.2 to 1.5 inches	1 to 1.2 inches	0.9 to 1 inch	0.8 to 0.9 inch	0.6 to 0.8 inch	0.6 inch or less
Base duty	$1.25	$1.40	$1.55	$1.75	$2.00	$2.25	$2.50
Dial duty	.15	.15	.15	.15	.15	.15	.15
Total proposed duty	1.40	1.55	1.70	1.90	2.15	2.40	2.65
1922 rate	.75	.75	.75	.75	.75	.75	.75
Increase	.65	.80	.95	1.15	1.40	1.65	1.90
Increase (per cent)	86	106	113	153	186	220	253

COMPROMISE BILL

Base rate	$1.25	$1.40	$1.55	$1.75	$2.00	$2.25	$2.50
Jewel duty	.35	.35	.35	.35	.35	.35	.35
Compromise duty	1.60	1.75	1.90	2.10	2.35	2.60	2.85
1922 rate	.75	.75	.75	.75	.75	.75	.75
Increase	.85	1.00	1.15	1.35	1.60	1.85	2.15
Increase (per cent)	113	133	153	180	213	246	286

RATES PROPOSED BY US

Compromise base rates	$1.25	$1.40	$1.55	$1.75	$2.00	$2.25	$2.50
Reduction suggested	.25	.35	.40	.45	.50	.65	.75
New duty suggested	1.00	1.05	1.15	1.30	1.50	1.60	1.75
1922 rate	.75	.75	.75	.75	.75	.75	.75
Increase	.25	.30	.40	.55	.75	.85	1.00
Increase (per cent)	33⅓	40	47⅓	73⅓	100	104	133⅓

AUTOMOBILES

[Par. 369]

LETTER FROM R. O. ROBERGH, REPRESENTING THE FORD MOTOR CO., DEARBORN, MICH.

Hon. DAVID A. REED,
United States Senate Office Building.

MY DEAR SENATOR REED: In accordance with your request, I have obtained the opinion of Messrs. Henry and Edsel Ford with reference to a countervailing duty on automobiles and trucks.

As you learned from my testimony, the Messrs. Ford are in favor of automobiles and trucks being placed on the free list in so far as the Ford industry is concerned. This attitude, of course, eliminates any question of countervailing duty.

The writer regrets his inability to answer every question concerning our tractor business, but upon reflection we know you will appreciate it is difficult in an organization as extensive as ours for any one individual to be in possession of all details so as to answer any question which might be asked of him. A questionnaire, it would seem, would be much more practical as it would provide an opportunity to collect the information from the various departments of our organization.

If there is any further information with which we can provide you, we shall be glad to comply upon your request.

Yours very truly,

FORD MOTOR CO.,
R. O. ROBERGH,
Assistant Manager of Sales.

DIESEL ENGINES

[Par. 372]

BRIEF OF HENRY R. SUTPHEN, NEW YORK CITY, REPRESENTING THE DIESEL ENGINE MANUFACTURERS' ASSOCIATION

Hon. REED SMOOT,
Chairman Finance Committee, United States Senate.

SIR: The Diesel Engine Manufacturers' Association, a voluntary association with main offices at 30 Church Street, New York, N. Y., respectfully requests the Finance Committee to insert in the new tariff act now under preparation a classification for oil engines with a duty of 40 per cent ad valorem, and in support of this request submits the following facts for your consideration:

The members of the Diesel Engine Manufacturers' Association produce approximately 90 per cent of the Diesel engines made in this country. The members of the association represent a total investment of about $48,850,000, employing more than 8,500 workmen. During 1928, the total number of Diesel engines produced by all makers amounted to more than 440,000 horsepower, or $22,000,000 in value.

The present officers of the association are: President, H. R. Sutphen, New London Ship & Engine Works of the Electric Boat Co., Groton, Conn.; vice president, E. T. Fishwick, Worthington Pump & Machinery Corporation, 2 Park Avenue, New York City; treasurer-secretary, H. A. Pratt, Ingersoll-Rand Co., 11 Broadway, New York City.

The members of the Diesel Engine Manufacturers' Association are New London Ship & Engine Works of the Electric Boat Co., Groton, Conn.; Busch-Sulzer Bros., Diesel Engine Co., St. Louis, Mo.; McIntosh & Seymour Corporation, Auburn, N. Y.; Fairbanks, Morse & Co. Chicago, Ill. (plant in Beloit, Wis.); Ingersoll-Rand Co., New York City (plants in Phillipsburg, N. J., and Easton, Pa.); Worthington Pump & Machinery Corporation, New York City (plant in Buffalo, N. Y.); Cooper-Bessemer Corporation, Grove City, Pa.; Winton Engine Co., Cleveland, Ohio; Hooven, Owens, Rentschler Co., Hamilton, Ohio; Fulton Iron Works Co., St. Louis, Mo.; Nordberg Manufacturing Co., Milwaukee, Wis.; I. P. Morris & De LaVergne (Inc.), Philadelphia, Pa.

SPECIFIC RECOMMENDATION

The association's specific recommendations are as follows:

1. That a classification entitled "Diesel type engines" be set up in paragraph 372. The name "Diesel" has long since ceased to signify any particular make, but covers any engine in which the fuel is ignited solely by the heat of air compressed in the power cylinder for the purpose of supporting the combustion of the fuel charge.

2. That imports coming under this classification be subject to a duty of 40 per cent.

DOMESTIC PRODUCTION

The domestic production of Diesel engines, as shown in the magazine, Power, for January 11, 1927, and June 25, 1929, is illustrated in the following table:

	Approximate horsepower sold		Approximate horsepower sold
1912	10,000	1921	59,000
1913	9,000	1922	89,000
1914	13,000	1923	135,000
1915	49,000	1924	195,000
1916	38,000	1925	336,000
1917	36,000	1926	288,000
1918	42,000	1927	375,000
1919	69,000	1928	440,000
1920	67,000		

An analysis of the above table shows that this industry has only begun its worth. The dollar value of the production in 1928 was approximately $22,000,000, based on 440,000 horsepower, at an average price for bare engine only, of $50 per horsepower. Most of this production goes into domestic use. Based upon information furnished by the members of this association, the exportation for 1928 was approximately 51,000 horsepower with a value of about $2,500,000.

MANUFACTURING PRACTICES OF THE INDUSTRY

The sizes in which Diesel-type engines are built range from 15,000 horsepower, the largest size which has been built and which is now being operated in Germany, down to very small engines, 5 to 10 horsepower per cylinder. The sizes which are usually manufactured and sold in the United States could be said to range from 2,000 horsepower down to 50 horsepower.

A little progress is being made along the lines of standardizing the manufacture of engines up to 1,000 horsepower, although it is doubted if this business can ever become completely standardized. However, it is to be doubted if the manufacture of engines of larger powers will ever become much more standardized than at present. It will be seen, therefore, that the industry is almost entirely on a job production basis and will continue on this basis for some time.

FOREIGN COMPETITION

Due to the lack of a separate classification for Diesel-type engines, there are no official statistics of exports and imports. However, this association wishes to invite your attention to the following specific instances of foreign competition which have occurred in the last few years.

1. In March and April of 1928 the Phelps-Dodge Corporation, which is an extensive user of Diesel engines in its mining operations in New Mexico, Arizona, and Old Mexico, requested bids on two new units of 2,250 horsepower each, to be directly connected each to a generator for generating electric power. Bids were submitted by the firm of Carels-Freres, of Ghent, Belgium, and by the Nordberg Manufacturing Co. of Milwaukee, Wis. Due to the fact that the latter company had been operating under a license from the former for some years, it so happened in this case that the engines bid upon by each firm were identical. The bid of the domestic manufacturer was 26 per cent more in price, f. o. b. factory at Milwaukee, than the bid of Carels-Freres, with freight, duty, and insurance paid at the port of Galveston. Reduced to a price per horsepower basis, the bid of the foreign manufacturer was $29.50 f. o. b. Ghent, Belgium, and $45 at Galveston. The domestic bidder's price was $56.50.

2. The Atlantic Refining Co., of Philadelphia, purchased for its Diesel electric motor tanker *Brunswick*, four 4-stroke cycle 750-horsepower, 6-cylinder engines,

from the firm of Carels-Freres, Belgium, which were made under an American license from the Ingersoll-Rand Co., at a price from Carels-Frerers of about $41 per horsepower f. o. b. Belgium. The price on the same engines, built to the same specifications by the Ingersoll-Rand Co., the licensor, at Phillipsburg, N. J., would have been about $58 per horsepower. A description of the tanker *Brunswick* is contained in Marine Engineering and Shipping Age for October, 1928. The price information was furnished the association by the Ingersoll-Rand Co.

3. The Grace Steamship Lines of New York, purchased for its motor liner, the *Santa Maria*, two 8-cylinder, 2-stroke cycle, 4,000-horsepower engines from the firm of Sulzer-Freres, of Switzerland. The Grace Lines also purchased 4 Sulzer engines, each directly connecting to a 270-kilowatt generator for auxiliary power on this same motor liner. These engines would be about 400-horsepower each. We do not have any information as to the price paid for these engines. Description data in this case can be found in the magazine Marine Engineering and Shipping Age of June, 1928.

4. Columbia University purchased one 385-horsepower 4-cylinder engine and one 580-horsepower 6-cylinder engine, which were supposed to have been delivered in January, 1929, from the firm of Krupp A. G., Germany. The price paid for these engines is not known. The engines are described in the magazine Oil Engine Power, of December, 1928.

TARIFF HISTORY

When the tariff act of 1922 was enacted a duty of 40 per cent ad valorem was imposed under paragraph 399. The duty remained at this rate until 1927, when, following a decision of the United States court, the duty was collected under paragraph 372 as machinery, which resulted in a reduction of the duty from 40 to 30 per cent, where it has since remained. This association is not asking for an increase of duty above the rate fixed by Congress, but is merely requesting that a judicial reclassification which resulted in a reduction from 40 per cent, the rate fixed by Congress to 30 per cent, the rate fixed by the Customs Court to be set aside, and that the protection which Congress dedcided this industry should enjoy be restored.

CONCLUSION

For the above reasons, the Diesel Engine Manufacturers' Association requests that a separate classification be inserted in paragraph 372 of the tariff act as follows: "Diesel type engines, 40 per cent ad valorem."

Respectfully submitted,

DIESEL ENGINE MANUFACTURERS' ASSOCIATION,
By HENRY R. SUTPHEN, *President*.

ALUMINUM FOIL

[Par. 382]

BRIEF OF LEHMAIER, SCHWARTZ & CO. (INC.), NEW YORK CITY

Items and paragraphs in which interested:

Paragraph 382: Part reading "Aluminum or tin foil less than six one-thousandths of an inch in thickness, 35 per centum ad valorem."

We recommend change to at least the same rate as shown for manufactured articles composed wholly or in chief value of aluminum, under paragraph 339, 11 cents per pound and 55 per cent ad valorem.

Reasons for recommendations: (1) Rate of duty on aluminum foil not given sufficient consideration when tariff act of 1922 was adopted. (2) Protection on aluminum foil very much less than accorded other articles manufactured from aluminum. (3) Lower labor cost of foreign manufacturers of aluminum foil. (4) Increased importations of aluminum foil since tariff act of 1922 was adopted. (5) Displacement of domestic tin and lead foil industry by aluminum foil.

Details of reasons for recommendations: (1) Aluminum foil is one of the most recently developed products that is made from aluminum metal. So small a quantity of aluminum foil was manufactured in the United States or imported prior to year 1922, that duty on aluminum foil under tariff act of 1922 was

seemingly arbitrarily placed on the same basis as tin foil, whereas, tin in pigs, from which tin foil is produced, is sold the world over at the same price (no import duty in United States), raw aluminum, from which aluminum foil is manufactured, is assessed duty of 5 cents per pound. In addition, due to the greater number of operations and greater amount of handling required in the manufacture of aluminum foil, as compared with tin foil, the labor cost of producing aluminum foil is very much higher than that of tin foil.

(2) The rate of duty assessed on manufacture of aluminum table, household, kitchen and hospital utensils, and hollow or flat ware, all of which require less fabrication than aluminum foil, is 11 cents per pound and 55 per cent ad valorem as compared with a duty of only 35 per cent ad valorem on aluminum foil.

Item on paragraph 382, covers another highly fabricated aluminum article, assessing duty of 6 cents per 100 leaves of aluminum leaf, size 5½ by 5½ inches. One hundred aluminum leaves equal at 5½ by 5½ inches to 3,025 square inches, duty is fixed at 6 cents, or 0.01983 per thousand square inches, as against 29,200 square-inch foil, selling for 0.51555 per pound, with a duty of 35 per cent ad valorem or 0.1804 cents per pound or 0.00618 per thousand square inches. Were duty on 29,200 square-inch foil assessed on same basis as 5½ by 5½ inches aluminum leaf (6 cents for 3,025 square inches) duty would equal 57/10 cents per pound.

(3) The labor cost of fabricating aluminum foil, represents the major portion of the fabricating cost of completed foil, and the European manufacturers because of their lower labor costs, have a great advantage over manufacturers of aluminum foil in this country, inasmuch as the United States is a recognized high labor market. We give by manufacturing departments, the per cent of wages paid per hour in Germany against that paid per hour in our plant in New York. Considering United States labor at 100 per cent for each department, Germany's comparative is as follows:

Casting	0. 325143
Breakdown	. 302347
Rolling	. 333917
Spooling	. 389206
Corrugating	. 416667
Cutting	. 377358
Coloring and printing	. 398860
Packing	. 419176
Machine shop	. 318731

The above is worked on exchange basis of 0.2381 per reichsmark and indicates wages in Germany as about 35 per cent of United States labor cost.

A German manufacturer is selling one of our large customers at 70 cents per pound, duty paid, factory door delivery, for foil 29,200 square inches to the pound. The following figures will evidence how impossible it is for manufacturers in this country to meet this quotation.

GERMANY		UNITED STATES		
Aluminum	0. 205000	Aluminum		0. 243000
Labor	. 106366	Labor		. 303903
		Power	0. 034467	
		Depreciation	. 020244	
				. 054711
Power, repairs, renewals, freight (Europe), drayage (Europe), selling, taxes, general overhead, salaries (officials and clerks), stationery, depreciation, etc., and profit	. 204189	Supplies, rent, repairs, and renewals, taxes (R. E.), heat, light, and miscellaneous items (excluding general office expense or profits)		. 195537
Total	. 515555	Total		. 797151
Duty in United States, 35 per cent ad valorem	. 180445	Freight, cartage, taxes (other than (R. E.), advertising, selling, salaries (officials and clerks), general expenses		. 090194
Freight to destination in United States	. 004000			
	. 700000			. 887345

or a difference of 0.187345 per pound in favor of Germany. For comparative purposes, to this figure 0.187345 should be added to Germany's profit, which is included in cost figures of 0.51555 per pound, and amount of which profit we have no means of determining.

(4) Aluminum foil importations have now reached over 1,000,000 pounds annually, or an increase over 1923 of 6,848 per cent. Aluminum foil imported into the United States according to Department of Commerce reports from year 1923 to June 30, 1928, inclusive, are as follows:

Year:	Pounds
1923	15, 756
1924	25, 527
1925	79, 668
1926	185, 478
1927, first 6 months	363, 442
1927, seconds months	731, 349
1928, first 6 months	424, 531

(5) The rapid growth in the manufacture and use of aluminum foil has made great inroads into the manufacture and use of tin foil, and by reason of inadequate protection the European aluminum foil manufacturers have become important factors in this market.

Remarks.—We wish to state that we have no way of telling whether the duty on raw aluminum (5 cents per pound) is or is not required to protect producers of raw aluminum against lower cost of foreign producers, but we have based our calculations on the current figure. Aluminum foil manufactured in the United States satisfactorily meets all of the requirements of the users thereof, and the quality is equal to the best that can be imported. Foil companies in the United States are able to take care of the complete demand for aluminum foil in the United States, and their facilities are capable of unlimited expansion.

The consumer will always be assured of equitable prices for aluminum foil, as aluminum foil must be sold in competition with lead and tin foils, and also in competition with cheaper wrappers and other substitutes, which affords another guaranty of fair prices to consumer.

There was manufactured in this country during the year 1925, tin and composition foil, having a sales value of $30,000,000 in factories employing 3,618 people with a total manufacturing payroll of $4,001,000 (see p. 771, Statistical Abstract of the United States, 1928).

A substantial proportion of aluminum foil used in this country is produced here, but under present tariff, it is evident this condition can not continue.

There are only three manufacturers of aluminum foil in this country, whereas in Germany alone there are 11 and in Switzerland 6. It has been a common occurrence during the past years, whenever the domestic manufacturers reduced their price to meet the prevailing price of the European producer, the foreign manufacturers would again reduce their prices. This has occurred repeatedly until prices are now on an extremely low level.

We have amply shown that the industry requires further protection, than accorded under the present tariff, and that the rate of duty should be increased as we have recommended, to 11 cents per pound and 55 per cent ad valorem.

Under such revised tariff, such protection would be as follows:

German estimated cost per pound (which is high)	0. 515555
Add:	
11 cents per pound	. 110000
55 per cent ad valorem	. 283555
Freight (United States only)	. 004000
Total	. 913110

As against cost in United States of 0.887345 excluding profit. Allowing the American manufacturer a profit of only 6 per cent would bring the American rate up to 0.9405857

Thus with a duty of 11 cents per pound and 55 per cent ad valorem (the duty herein requested) the German manufacturer would still have an advantage of nearly 3 cents per pund. Aluminum foil is making serious inroads into the domestic tin and composition foil business, and unless the relief asked for is granted, millions of pounds will be imported from Europe, as domestic manufacturers can not hope to compete with the foreign manufacturers under existing tariff.

We have been manufacturing tin and lead foil for more than 50 years and this forms a major portion of our total business. Because of the continuous replacement of tin lead foil by aluminum foil, it was necessary, in order to maintain our competitive position in the foil industry, to acquire an aluminum foil factory. We have spent substantial sums of money and time to make this plant modern and up to date in every respect. Aluminum foil is the only aluminum product we manufacture. As we have already indicated, the tin lead foil industry in the United States, in spite of the inroads made by aluminum foil, is still a very substantial one manufacturing millions of pounds yearly, the greatest portion of which is lead.

In the manufacture of tin and lead foil, virgin lead is used and practically all the lead purchased is produced in the United States. The higher rate on aluminum foil will also serve to protect this enormous tin lead foil industry which requires such large quantities of domestic materials, and which gives employment directly to nearly 4,000 men and indirectly to a great many more.

Respectfully submitted.

LEHMAIER, SCHWARTZ & CO. (INC.),
FREDERIC M. DA COSTA,
Assistant to President.

STATE OF NEW YORK,
County of New York:

Sworn to before me this 1st day of July, 1929.

JOSEPH OCHSNER,
Notary Public, Richmond County, N. Y.

Commission expires March 30, 1930.

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[Par. 388]

BRIEF OF WILLIAM M. DEVINY, REPRESENTING THE NATIONAL BEARINGS METALS CO., ST. LOUIS, MO.; CROWN SMELTING CO., CHESTER, PA.; AND THE RICHARDS CO., BOSTON, MASS.

DESCRIPTION

Phosphor copper is a combination or mixture of phosphorus and copper. It is a nonmetallic element, appearing in commerce as yellow and red phosphorus. Yellow phosphorus takes fire readily in the air and is poisonous while the red variety is not nearly so inflammable and is nonpoisonous.

HISTORY AND USES

The combining of phosphorus and copper was introduced in this country on a commercial basis in 1893 by the late Mr. W. D. Brown, then superintendent of the Damascus Bronze Co.; the phosphorus content was small and has gradually been increased; the prevailing commercial content is now 15 per cent, though much of 10 per cent is marketed. An extensive trade has been established in this country for this product.

Phosphorus is a deoxidizer and adds strength, durability and casting qualities to any molten metal, combination or mixture.

UNFAIR COMPETITION DUE TO IMPROPER CLASSIFICATION

During the past three years it is estimated there has been imported annually in excess of 1,800,000 pounds of phosphor copper from Belgium and Germany. This has been brought in free of duty under paragraph 1562, act of 1922.

DEVELOPERS OF AN ESSENTIAL INDUSTRY

The domestic manufacturers of phosphor copper are large consumers of the American-made phosphorus, an essential industry. The phosphorus companies are protected by the existing tariff.

COPPER A CONTAINER FOR PHOSPHORUS

This product is either imported for its phosphorus or its copper content; since the United States is a large producer and exporter of copper, it is obviously not imported for the copper content; it is clear, therefore, that the copper is used as the container of, or the vehicle for transporting the more valuable article, phosphorus, which in this mixture or combination has been brought in free of duty.

UNFAIRNESS OF COMPETITION

The unfairness of this competition of foreign phosphorus in phosphor copper when the domestic producer has to pay either the duty or its equivalent on the phosphorus he uses is keen and this petition seeks a duty that shall eliminate this deception and unfairness in trade.

This unfairness is best met by a specific duty proportional to the duty on the phosphorus content and adjusted to cover the higher scale of wage paid here.

This deception can be prevented hereafter by a definite classification easily understood and incapable of misinterpretation.

TREASURY DECISION LISTS IT AS A COMBINATION OR MIXTURE

A study of the problem has justified the Treasury Department in promulgating a decision (T/D 43070) that phosphor copper is dutiable under paragraph 5.

CONCLUSION AND PETITION

In consideration of the foregoing facts, we respectfully petition you to insert in paragraph 65, after phosphorus 4 cents per pound, "Phosphor copper 4 cents per pound."

The duty is computed as follows:

1.6 cents as a compensatory duty equivalent to the duty on phosphorus.

2.4 cents to equalize the lower cost of the manufacture of imported product due to the difference in the standards of living of American and foreign labor.

Respectfully submitted.

NATIONAL BEARINGS METALS CO.,
St. Louis, Mo.
CROWN SMELTING CO.,
Chester, Pa.
RICHARDS CO.,
Boston, Mass.
By WILLIAM M. DEVINY.

WASHINGTON, D. C., *July 8, 1929.*

CITY OF WASHINGTON,
District of Columbia, ss:

William M. Deviny, being duly sworn, states that he is the representative of the firms whose names are signed to the annexed brief, petitioning the United States Senate to levy a duty on phosphor copper; that one information and belief the statements set forth in this brief are true; that the sources of affiants' information are (a) public records and documents, (b) statements made by the manufacturers in the United States of phosphorus, phosphor copper, and (c) allied metals and the personal study of the affiant.

WILLIAM. M. DEVINY.

Subscribed and sworn before me, a notary of the District of Columbia this 1st day of August, 1929.

JAMES C. DULIN, Jr.

My commission expires January 15, 1932.

TYPE

[Par. 389]

SUPPLEMENTAL BRIEF OF THE CONTINENTAL TYPEFOUNDERS ASSOCIATION (INC.)

SENATE FINANCE COMMITTEE,
Washington, D. C.

GENTLEMEN: A copy of the brief of the American Type Founders Co. in reply to our supplemental brief was received on the 27th of July.

In rebuttal, we wish to call the attention of the committee to the fact that in their brief the American Type Founders Co. have confused the two kinds of type made, one of which is known the world over as foundry type and the only one imported in this country; the other made by casting machines, either Lanston Monotype or Thompson, which type is not imported.

The American Type Founders Co. does not manufacture these soft metal machine-made types which are generally remelted after using; nor has any one who does manufacture this type appeared before the committee.

There are occasions when the American Type Founders Co. does not confuse these two kinds of type, but is very particular to clearly distinguish them, as for instance, in a circular advertisement, issued by them over their signature, within the last three months, they say: "Mr. Printer: Beware of bootleg type. It simply does not compare with genuine foundry type."

In this connection, we are led to remark that had the American Type Founders Co. appeared by a personal representative before this committee, as did the Continental Typefounders Association (Inc.) and submitted to questioning this serious confusion of terms as well as other minor errors in their argument, would have been fully exposed.

It is not necessary to go further and show that most of the arguments in their brief prove to be fallacious, if this distinction between foundry type and machine casting type, is borne in mind.

Respectfully submitted.

CONTINENTAL TYPEFOUNDERS ASSOCIATION (INC.),
WARREN A. RANSON, *Secretary.*

STATE OF NEW YORK,
County of New York, ss:

Warren A. Ranson, being duly sworn deposes and says that he is the secretary of the Continental Typefounders Association (Inc.). That he has read the foregoing brief and that the same is true to the best of his knowledge and belief.

Sworn to before me this 27th day of July, 1929.

ANNA LEVY, *Notary Public.*

LEAD

[Par. 397]

SUPPLEMENTAL BRIEF OF GEORGE T. COLLINS, DENVER, COLO., REPRESENTING THE LEGISLATURE OF COLORADO AND THE COLORADO MINING ASSOCIATION

That the precious-metal mining industry throughout the Western United States is in a desperate plight, is almost too well known to require repetition. Very few gold or silver mines are, or can be, remunerative, under existing conditions.

These conditions arise from no reason inherent in the industry itself, but from causes originating in the disturbance of commodity values that resulted from the war. In the case of gold, they are aggravated by the requirements of our monetary system, under which gold is interchangeable with currency, so that as a commodity its value is not permitted to find the level fixed by cost of production and demand for consumption. Both metals are denied the benefits of our protective system.

None of the palliatives for these conditions, proposed by the industry to Congress, have found favor with that body; and there seems to be no hope, excepting

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by some indirect method of relief. The only practical way of extending help at this time is through an increase in the price of lead.

Nearly all silver ores, and a large proportion of gold ores, contain some lead. Even where they do not, but where the ores or their products require eventually to be smelted in lead-smelting plants, the cost of recovery of the precious metals depends largely on the quantity of lead ores available at the smelter, and consequently on the price of lead. An improved price for lead is therefore one method—perhaps the only method immediately practicable—of assisting the larger part of the precious-metal mining industry. This happens to be the part that has suffered most acutely; the gold and silver production of States like Colorado, where the greater part of the ores and their products were marketed through smelting plants, has fallen off to a greater degree than that from States where the precious metals are reduced to bullion in plants at the mines, and still more than that from States where the precious metals are merely a by-product from base-metal mines.

The small producing base-metal mines, which form by far the larger number—although their output is not equal to the combined output of a few larger enterprises—are also suffering acutely.

By reference to any comparative table of commodity prices, it will be seen that, of all classes of commodities, the only one that shows an average price consistently as low as before the war, is that of nonferrous metals. Even farm products—coal, livestock, petroleum products, lumber—to name the industries that are popularly supposed to have suffered most from post-war conditions, and the grievances of which have most impressed the public mind—are substantially higher than before the war; while nonferrous metals as a class have alone remained at the average pre-war level.

One might have anticipated that the entire industry would have been wiped out. That this has not happened has been due to engineering genius which, in the case of large deposits, has enabled efficiency to be increased in the same ratio that costs have risen; mainly through increased mechanization. This remedy, however, can be applied only in the case of large deposits. Small mines have been operated without profit or have gone out of existence.

Other conditions have long tended, in large measure, to confine profitable copper mining to large mines. There are, however, great numbers of small lead and zinc mines, which under present conditions produce without profit, merely wasting a national resource that before long will be badly needed. To propose that they be closed down and abandoned meantime, is no remedy for the condition for most mines can not be closed down at will, without great loss of capital and permanent damage which on reopening increase the price that the consumer must eventually pay. Adequate protection by tariff from foreign competition, when feasible, is the proper remedy.

The United States is a large exporter of copper and zinc; for which reason it is possible that a tariff on copper, or an increased tariff on zinc, would prove of no benefit. This is not true of lead; of which we import, as a rule, more than we export. And fortunately most zinc mines (and especially those which are most affected by present conditions) produce more or less lead, and would benefit by more stable lead prices, brought about by a moderate increase of tariff.

Whatever opinions we may hold as to the benefits of protective tariffs in general, there can be little doubt but that, in the special circumstances surrounding lead an increase in tariff will lead to a more stable price for the consumer.

A market price like that of the last few years, fluctuating between the extremes of 6 cents and 10 cents per pound, may benefit the intermediate consumer or manufacturer, in the case of great corporations, whose resources permit them to buy up or import large quantities of lead when the price is low. The president of the National Lead Co. (themselves not inconsiderable lead producers) has publicly stated that the profits of that corporation are higher at times of low prices. This is for the reason that the low price of metal is only to a small extent passed on to the ultimate consumer; and because high prices tend to restrict consumption.

It is believed that a price of 6 to 6½ cents per pound in New York (the range of prices during the present year) is unremunerative, excepting to a few producers of lead; and that even in the case of these, such a price is not adequately remunerative, if just allowance is made for depletion. It leads inevitably to curtailment of desirable capital expenditures and to temporary selection of the richer ore, all of which is uneconomic, and tends, in the long run, to increase the price to the ultimate consumer of manufactured lead products. It is notorious that the price of these is never reduced in proportion to the price of pig lead.

The tariff on lead during the last 30 years has been as follows:

	On lead in ores	On metallic lead
McKinley tariff:		
1897–1909	1½ cents per pound	2½ cents per pound.
1909–1913	1½ cents per pound	2½ cents per pound.
Underwood tariff, 1913–1922	¾ cents per pound	25 per cent ad valorem.
Fordney tariff, 1922	1½ cents per pound	2½ cents per pound.

The obvious intent of the last tariff was to restore the basis theretofore existing, under which the lead-producing industry had been built up. Had the rate per pound been fixed in the same proportion, after taking into consideration the changed value in money, it would have been satisfactory, and no change would be necessary to-day. We propose merely to restore what in effect will be the same rate that we had prior to 1913.

The period covered by the Underwood tariff was that of violent fluctuation caused by the war. Excepting in 1913 and 1914, war prices partly offset the ruin that the reduction in tariff would otherwise have brought to the domestic lead producer, and to other mining industries which depend for their market on lead-smelting plants.

The greater part of the world's lead output comes from North America, its share of the total having increased from 58.4 per cent in 1925 to 60 per cent in 1927. The greatest proportionate increases were in Canada and Mexico.

According to Sir Robert Horne, late British Chancellor of the Exchequer and now chairman of the Zinc Corporation (Ltd.), the value of the world's lead production in 1925, based on the average price for that year, was £52,602,000 ($255,120,000), whereas the value of the 1927 production, on the basis of the price of July, 1928, was only £33,978,000 ($164,800,000). "This provides food for thought. The movements of the markets afford ample evidence that the consumers of the world can not yet comfortably absorb production of the volume of 1926 and 1927, while on the other hand there is abundant proof that the world's resources of lead and zinc can not suffer for any great length of time this enormous drain that is being made annually upon them by producers. I believe in stability of prices; and I earnestly commend to the world's industry the view that those chiefly interested should now consider whether it might not be possible to reach such a result."

Sir Robert Horne plainly has in mind an agreement to restrict output; in which American producers can not take any part, because the provisions of the Sherman Act, as interpreted by the Supreme Court, forbid it. Their only remedy against cut-throat competition by foreign countries is the tariff.

According to J. R. Finlay, chairman of the Mining and Metallurgical Society's committee on lead, and himself a distinguished mining engineer: The normal annual increase in the world's consumption of lead is a little over 3 per cent. During the last three years—due to the high prices ruling in 1926 and 1927—production increased at twice this rate: Hence the resulting weakness in the lead narket and ruinous fall in price. During 1928, it is evident that not merely has the normal increase in production been checked by the low price, but an actual fall in production has occurred. Excepting for relatively unfavorable industrial conditions abroad (especially in England), we might have expected a higher price.

Anyone who has closely followed the relation between the domestic and foreign quotations, during the last two years, can not but have been struck by the fact that frequently, as the domestic demand increased, the price has begun to rise. After a week or two, however, weakness in the London market has followed, the London price dropping to a point at which foreign exportation into the United States is possible, whereupon the New York price had to be reduced in order to hold the domestic market. Domestic and foreign quotations, in fact, have seesawed, each being used in turn to hammer the other down. In other words, the natural level of prices which the free play of supply and demand in America would otherwise have brought about has repeatedly been interfered with by competition from abroad. Evidently the London market can not at present absorb the Mexican and Canadian output, which has materially increased during the last few years. Domestic and foreign producers have suffered alike, the price having fallen to a level at which few can make a fair profit; and the higher-cost producers are compelled either to operate at an actual loss or go out of business

altogether. The situation is uneconon or all competent authorities agree that no resources are now known from w... the normal consumption, with the normally-expectant increase, can be supplied for more than a few years ahead.

Finlay anticipates a world's demand in 1937 of between 2,500,000 and 2,600,000 tons of lead. It is not too much to say that there is no prospect whatever of the world being able to supply this quantity at the present price. Sound policy requires the establishment and maintenance of a price that will encourage the development of such low-grade and complex ores as will enable the expectant consumption to be supplied in future years, without reaching such levels as will restrict consumption, or encourage the use of substitutes. Wise statesmanship will aid in establishing such a price, in so far as tariff adjustments can accomplish it.

What is such a price?

Had the price of lead during 1928 been maintained at or around 7 cents per pound (which would have been the case had the tariff been fixed at the old rate, modified in accordance with the change in the purchasing power of money), we believe that much waste and damage to the producer would have been avoided without harm to the interests of the consumer.

We are furthermore convinced that a price of 7 cents per pound will not encourage the use of substitutes and will not lead to any material increase in production in the United States.

Should the price rise much above 7 cents, importations from Canada and Mexico will soon restore the balance, unless and until the world's consumption once more gains on its production, at which time it is to be hoped that a gradual increase in price will bring about a corresponding gradual increase in output, from ores of progressively lower grade. This is greatly preferable to another period of severe price fluctuation; the effect of which has been harmful alike to producer and ultimate consumer.

Quoting again from Finlay:

"The actual price of lead to-day is about 6½ cents a pound in New York. According to the price index published by Dun's Agency, the average price of commodities, compared with 1913, is about 151. According to Professor Fisher, it stands at 146. If, by using either of these estimates, we translate the present price into the figures of 1913, we should have lead selling at between 4¼ and 4½ cents a pound. That was a good normal average, in the period before the war. In other words, the price that we have to-day, in proportion to the average commodity, is just about normal, and it has been swept down to this figure by a gush of new production, which has come on at more than twice the normal rate of increase, over a period of three years."

What we propose at this time, therefore, is an increase in the lead tariffs, by Executive order, of 33⅓ per cent. This will result in an increase in the domestic price to 7 cents per pound, or a little more, and will tend to render the price relatively stable for several years. In the very long run, a considerably higher price for lead is inevitable; but the more gradually it comes about, the better for everybody concerned.

GEORGE E. COLLINS,
Chairman, Committee Tariff on Lead.

ZINC ORE

[Par. 394]

SUPPLEMENTAL BRIEF OF GEORGE E. COLLINS, DENVER, COLO. REPRESENTING THE LEGISLATURE OF THE STATE OF COLORADO AND THE COLORADO MINING ASSOCIATION

FINANCE COMMITTEE,
United States Senate, Washington, D. C.

GENTLEMEN: I desire to add the following to the brief already presented on behalf of the State of Colorado and the Colorado Mining Association with respect to zinc: Outside of the Mississippi Valley lead and zinc minerals exist together, in the same ore, mixed in varying proportion. The lead and zinc content must therefore be considered together. Since the selective flotation process was perfected it has become possible to separate them commercially. In the Rocky Mountain region to-day ores are evaluated not on the percentage of lead or zinc but rather on the combined lead-zinc percentage.

The existing tariff was formulated before this development, and provides for different rates, varying with the zinc content of the ore. The grade of ore that we are to-day producing in the Rocky Mountain region is subject only to a nominal duty of half a cent per pound on the zinc content. The grade of ore that is produced in our Tri-State region bears no duty at all. The present tariff does not apply the full rate (1½ cents per pound) until a zinc percentage of 25 per cent is reached, which means in lead-zinc ore that only exceptionally high-grade ore pays this rate. Northern Mexico is as well situated as is the Rocky Mountain region, in respect of freight rates and other conditions, and has much lower labor costs. The domestic producer of zinc-lead ore can not compete with Mexico, and Mexican ores by the new processes of treatment will command a large part of our domestic market.

In Canada, conditions are fully as favorable as in the United States; smelting plants of the most modern type and ample capacity now exist just across the border from Canada and Mexico ready to take the production from those countries that now menace the domestic producer.

We submit that there is no valid reason for the differentials in the existing zinc-ore tariff. Whether zinc-bearing ore at the time and place of importation contains 5 per cent, 15 per cent, or 25 per cent of zinc is largely a matter of the the size and character of the ore body and the amount of preliminary enrichment by sorting or concentration that it is found expedient to effect at the mine. We respectfully submit that zinc-bearing ore should bear a uniform tariff rate of 1½ cents per pound on the zinc recovered therefrom, irrespective of the zinc percentage.

Respectfully submitted.

GEORGE E. COLLINS.

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